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I'M FEELIN' CUSTOMERS' FEELINGS

LG Electronics is dedicated to developing and producing the most advanced high technology products in the world. An important measure of our success is the enjoyment our customers get from how our products enrich their lives. The following pages show some of the ways our customers feel about what we produce.

I'm
breathin'



To keep your allergies under control, you need a washing machine that gets rid of allergens while making your clothes—and your teddy bear—fresh and clean.

WASHING MACHINE

LG Electronics' new Steam Washing Machine virtually eliminates allergens with its unique Allergy Care function.



LG SHINE

LG Electronics' stunning Shine, a full-metal bodied phone with a sleek and sophisticated design, offers a multi-function scroll key and the 'magic mirror' screen.

I'm stylin'





To play music,
send pictures,
and look
fashionable,
you need a
phone with
amazing looks
as well as
cutting-edge
technology.

I'm
touchin'



To experience incredibly lifelike images, you need a LCD & Plasma TV with Full HD 1080p picture resolution.

FULL HD LCD & PLASMA TV

LG Electronics' LCD & Plasma TVs offer Full HD 1080p resolution—the highest in the industry—in a range of models up to 71-inch.



I'm
cheerin'



To enjoy all the movies and videos in full HD picture resolution, you need a high-definition disc player that handles both formats.

**THE WORLD'S FIRST DUAL-FORMAT
HIGH-DEFINITION DISC PLAYER**

You no longer need to choose between the two high-definition disc formats.



MESSAGE FROM THE CEO

Value Creation:
Key to the Future

YONG NAM
VICE CHAIRMAN & CEO



Dear Shareholders, Customers, and Business Partners:

On behalf of all employees at LG Electronics, I would like to express my sincere thanks to you for the support that helped make 2006 another milestone year. We had another strong growth year, capping off almost 20 years of double-digit revenue increases. At the end of 2006, our presence and reach spanned the world, and we are now one of the leading global consumer electronics companies. Consumers around the world enjoy our innovative and exciting products in just about every corner of their lives-trend-setting mobile phones, flat panel TVs, refrigerators, washing machines, computers, and many others. While we continued to build our global presence, sales, and brand in 2006, it was a mixed year for us in terms of overall financial performance. Our revenues were up 11% to \$38.5 billion, but operating profit fell from \$1.2 billion to \$883 million, a drop from 3.5% to 2.3%. By business unit, Digital Appliances continued to perform well, on the strength of innovative, premium products such as the Steam Washer. Our Mobile Communications division also ended the year with strong momentum, driven by steady penetration into open markets and strong sales of 3G phones and hit products such as the Chocolate phone. However, the unexpected, sharp declines in Plasma TV prices in the second half of 2006 took a bite out of profits. Going into 2007, we are more optimistic about the industry outlook in our product segments, especially in Mobile Communications and Digital Appliances. But we expect that Digital Displays will face another challenging year. As such, we are focusing our business strategies to successfully address the opportunities. You will see many more innovative products that bring technology and design to consumers around the world. Additionally, all our managers are working hard to align the enthusiasm and dedication of our employees with these strategies.

CREATING VALUE

LG Electronics is a global leader in many consumer electronics categories, some of which are the most competitive in the world. The unrelenting demands for product innovation and downward price pressures mean that only the strong survive in this industry. We have an ambition to be in the global “Top 3” consumer electronics and telecommunications companies by 2010. If we achieve this goal of being “Top 3” in shareholder returns, profitability, growth, revenue, and market share – in that order – then we will become one of the shapers of the industry, *creating value for our shareholders, customers, and our people.*

I am confident that we will get there. To do it, though, is going to require an obsession from our people with what creates real value. To harness this passion, our strategy will be anchored along 6 dimensions:

Achieve 20% ROIC by 2010 – We must focus our strategies on those things that create value for our shareholders. The high investment requirements, coupled with the ever-increasing competitive nature of consumer electronics, oblige us to lock in on strategies that will improve margins, drive supply chain efficiencies, and efficiently utilize our global network of assets. Growth is wonderful, but we cannot pursue it at the expense of profits and shareholder returns. We are now a \$38.5 billion company, growing more than 10% per year. Not many companies around the world can claim such performance. Going forward, though, I want to make sure that we are also one of the most profitable companies, one with shareholder returns that our competitors envy.

Optimize the business portfolio to become “Top 3”

– Today, we operate in over 100 countries, across 30 product categories. In some of these, we enjoy undeniable leadership. In those where we do not, we must quickly assess how to improve our position or make plans to exit.

Serve the “polarizing” consumer market – Across most consumer categories, we see a distinct “polarization” occurring. And those companies stuck serving the “middle” lose out without clear differentiation. We need to focus on creating premium, aspirational products to win at both ends of the market.

Innovate in design as well as technology – Consumer electronics is no longer about utilitarian “brown goods” and “white goods”. In all product categories – from handsets to washing machines – consumers expect the latest in technology features, packaged in designs that make them passionate about these products.

Invest in building a clear, global brand identity – Our brand is now one of the most recognized consumer electronics brands across the world. However, we must continue to invest to build a brand with a clear identity, one which creates a real emotional bond with our consumers.

Develop a truly global, unsurpassed talent pool – Focusing our strategy on shareholder value, developing products that create consumer value – these things are not possible unless we have the most talented and motivated employees globally. We want to make LG Electronics the employer of choice around the world, a

place where the best people want to come and work, and a place where our competitors want to come and recruit.

INITIATIVES IN 2007

Achieving our strategic goals is not going to be easy. It will require sustained, fundamental changes to many of the things we do. I am confident that our people are up to the challenge.

We have already initiated many changes to help us achieve these objectives. As such, I am sure that 2007 will be another milestone year for LG Electronics, marked by a continued increase in global sales and recovering profitability.

You will see many, trend-setting, product innovations from all our business units. To cultivate our innovation pipeline, we are expanding R&D investment in core businesses such as mobile phones and flat panel TVs, as well as new, exciting businesses such as car infotainment and home networking. Together with this investment in technology, we are also improving our product design capabilities. We want to extend our global leadership in creating stylish products consumers clamor to own. All of this must then be communicated in a clear brand message. And in 2007, we will unveil a new brand communication strategy to capture the hearts and minds of consumers.

While I am excited by the innovations in store for 2007, I also realize that we have to remain focused on reviving profitability. To that end, we have already launched a number of initiatives aimed at improving our pricing mix, reducing the cost of goods, streamlining supply chains,

and efficiently utilizing our assets. Many of these initiatives will positively affect 2007 results and others will continue to bear fruit in 2008 and beyond.

We have also launched several initiatives to globalize our HR systems, as well as significantly upgrade our organization. All the senior managers in LG Electronics globally have a consistent set of strategies and performance measurements to improve our performance this year.

I am inspired by the opportunities that lie ahead and am firmly committed to make LG Electronics one of the global "Top 3" in every business that we pursue. We have a strong foundation on which to build. With the right focus, strategies, and people, I am confident that we will get there. Again, I want to thank you for your support in helping make LG Electronics the success it is today.

Sincerely,

YONG NAM
VICE CHAIRMAN & CEO



NEW VISION

LG Electronics is pursuing the vision of becoming a true global digital leader, attracting customers worldwide through its innovative products and design. The company's goal is to rank among the top 3 consumer electronics and telecommunications companies in the world by 2010. To achieve this, we have embraced the idea of "Great Company, Great People," recognizing that only great people can create a great company.

Global Top 3 In Consumer Electronics & Telecommunications



R&D AND DESIGN

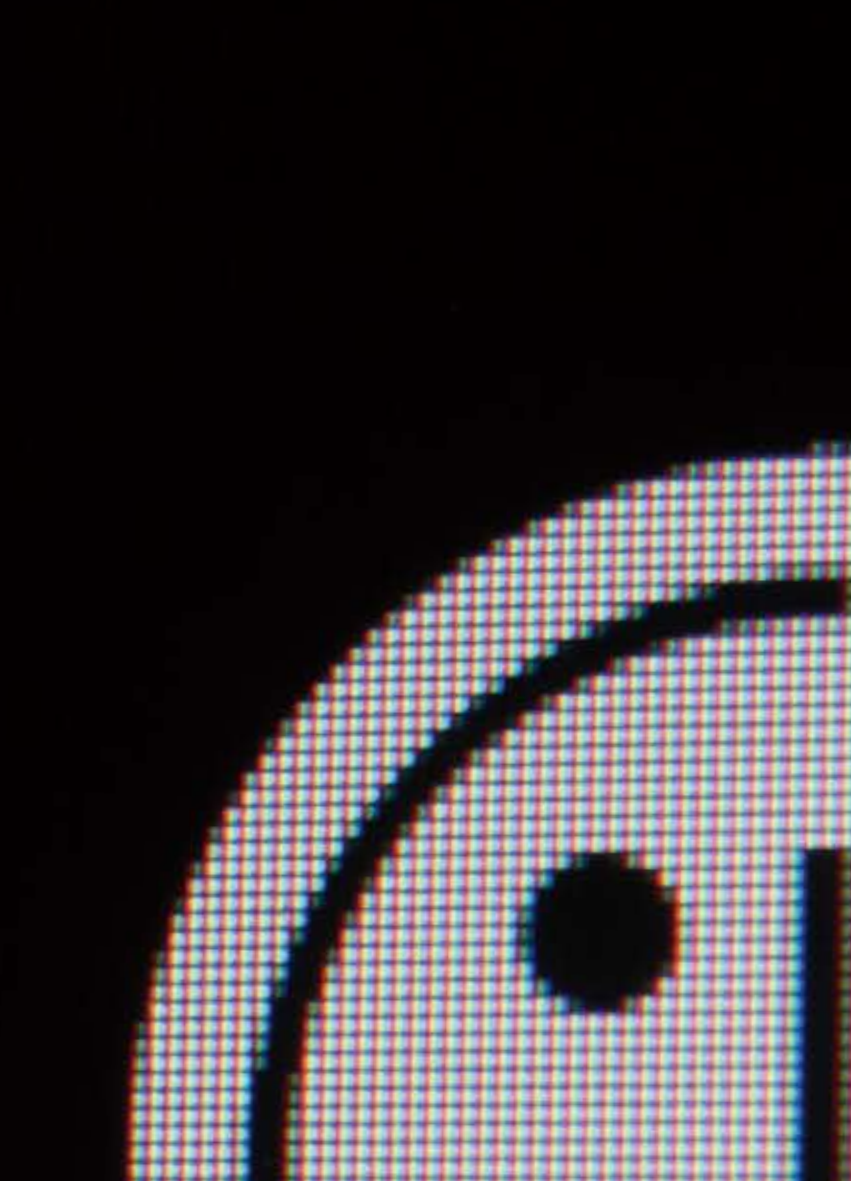
To become a Top 3 global company, LG Electronics is firmly committed to investing in R&D and Design to create products with the most highly valued technology and style. By perfectly matching function to form, these products emotionally connect to our customers. Our achievements in R&D and Design have made LG Electronics a global leader in CDMA handsets, optical storage, DVD players, residential air conditioners, plasma panels, and LCD displays. Our R&D is driven by the dreams of our customers. Because technology innovation is the key to success, we focus our energy on developing globally unrivaled products. At the same time, we seek to identify future growth opportunities in new business areas. Our Design Center is guided by its vision of “using design to inspire trust and make a lasting impression”, defining concept, style, interface, and finish as the four core elements of its design standard. We never cease researching what customers value most in creating designs that will define the future. As more products come with intelligent microchips and networking functionality, designers also become inventors, harmonizing technology with human needs. In R&D, we focus on creating a digital world that empowers and enriches people’s lives. Our strategy is to set the standard in technologies that link to the Internet, while continuing to develop world-leading products.

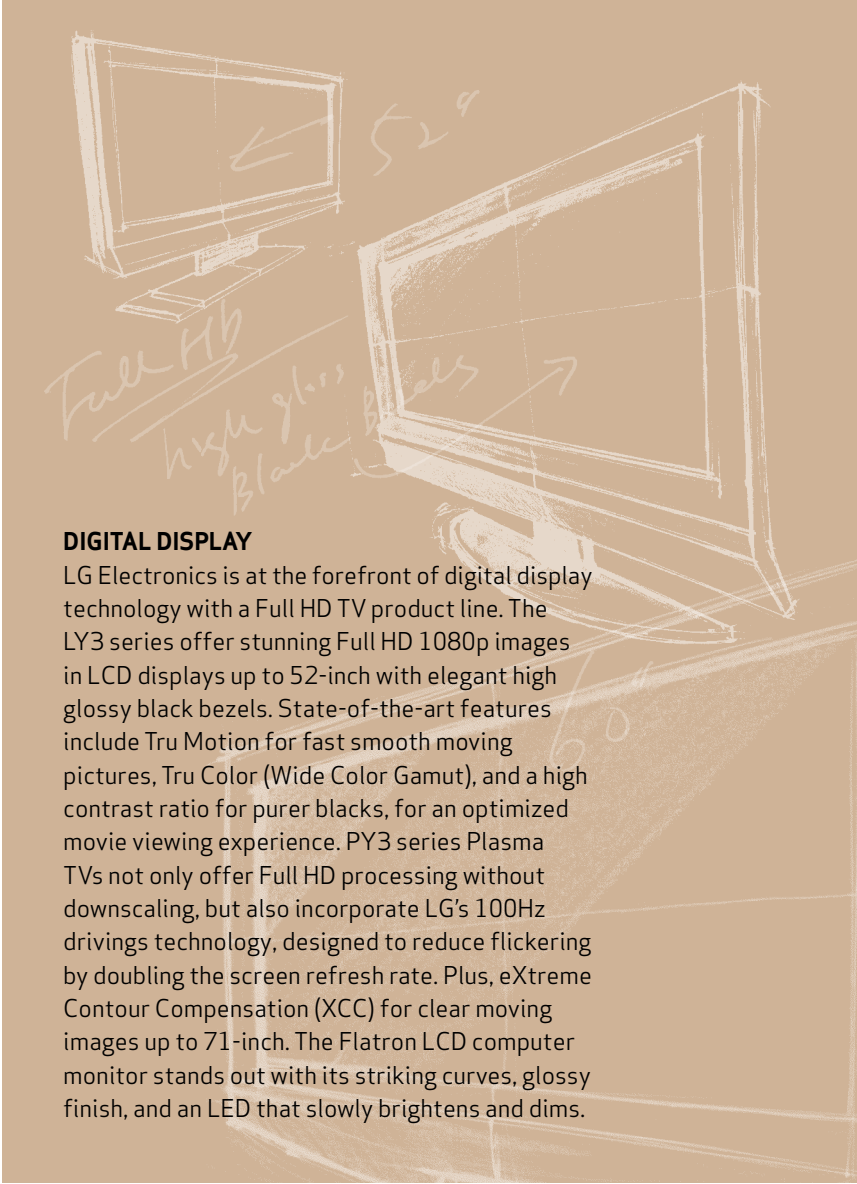
In 2006 we introduced the world’s first 60-inch single scan PDP module, the world’s highest performance LCD monitor, the world’s largest PDP TV at 102-inch, and the world’s first player for both Blu-ray and HD-DVD. We also launched the world’s first MP3 player with terrestrial DMB and the World Phone for 82 countries. Our R&D facilities include the Corporate Institute of Technology, Production Engineering Research center, and 36 research labs throughout the world. Our investment plan focuses on high-growth areas—mobile handsets, flat panel displays, car infotainment, system air conditioners, and home networks.

LG Electronics designers have increased the value of LG products through the magic of “design” to create aesthetic and easy-to-use products. In 2006, we announced our intention to become a “design-minded company” through three initiatives:

- 1) Designers can initiate innovative ideas in a cross-functional team with engineers, product planners, and marketers.
- 2) Designers are also involved in product planning, including product displays and promotions.
- 3) Designers will receive special recognition with the new “Super Designer” title.

Our devotion to design has been appreciated by prominent 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. There are now LG Design Branches in Milan, Beijing, New Jersey, Tokyo, and New Delhi, all working to achieve our vision of being a “Digital Life Originator”.

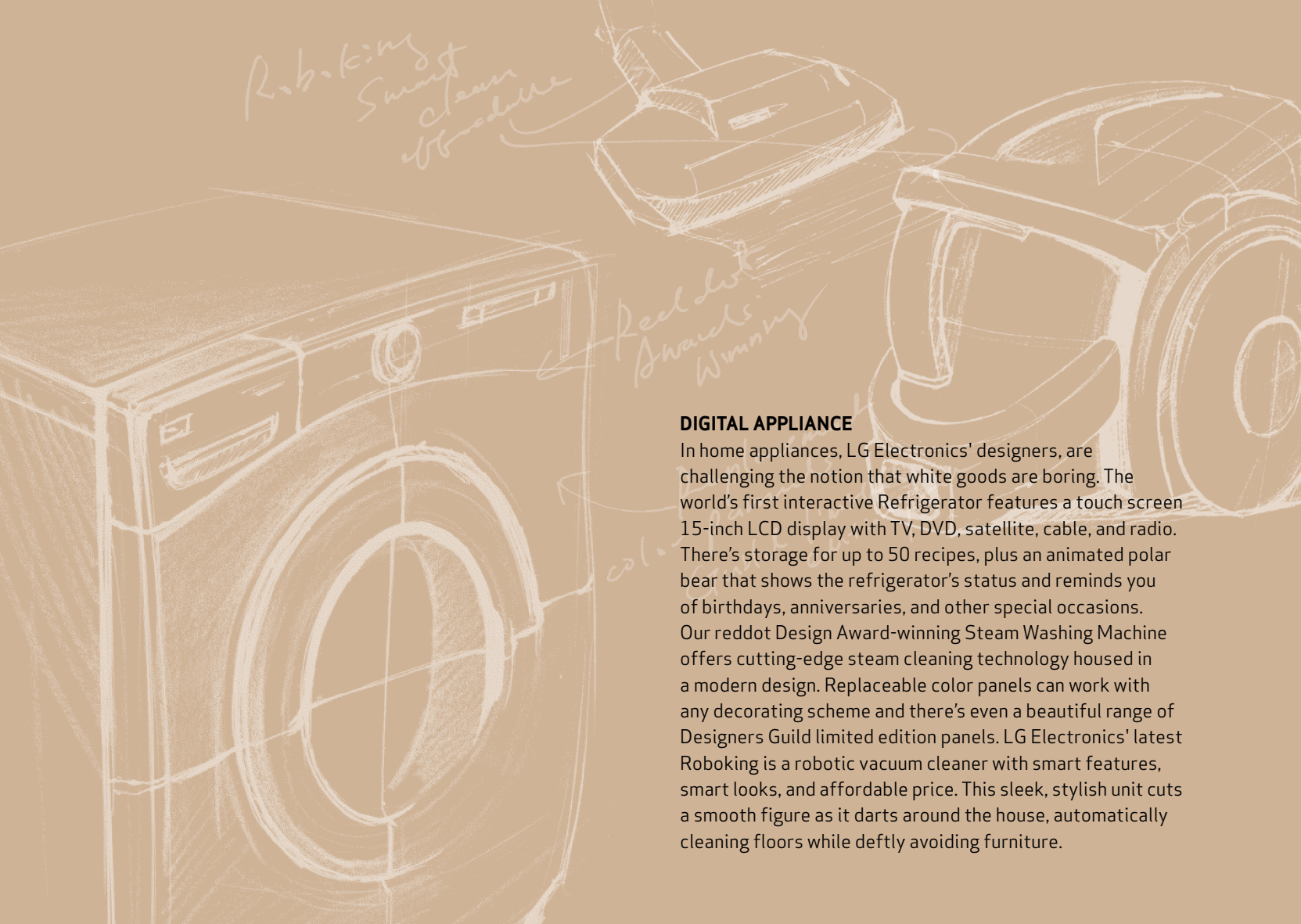


The background of the page features a light brown background with white chalk-like sketches of two digital displays. The top-left sketch is a smaller monitor with the handwritten note 'Full HD' next to it. The top-right sketch is a larger monitor with the handwritten note '52"'. Below these, there are more sketches and notes, including 'high gloss Black Bezel' and '60"'.

DIGITAL DISPLAY

LG Electronics is at the forefront of digital display technology with a Full HD TV product line. The LY3 series offer stunning Full HD 1080p images in LCD displays up to 52-inch with elegant high glossy black bezels. State-of-the-art features include Tru Motion for fast smooth moving pictures, Tru Color (Wide Color Gamut), and a high contrast ratio for purer blacks, for an optimized movie viewing experience. PY3 series Plasma TVs not only offer Full HD processing without downscaling, but also incorporate LG's 100Hz drivings technology, designed to reduce flickering by doubling the screen refresh rate. Plus, eXtreme Contour Compensation (XCC) for clear moving images up to 71-inch. The Flatron LCD computer monitor stands out with its striking curves, glossy finish, and an LED that slowly brightens and dims.

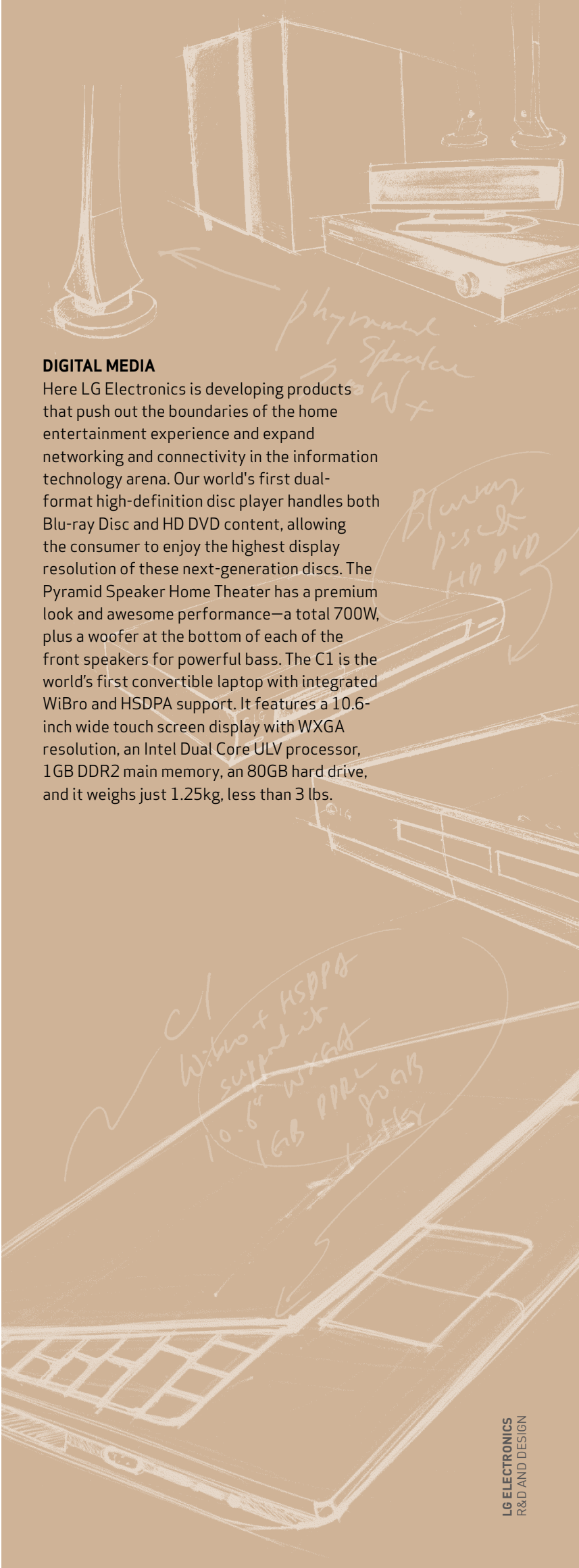




DIGITAL APPLIANCE

In home appliances, LG Electronics' designers, are challenging the notion that white goods are boring. The world's first interactive Refrigerator features a touch screen 15-inch LCD display with TV, DVD, satellite, cable, and radio. There's storage for up to 50 recipes, plus an animated polar bear that shows the refrigerator's status and reminds you of birthdays, anniversaries, and other special occasions. Our reddot Design Award-winning Steam Washing Machine offers cutting-edge steam cleaning technology housed in a modern design. Replaceable color panels can work with any decorating scheme and there's even a beautiful range of Designers Guild limited edition panels. LG Electronics' latest RoboVac is a robotic vacuum cleaner with smart features, smart looks, and affordable price. This sleek, stylish unit cuts a smooth figure as it darts around the house, automatically cleaning floors while deftly avoiding furniture.

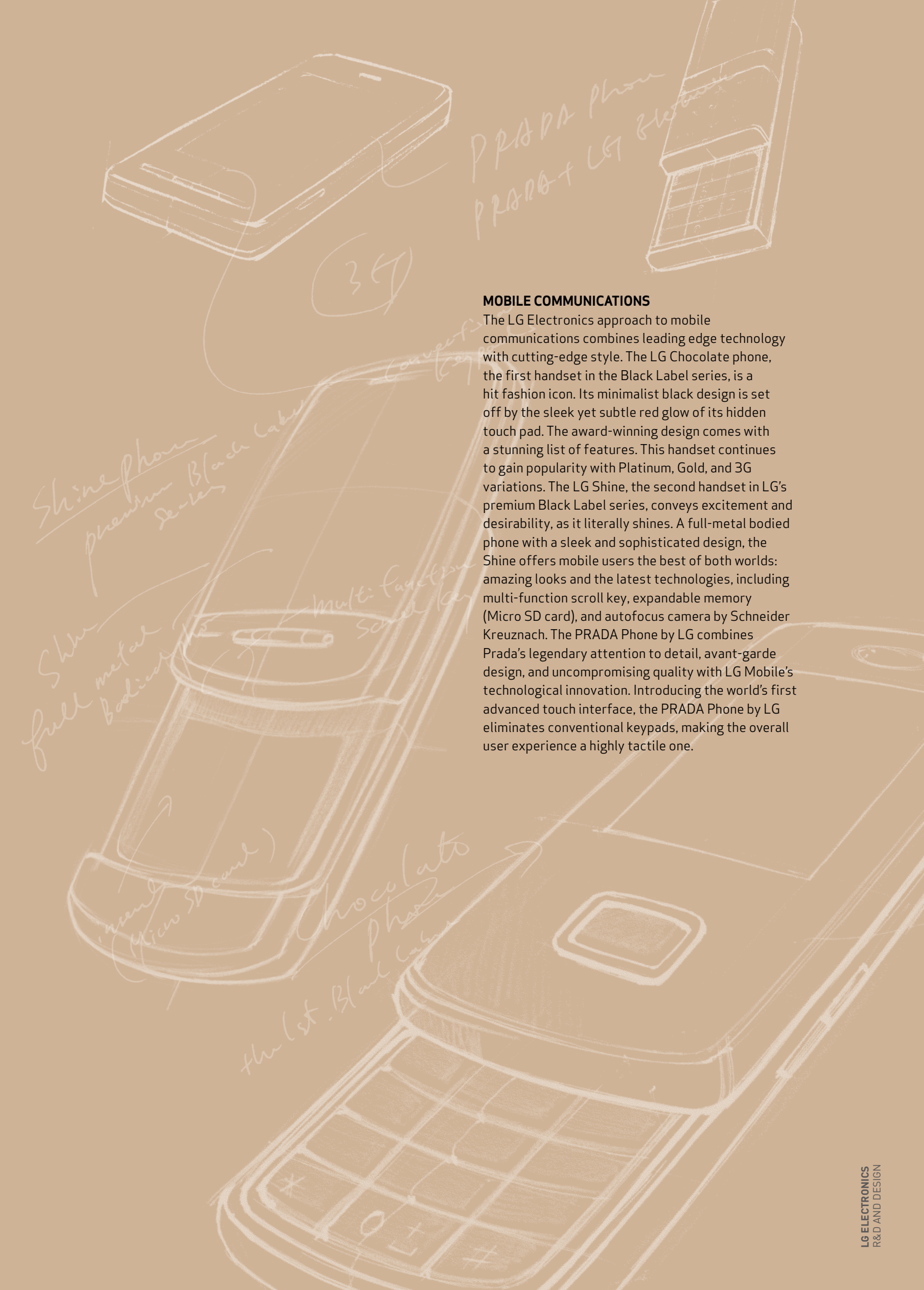




DIGITAL MEDIA

Here LG Electronics is developing products that push out the boundaries of the home entertainment experience and expand networking and connectivity in the information technology arena. Our world's first dual-format high-definition disc player handles both Blu-ray Disc and HD DVD content, allowing the consumer to enjoy the highest display resolution of these next-generation discs. The Pyramid Speaker Home Theater has a premium look and awesome performance—a total 700W, plus a woofer at the bottom of each of the front speakers for powerful bass. The C1 is the world's first convertible laptop with integrated WiBro and HSDPA support. It features a 10.6-inch wide touch screen display with WXGA resolution, an Intel Dual Core ULV processor, 1GB DDR2 main memory, an 80GB hard drive, and it weighs just 1.25kg, less than 3 lbs.





MOBILE COMMUNICATIONS

The LG Electronics approach to mobile communications combines leading edge technology with cutting-edge style. The LG Chocolate phone, the first handset in the Black Label series, is a hit fashion icon. Its minimalist black design is set off by the sleek yet subtle red glow of its hidden touch pad. The award-winning design comes with a stunning list of features. This handset continues to gain popularity with Platinum, Gold, and 3G variations. The LG Shine, the second handset in LG's premium Black Label series, conveys excitement and desirability, as it literally shines. A full-metal bodied phone with a sleek and sophisticated design, the Shine offers mobile users the best of both worlds: amazing looks and the latest technologies, including multi-function scroll key, expandable memory (Micro SD card), and autofocus camera by Schneider Kreuznach. The PRADA Phone by LG combines Prada's legendary attention to detail, avant-garde design, and uncompromising quality with LG Mobile's technological innovation. Introducing the world's first advanced touch interface, the PRADA Phone by LG eliminates conventional keypads, making the overall user experience a highly tactile one.

I'M FEELIN' CELEBRITIES' FEELINGS

LG Electronics has attracted the attention of people who are prominent leaders in their industries and professions around the world. The following pages show how some of the business partners, opinion-leaders, and educators who know us feel about our products and our company.

“The way LG Electronics has risen on the FORTUNE Global 500 list over the last five years is very impressive. The high quality and advanced technology of its products has made LG a premium brand in home appliances, mobile, and displays.”





MIKE FEDERLE

GROUP PUBLISHER, FORTUNE GROUP
TIME WARNER CORP.

LUIZ FERNANDO PASSOS CORREIA DE SÁ
EDITOR-IN-CHIEF
ISTOÉ DINHEIRO MAGAZINE



“LG Electronics took our market by surprise, launching high quality and trend-setting products. They’re strong in LCD TVs and Plasma TVs, winning our Annual Best Corporate Award the last three years in a row.”



PROFESSOR DR. PETER ZEC

FOUNDER, REDDOT DESIGN AWARDS

PRESIDENT, DESIGN ZENTRUM

NORDRHEIN WESTFALEN

PRESIDENT, INTERNATIONAL COUNCIL OF
SOCIETIES OF INDUSTRIAL DESIGN (ICSID)





“LG Electronics develops products that exactly fit the Zeitgeist, like the Chocolate and Shine phones. They won 29 reddot 2007 Design Awards, including 'Best of the Best' for their 'PRADA Phone by LG' that's creating worldwide buzz.”

MARK LEVINSON
PRESIDENT AND CEO
DANIEL HERTZ ADVANCED
AUDIO DESIGNS



“I'm partnering with LG Electronics to make a contribution to the music world, as well as the audio/video world—creating systems that dramatically improve the listening quality of digital audio.”



LIN CHUANJIN

SCHOOLMASTER, TIANJIE PRIMARY SCHOOL
QIXIA DISTRICT, SHANDONG PROVINCE, CHINA





“The LG Electronics Scholarship inspires positive attitudes among students and is a great help for poor families. LG Electronics also gave us new PCs and does many things to improve our school. We wish them much future success in China.”

YOU'VE JUST HEARD FROM THE PUBLISHER OF THE WORLD-RENOWNED *FORTUNE* MAGAZINE; THE EDITOR OF A WELL-KNOWN BUSINESS PUBLICATION IN BRAZIL; THE HEAD OF ONE OF THE MAJOR EUROPEAN DESIGN AWARDS; A LEADER IN THE AUDIO INDUSTRY; AND A DEDICATED EDUCATOR.

These five people, who have shared their feelings about LG Electronics and its products, are the kind of prominent individuals whose opinions we value highly. Some of them we work with as business partners. Others inform the world about our products and our company. Others are people whose work in the community can benefit from our products and support. What these exceptional people are thinking and feeling is of paramount importance to us at LG Electronics.

BUSINESS OVERVIEW

The Digital Appliance Company set new sales records in 2006 and plans to continue its leadership this year with advanced technology and premium products.

The Digital Display Company introduced the world's largest Plasma TV, along with the award-winning Flatron computer monitor. This year they will become the world's largest Plasma TV producer, with a broad presence in Full HD.

The Mobile Communications Company was number one in CDMA the last two years and for 2007 will grow its 3G and GSM businesses, while continuing to lead the premium segment with trend-setting designs and performance.

The Digital Media Company maintained its number one position in optical storage, and performed well in home audio, car infotainment, mobile AV, and notebook PCs. It will now offer the world's first dual-format high-definition disc player and digital convergence products leading to ubiquitous systems.

In the design of home appliances, LG Electronics Digital Appliance Company provides customers with a lot more than everyday convenience.

That's why LG Electronics is a leader and pioneer of products that offer unique features and functions, premium value, and exceptional performance. The line includes Air Conditioners that look like framed artwork, engineered with health-conscious features and eco-friendly design. There are Steam Washing Machines that eliminate allergens, which is very important for allergy sufferers. LG Electronics also makes an oven that uses both light and heat to cook, and a bagless Vacuum Cleaner that won't blow dust in your face when you empty it. As the first company to commercialize Home Networks, LG Electronics has also pioneered appliance convergence with products like the world's first Internet and TV Refrigerator.

LG Electronics continued its run as the world's number one manufacturer of Air Conditioners for the seventh consecutive year. It was also the third consecutive year the company shipped more than 10 million units. Building on this momentum, LG Electronics introduced 103 new models for 2007, with an emphasis on health-conscious features and eco-friendly natural designs. A prime example is the exciting ARTCOOL Inverter, which looks like framed artwork, and saves energy, reduces noise, and uses Neo Plasma Plus to provide clean air. LG Electronics also launched its Multi-V system Air Conditioner in overseas markets and now provides local support, from product development and manufacturing to sales and service. For 2007, the company plans to expand overseas production to 60 percent.

In Washing Machines, 2006 saw LG Electronics post its greatest sales revenues to date, as it launched new models of its Steam Washing Machines, including a Special Edition featuring unique graphic options. 2007 will see the introduction of a new Steam Washing Machine designed to virtually eliminate allergens. The company's front-loading Washing Machines have helped it take the leading position domestically. With the continued release of upgraded Dishwashers and Dryers, LG Electronics is giving home appliances a whole new direction around the world.

The company also set new sales records in Refrigerators for 2006, achieving the global Top 2 position. LG Electronics' linear compressors produce world-class products that are both powerful and quiet. Most importantly, models are designed for specific national cultures. In Europe, for 2007, the company is introducing a bottom freezer model that lets you access the ice without opening the door. LG Electronics will also be launching a stylish Side-by-Side Refrigerator with an icemaker inside the freezer door, and a Top Mount Refrigerator that uses LED lights to keep fruits and vegetables fresh.

In Cooking Appliances, LG Electronics' 2006 launch of new products in the Built-In Cooking Systems line met with excellent results in North America. Throughout the world, the company's Microwave Ovens are designed to reflect regionally specific menus, enabling LG Electronics to solidify its leadership in the global market. New products for 2007 include a stylish Built-in Oven with a solar cooking function that simplifies cooking with e-Cookbooks and a color LCD display. LG Electronics is also leading the premium market with the new-concept Lightwave Oven, which cooks using both light and heat.

LG Electronics' Vacuum Cleaners also showed excellent results with new product introductions in North America. The company's bagless Cyclone Vacuum Cleaner is capturing the global market, with LG already a national brand in Russia for the last three years. Coming in 2007 will be a Vacuum Cleaner that stores four times the dirt of conventional cleaners and keeps dust away when you empty it.

LG Electronics' goal is to become the world's number one digital appliance company by 2010. To achieve this, the company needs to develop new businesses, as well as accelerate its core business growth by continuing to develop innovative products for the mass premium market. It is critical that LG Electronics continue to enhance customer value and build loyalty through providing the highest quality support, as it strengthens its global operations.

LG Electronics Digital Appliance Company is known for converging digital technology with home appliances and bringing premium quality to the mass market. Number one in air conditioners unit sales, and advanced technology in refrigerators, cooking appliances, and vacuum cleaners put the company well on its way to becoming the world's number one in digital appliances by 2010.

Digital Appliance Company



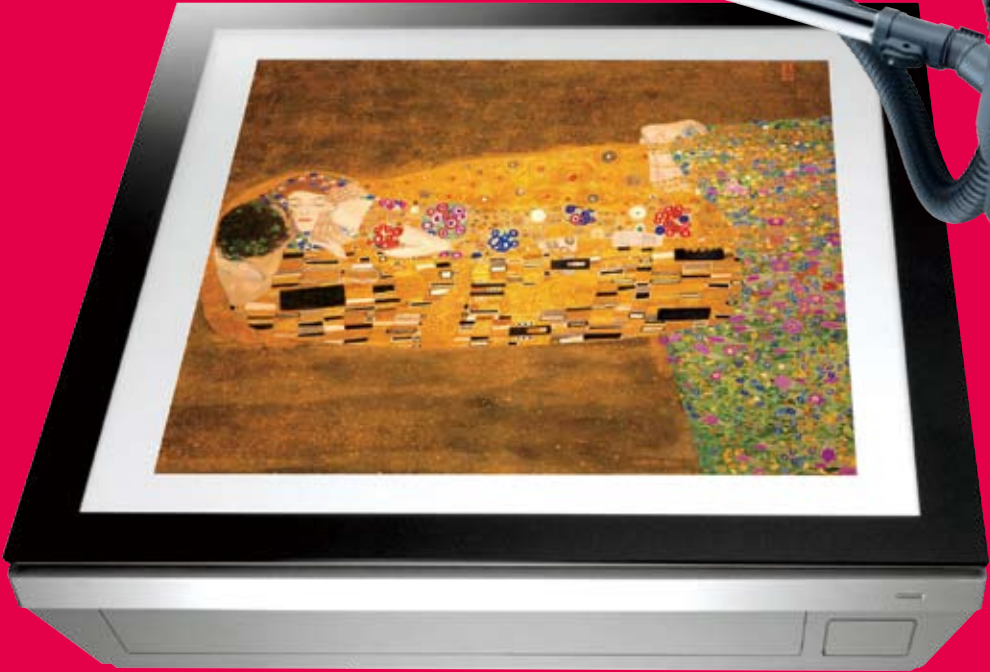
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ARTCOOL AIR CONDITIONER The picture-replaceable front panel allows ARTCOOL Inverter to fit into any interior design, while offering improved cooling and heating through inverter technology.

2

STEAM WASHING MACHINE The world's first steam washing machine removes allergens, wrinkles and odors while using less energy and water than conventional washing machines.

3, 5

VACUUM CLEANER LG's powerful vacuum cleaner with a proprietary dust compression system stores more dirt and dust of conventional vacuums.

7

LIGHT WAVE OVEN The world's first lightwave oven, SolarDOM, combines a conventional oven, a grill and a microwave oven in one, with more usable interior space and reduced cooking time.

8

REFRIGERATOR WITH BOTTOM FREEZER LG's slim and sleek bottom freezer with a convenient Ice Home Bar allows you to get ice without opening the door.



8



7

LG Electronics, through its Digital Display Company, is expanding the viewing experience in LCD & Plasma TVs, with impressive screen sizes, including the world's first 100-inch LCD TV, and amazingly lifelike pictures with Full HD resolution. LG's Full HD LCD TVs are optimized for movie viewing: LG's Full HD processing takes low-resolution analog signals to near full high-definition levels (1080p).

Digital Display Company

Full HD(High Definition) technology is revolutionizing the Flat Panel TV industry, taking picture quality, functionality, and screen size to unprecedented levels. LG Electronics is developing display products with the highest picture quality through innovative features such as the XD Engine™, and luxurious designs. By adapting the company's proprietary digital transmission technology and enhancing picture quality, our HD TVs are well positioned in the global market. Our LCD TVs go up to 52-inch with ultra-slim depth and wall mountable designs and at 71-inch, we offer the largest screen size in Plasma TVs.

The Digital Display Company is at the global forefront of its industry, backed by a worldwide, vertically integrated manufacturing system and advanced technology in TV modules and application specific integrated circuit (ASIC) solutions. With this solid foundation in product development and production capacity, we can turn out a range of products to meet all customer needs—from Full HD LCD TVs and Plasma TVs to monitors and other types of display.

In LCD TVs for 2006, LG Electronics continues its commitment to lead in HD TVs after commercializing the world's first 100-inch LCD TV. In 2007, we are introducing a series of LCD TVs with Full HD 1080p resolution in an aesthetic design. Our premium LY3 series provide an immersive experience, with Full HD resolution producing truly lifelike images. In the LB9 series, slim bezels, ultra slim depth, and a high glossy finish give a sleek, polished look. Our LCD TVs also deliver clear, powerful sound through special laser-cut dimpled speakers and Dolby Digital and SRS TruSurround XT.

In 2006, the company introduced the world's largest Full HD 102-inch Plasma TV(1080p) and in 2004, developed the world's first HD TV with built-in HD digital video recorder(DVR) that can store up to 250GB of HD content, enabling viewers to pause live broadcasts and record programs to watch at their convenience. We also introduced the world's first 60-inch HD Single Scan module with the highest quality HD resolution at greatly reduced weight and cost. We're introducing 42, 50 and

60-inch PB4 Plasma TVs featuring an ultra-slim two layer design with high glossy black finish. The PC5 achieves the world's slimmest depth for a Plasma TV and this year includes 42 and 50-inch models. LG's Plasma TVs incorporate LG's 100Hz driving technology, designed to reduce flickering by doubling the screen refresh rate. With almost double the conventional refresh rate, this technology greatly reduces flicker.

Our FLATRON LX60 LCD Monitor won a 2006 reddit Design Award for its elegant curved design, which looks beautiful from any angle. Our new 22-inch widescreen monitor is Windows Vista™ Certified. It has the world's highest contrast ratio of 3,000:1 and a response speed of 2ms. First with a wall-mount projector, we've now come out with an Ultra Mobile LED Projector that weighs just 750g (less than 2 lbs.) and has a 20,000-hour lamp life.

Looking forward, LG Electronics sees rapid expansion of the Flat Panel TV market at 40-inch and above, led by the fast growth of LCD TVs. The company's goal is to increase its market share by supporting Full HD throughout the product lineup and by expanding channel coverage. We will also continue to invest in next generation technologies such as OLED, flexible displays, and 3D TVs to give consumers the best possible television experience. This strategy should reinforce our leadership and profitability. Most important, it should help us achieve our goal of becoming the top global display company by 2010.

1

FULL HD TVs (LY3, PY3) LG's Full HD TVs are capable of displaying at their highest resolution 1080p Full HD images, delivering clear and natural images without blurriness or distortion.

2

OUTSTANDING DESIGNS (LB9) LG's award-winning design team creates beautiful products that are truly elegant with minimalist features like these rich, glossy frames.

3

DVR (PB4) LG is the only company to offer TVs with integrated HD digital video recorder (DVR) capability. The built-in DVR enables you to pause live broadcasts and record programs that can be watched at your convenience.

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LG Electronics Mobile Communications Company is a global leader and innovator in the worldwide mobile market, providing consumers with better mobile experiences through its advanced mobile technology and premium handset design capabilities.

Mobile Communications Company

In pursuit of the company's vision of becoming a global top tier mobile phone company by 2010, we will continue to reinforce our core competencies by focusing on R&D and brand marketing. In CDMA, where we have been number one for two consecutive years, we will look to secure our market dominance while still actively advancing our 3G and GSM businesses. Furthermore, we will strive to lead the trends in mobile communications by continually developing mobile phones that incorporate breakthrough functions, are more convenient, and most importantly, feature unique designs that speak to our customers emotionally.

As one of our strategies in 2006, we pursued open markets with our premium handsets, achieving dominant positions as a premium brand in many regions around the world. In the process, LG Electronics set new standards for functional design and style. LG's top models are the Chocolate phone, Shine phone, and PRADA Phone by LG.

The Chocolate phone was the first handset in the premium Black Label series and has sold over 10 million units. It has achieved great commercial success and become a global sensation. This year's Black Label follow-up, the LG Shine, builds on last year's success, but moves in a new direction. This gleaming fashionista-friendly handset is encased in sleek stainless steel, giving it a mirrored look.

The PRADA Phone by LG, developed through intimate collaboration with worldwide luxury brand PRADA, is an industry breakthrough: a unique and elegant mobile phone with the world's first completely advanced touch screen interface. Already garnering attention for its smart looks, this handset won the "Best of the Best" at the 2007 reddot Design Awards.

LG Electronics is also leading the world 3G market, which is expected to reach 16 million units in 2007. LG Electronics' mobile business gained momentum this year from a different type of award: our LG-KU250 3G handset was selected in February for the GSM Association's "3G for All" campaign by a consortium of the world's twelve largest mobile operators. LG Electronics is supplying 3G handsets globally through close alliances with

telecommunication giants. We are also producing hit 3G premium models, including the Chocolate and Shine phones.

In the mobile TV market, which has a forecasted demand of around 20 million units, we lead in three main broadcast technologies: DVB-H, MediaFLO, and DMB. In addition, we plan to continue our leadership with products that offer specialized multimedia functions, such as the LG-KS10 smart phone with PC-level functionality; the LG-CU500v with improved Video Share Call function; and the LG-LX550 with an FM transmission function and touch wheel pad.

LG Electronics also led the industry with the first demonstration of HSUPA and 3G Long Term Evolution (LTE), a fourth generation of wireless communication technologies.



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1 PRADA PHONE BY LG The PRADA Phone by LG, developed with PRADA, one of the world's foremost luxury brands, offers breakthrough technology including the world's first advanced touch-screen interface.

2 LG CU500 This stylish handset features Bluetooth and HSDPA download speeds (4x/10 times faster than UMTS) for surfing the internet, downloading data, streaming video, and playing 3D games.

3 LG KH1300 This is LG's high-speed HSDPA phone, the first of its kind in Korea to support data speeds of 3.6 Mbps—25 times faster than 2.5G phones—letting you enjoy video telephony and real-time video streaming.

4 LG LX570 This micro-thin addition to LG's lineup of music handsets has a one-touch access key to play MP3 that can be saved to an Micro SD® card or sent to a car stereo or other FM receiver via its integrated FM transmitter.

CHOCOLATE This high-fashion slider features touch-sensitive navigation keys, video/music-on-demand, music player, 1.3 megapixel camera with camcorder, and Bluetooth.

5 LG V9400 This is capable of delivering television-quality streaming from some of the most popular TV channels right to your phone. The V9400 gives users the ability to make calls, answer messages, and when finished, go right back to enjoying feature programs.

SHINE BAR TYPE A slim, candy bar-shaped version of LG Shine phone, this elegant design in a sleek metallic cover includes 2.0 megapixel camera, memory expansion slot, and Bluetooth technology.

LG VX8700 This phone will satisfy consumer desire for serious style with its ultra thin shape, sleek metal finish, and mirror-like screen. This ultra-sexy clamshell also features Bluetooth® capabilities, a 2 megapixel camera & camcorder, and a Micro SD™ memory port for storage.

CHOCOLATE 60 LD/PLATINUM The Chocolate Gold and Chocolate Platinum offer distinctive color accents in an ultra-thin lightweight design, with music player, autofocus camera, Bluetooth.

10 LG SHINE The LG Shine's sleek stainless steel case has an elegant mirrored look and state-of-the-art features, including the first camera phone equipped with a certified Schneider-Kreuznach lens.

LG Electronics Digital Media Company integrates various digital devices, employing its time-tested expertise in digital audio-video and information technology. We're growing our built-in and portable navigation device businesses, along with telematics and car AV in the automotive division.

Home Audio For enthusiasts seeking the ultimate digital audio experience and the finest design, LG's 2007 lineup features wide array of home audio systems, from a 6.1-channel AV receiver with 1,000W output to micro systems that maximize available space. Our compact home theater system with virtual surround technology delivers 5.1-channel sound with just two speakers and one subwoofer, while our stylish micro system's red light touch pad adds luxurious sophistication to its image.

Home Video For 2007, we are seeking to achieve high profitability and global market leadership with unique video product designs and digital broadcast convergence technology. With the introduction of the world's first dual-format high-definition disc player that handles both Blu-ray and HD DVD, we reaffirmed our position as the world's leading high-definition technology company.

Mobile AV Player This year we featured complete upgrades, with enhanced smart touch screen, video replay, and animated GUI. Our touch screen MP3 player supports full-function color, bringing total control to the user's fingertips, with drag, click, and wheel functions on a 2.4-inch TFT LCD display. LG Electronics kick-started the touch pad trend, recognizing consumers want digital devices that are not only easy to use, conveniently sized, and technologically advanced, but that also reflect their personality, style, and attitude.

Car Infotainment We have more than 25 years' experience worldwide in both the OEM and aftermarket automotive electronics industries. This year's AV and portable navigation lineup features touch screen LCDs from 3.5 to 4.3 inches, turn-by-turn voice guidance, super-slim cases, and millions of points of interest, for precise and easy-to-use navigation.

Security System In security systems, we produce surveillance cameras, digital video recorders (DVRs) supporting wireless network monitoring, and residential security systems. Our DVRs digitally record to a hard drive without having to use videotape, providing far longer recording time and convenience in maintenance. DVRs have become the main method of surveillance recording with CCTVs.

Optical Storage We have been the bestselling brand in the optical storage industry since 1998. With the largest global market share of 30%, we're the world's largest manufacturer and OEM supplier. This year, we continue to lead the industry with the most advanced technology: Super Multi Blue, the Blu-ray disc writer & HD DVD-ROM drive. In addition to offering cutting-edge technology to our customers, we are adding a "design focused" external DVD RW to our Super Multi series: the new slim portable external Super Multi DVD rewriter. Compared to the previous portable drives, which were still bulky, our new slim portable external Super Multi is "Stylish & Slim." We have also debuted the new Super Multi Security system, featuring SecurDisc™ technology. Co-developed with Nero®, Super Multi Security meets the need for highly secure data protection and content access control. When writing data in CD and DVD formats, users will experience a new level of data security.

Notebook PC In 2007, LG Electronics will launch notebook PCs that employ the latest wireless network technologies—HSDPA (High Speed Downlink Packet Access) and WiBro (Wireless Broadband Internet)—to give our global customers full mobility. LG Electronics' exclusive cutting-edge technologies, like CNT (Carbon Nano Tube) thermal technology and triple hexa-band antennas, provide optimized wireless connectivity. For this year, we have the R500 15.4-inch widescreen notebook, which features the latest Intel® Centrino® Duo mobile technology, the Santa Rosa platform, and our innovative, wave pattern, high gloss design. For the upcoming lineup, we've focused on responding to the market to ensure LG notebook PCs continue to lead with new trends.

Digital Media Company

The Digital Media Company is enabling LG Electronics to lead the way with breakthrough products: optical storage, DVD players with the world's first dual-format high-definition disc player, advanced car navigation systems, and multimedia convergence products for ubiquitous systems.



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- 1 BLU-RAY DISC REWRITER AND HD DVD-ROM DRIVE - GGW-H10N** The world's first device that allows PC users to both read and write Blu-ray discs and read HD DVD discs, plus record up to 9 hours of high-definition or 23 hours of standard definition video.
- 2 4.3" PORTABLE NAVIGATION** The next generation of portable navigation devices is here, bringing greater driving enjoyment with luxury design, multimedia features (DVB-T/DVX/MP3/photo viewer) and improved navigation functions.
- 3 DIGITAL VIDEO RECORDER - LDV-SS04** This Digital Video Recorder is a multi-functional device used for recording, monitoring, and searching images received from surveillance cameras.
- 4 STYLISH MICRO** This home audio system delivers 160W of power in a stylish piano black design, offering easy-to-use, touch pad navigation with RDS AM/FM tuner and WMA/MP3/CD-R/RW playback.
- 5 12.1" WIDESCREEN MULTIMEDIA POWERHOUSE - R200** The R200 offers premium piano black design with the latest Intel® Centrino® Duo mobile technology, Santa Rosa platform, and powerful graphics.
- 6 VIRTUAL 5.1CH HOME THEATER SYSTEM** Bio-indicate lighting lets the user "communicate" with the system, which reads user movement in its touch sensor area, allowing for a wide variety of placements.
- 7 DUAL-FORMAT HIGH-DEFINITION DISC PLAYER - BH100** The world's first dual-format high-definition disc player handles both Blu-ray disc and HD DVD high-definition contents, giving users unmatched flexibility and convenience.
- 8 8" PORTABLE DVD PLAYER** This Widescreen LCD player has swivel design, touch pad, and handles multiple formats including DivX/Xvid with a 5 1/2 hour battery and car adapter.
- 9 TOUCHSCREEN MP3 PLAYER - FM37** This 10.4-mm thin MP3 player features a 2.4-inch TFT LCD touch screen display, up to 4GB of storage, and battery life for up to 20 hours of audio and 3 hours of video.

FEELIN' GREEN

GREENER PRODUCTION, GREENER PRODUCTS WORKING TOWARD A GREENER, CLEANER WORLD

In 1994, LG Electronics announced a **Self-Declaration for a Cleaner Environment, the first in Korea**. Since then, we are not only pursuing the challenge of advancing our production technology, but also taking steps to reduce the use of hazardous substances in our products, make them energy efficient, and increase the recycling ratio. Through these efforts, the number of our environment-friendly products has been greatly increased.

Taking a wide-ranging view of sustainability, including its economic, environmental, and social aspects, we revised our CSM (Corporate Sustainability Management) standards upward by integrating environmental, energy, safety, and health management concerns. We strictly follow these enhanced standards, looking forward to realizing sustainability in every area.

As a part of our commitment to produce eco-friendly products, LG Electronics declared in July 2005 that it would eliminate the six hazardous substances specified in the EU's RoHS Directive from all its products, including Pb-free soldering. Furthermore, we not only use stricter guidelines for management of hazardous substances than those established by the EU, but also prohibit all our suppliers from using hazardous substances in their products, such as raw materials, packaging materials, batteries, and other materials. In addition to the hazardous substances restricted by law, LG Electronics has declared

the total abolition of VOCs, PVC, BFR, and other hazardous materials demanded by Greenpeace and other environment-related NGOs in 2006. These plans have been put into action since early 2007.

Reusing or recycling waste products is vital to conserving the planet's resources and it is the key to minimizing electronic wastes. We have therefore created several major design approaches and tools to make recycling easy and efficient. For example, we developed the ATROID software to evaluate our products' recycling rate at the earliest design stage and to advise product developers how to make more recyclable products.

Improving energy efficiency is very important, not merely to reduce costs, but to help solve environmental problems, such as global warming and the depletion of nonrenewable natural resources. We are therefore making a major effort to design products that minimize power consumption in on-mode, standby-mode, and off-mode. Our strategic plan to reduce standby power consumption to one watt or lower has been in place since August 2005, and we have already designed many products that satisfy that plan. Our efforts to increase energy efficiency are playing an important role in improving the brand image of our products. We continue to diversify the range of our eco-products, taking into consideration all the Eco-design aspects mentioned above.

I'm Feelin' Good

Working to make the planet greener.
Working to bring hope to every corner of society.
Working to unite people's hearts and minds.
These are the efforts that move us forward.
These are the goals that inspire us.



WASHING MACHINE

LG's direct drive motor reduces noise, and vibration, through eliminating the belt of conventional washing machines. Its steam technology also reduces energy consumption. It has earned the first TÜV RoHS (Restriction of Hazardous Substances) certification in this category.

ECO-PRODUCTS

The following are the latest examples with their main features.

REFRIGERATOR

- Employs inverter linear compressor to reduce energy consumption
- Eliminates Deca-BED retardant
- Uses eco-friendly R600a refrigerant and cyclopentane foam

AIR CONDITIONER

- Employs inverter multi compressor technology and MPS (Multi-Power System)
- Uses eco-friendly R-410A coolant
- Korean Eco-mark Certificate

PLASMA TV

- Employs single scan module to reduce number of components
- Standby power below 1W
- Eliminates Deca-BED retardant
- Korean Eco-mark and Energy-mark Certificates
- RoHS compliant product

WASHING MACHINE

- Employs Direct Drive motor to reduce energy consumption and noise
- Washing method uses steam
- First TÜV RoHS certification in this category
- Standby power <1W

VACUUM CLEANER

- Simplified structural mechanism
- Reduced weight and volume
- Minimized noise (from 74dB to 71 dB)

NOTEBOOK PC

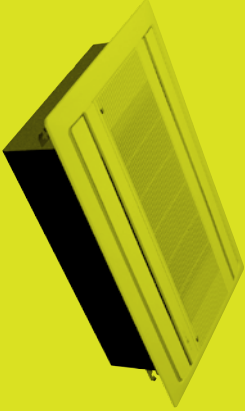
- Awarded Energy Winner prize
- Reduced standby power consumption
- RoHS compliant product

MOBILE PHONE

- First TÜV RoHS certification in this category
- Reduced weight and volume
- Simplified structural mechanism



VACUUM CLEANER
LG's simplified structure and mechanism reduces weight, volume, and also brings noise down to just 71dB.



AIR CONDITIONER
LG's inverter multi compressor technology, MPS (Multi-Power System) uses eco-friendly R-410A coolant, earning the Korean Eco-mark Certificate.



PLASMA TV
Employs single scan module to reduce the number of components, eliminates Deca-BED retardant, and has a standby power <1W, earning it Korean Eco-mark and Energy-mark Certificates.



NOTEBOOK PC
LG notebook PCs are 100 percent in compliance with the RoHS (Restriction of Hazardous Substances) directive.

FEELIN' CARING WORKING FOR OUR FELLOW MAN RAISING HOPES

LG Electronics supports those who dream of improving their lives and contributes to making a better society for us all. The company has a philosophy of caring and giving that drives a variety of social contribution initiatives. We focus on social welfare, education, and cultural activities through sponsorship, financial aid, and volunteer work. And as a global corporate citizen, we conduct these activities wherever we do business. In 2006, LG Electronics gave a total of KRW 6 billion to various social contribution initiatives. In addition, LG Electronics employees and executives contributed countless hours of volunteer service. Our programs range from helping over 5,000 children who head their households to assisting underprivileged people with medical care and home repairs and even building brand-new homes for them.

In 2006, we launched the LG-Koh Hyunchung Fund, teaming up with the advertising spokesperson for DIOS, LG's home appliance brand. Ms. Koh helped us raise KRW 180 million to support underprivileged single mothers, business startups for low-income women, and family camps for female inmates. Our executives donated 0.5% of their salaries to the fund, while employees and union members contributed a portion of their bonuses, an amount matched by the company.

In July of last year, our LG Social Volunteer Corps helped with flood relief for Pyeongchang, Gangwon Province. Our

emergency taskforce for immediate relief efforts, in operation since 2003, now has over 200 employees involved. We also set up Adopt-a-Village with Soksa-ri, Pyeongchang, for ongoing support.

Since November 2004, the LG Volunteer Program has been providing free meals to the homeless and to low-income elderly people living alone. Since 2004, we've also conducted LG Wings of Information, a one-on-one computer education program for severely challenged people, which extends their connections to the world and helps them to be more independent.

In June 2006, we established the LG Let's Go Volunteer Corps, made up of college students from 80 universities nationwide. These enthusiastic young men and women provide help for people in need and support our corporate volunteer programs.

The company also sponsors two popular educational programs for youth interested in science. The LG Visiting Electronics Class brings a king-size truck loaded with lab equipment to remote locations and orphanages. The LG Electronics Junior Science Class is an educational program, run by our researchers, that is open to all.



Sharing Good,
Far Into The Future
A more sustainable
planet is achieved.
A more hopeful society
is maintained.

A more harmonious
world has emerged.
These are the dreams
that drive us.
These are the dreams
we know can be real.

In April 2006, with the co-sponsoring partnership of Seoul University Children's Hospital, we brought the LG Love Hospital to the people of Yogyakarta, Indonesia. This was a region hit by earthquakes and severe storms and the treatment and medicine provided were especially important for the area's children.

That same month, in Singapore, we announced a social contribution plan for Asia. At the time, we made a \$500,000 contribution to establish the LG Wishing Fund for the welfare of Asian children. This money was raised through the LG-Wishing Wall fund. In Korea, we built the LG-Seoul National University Children's Hospital Rest Area for underprivileged children. This facility is for children needing long-term care.

For 2006, top management's social contribution added up to KRW 384 million, including a matching grant from the company.

Participating in the fund, which was principally used to support the activities of our mobile electronics classes, were 209 executives. Employees also planned and participated in their own volunteer programs twice during the year—once in the first half and again in the second. Both employees and top management worked together in the Love House program, repairing the houses of people in need, including senior citizens on their own, physically challenged people, and households headed by teenagers.

For 2007 our charitable plans include community activities for customers and global activities centering on local communities.

Programs for customers include: helping women in low-income households set up businesses; providing classes for women in information technology and financial

management; and our **Cheering Mom Campaign.** We also have programs for customers in multicultural households. Women who are here as foreign workers or through international marriage can take classes in Korean language and cuisine, and take part in the Kimchi sharing campaign. For college student customers, we offer the support of the LG Let's Go Volunteer Corps. For middle and high school students, we provide the RCY, volunteer group, and employees' children's group.

Our global activities include planning and executing charitable programs in local communities where we operate. We also collaborate with United Way International in local communities in nine Asian countries. In January 2007, we launched the Mobile Electronics Library in Vietnam. In China, we're helping schools in needy areas with computers, books, and teacher training. In the Philippines, we're teaching high school students to learn a trade. And in India, we're helping fund many community programs. We're also involved in various activities in Thailand, Hong Kong, Singapore, and Malaysia, and provide local community support in Europe, the Americas, and Africa.



**FEELIN' CHALLENGED
TOGETHER IN SPORT
THAT THE WORLD LOVES**

Sporting events bring people together both physically and emotionally, as they participate in a heightened experience. Even those who support opposing sides share the same appreciation of athletic excellence. The ability of sports to bring people together and celebrate often-extraordinary human achievement is the basis of LG Electronics' worldwide sports sponsorship. We love the spirit of challenge, the passion, and the creative energy involved in athletic endeavors. In addition, we believe sports can unite people's hearts and minds.

LG Electronics likes to support sports that people love and enjoy around the world. We have a big commitment to football, the world's most popular sport. In Europe, we are the official sponsor of the LG Amsterdam Tournament, a renowned pre-season tournament featuring competition among Europe's most famous professional football clubs such as Liverpool, Manchester United, AC Milan, and Barcelona. It is telecast in 150 countries around the world. We are also the official partner of the German Football Association and the German national team, a consistent top contender who has posted three wins in the World Cup and another three in the European Championships. Their head coach Jurgen Klinsman is also an exclusive spokesperson for LG, appearing in ads and at various promotional events for LG TVs and other products. We were an official partner for the preliminary games of the FIFA World

Cup and the Copa LG, South America's most prestigious A-match soccer tournament. We support the national soccer teams of Greece, Hungary, and Russia. We continue with our sponsorships of The Africa Nations Cup, which has been held every two years since 1957 and is the continent's greatest championship game. In fact, this tournament has helped Africa to emerge as a new football power, shaking the two soccer establishments, Europe and South America. We also continue to support the national soccer teams of the Republic of South Africa and Iraq.

Our sponsorship of famous professional teams includes: Sao Paulo FC, one of Brazil's most popular football teams; Olympic Lyon, France's famous football club that has posted over a thousand victories since 1950; Liverpool, the renowned British team; Cienciano, a strong Peruvian club; and the Morelia Monarcas Club, one of the top Mexican football teams. Since 1997, we've hosted the LG Cup Soccer Tournament in the Middle East and Africa, attracting a growing number of fans and the participation of major soccer teams from all over the world. We also host and sponsor various continental and regional football competitions.



In 2006, we began sponsoring the LG Hockey Games through an agreement with the Swedish Ice Hockey Association. This championship, launched in 1991, features national teams from Sweden, Russia, Finland, and the Czech Republic, countries where ice hockey is the national sport, more popular than football. The event is telecast to millions of fans in the participating countries, reaching 25% of the Swedish population alone.



In the US, LG Electronics sponsors the LG Skins Game, a top PGA golf event, now in its 24th year, with over 20 million television viewers. This event has the highest TV viewer rating of all live golf telecasts in the US, making it that nation's biggest golf championship, with a million dollar prize. In other parts of the globe, we have supported the World Touring Car Championship and continue to sponsor the Cricket World Cup.



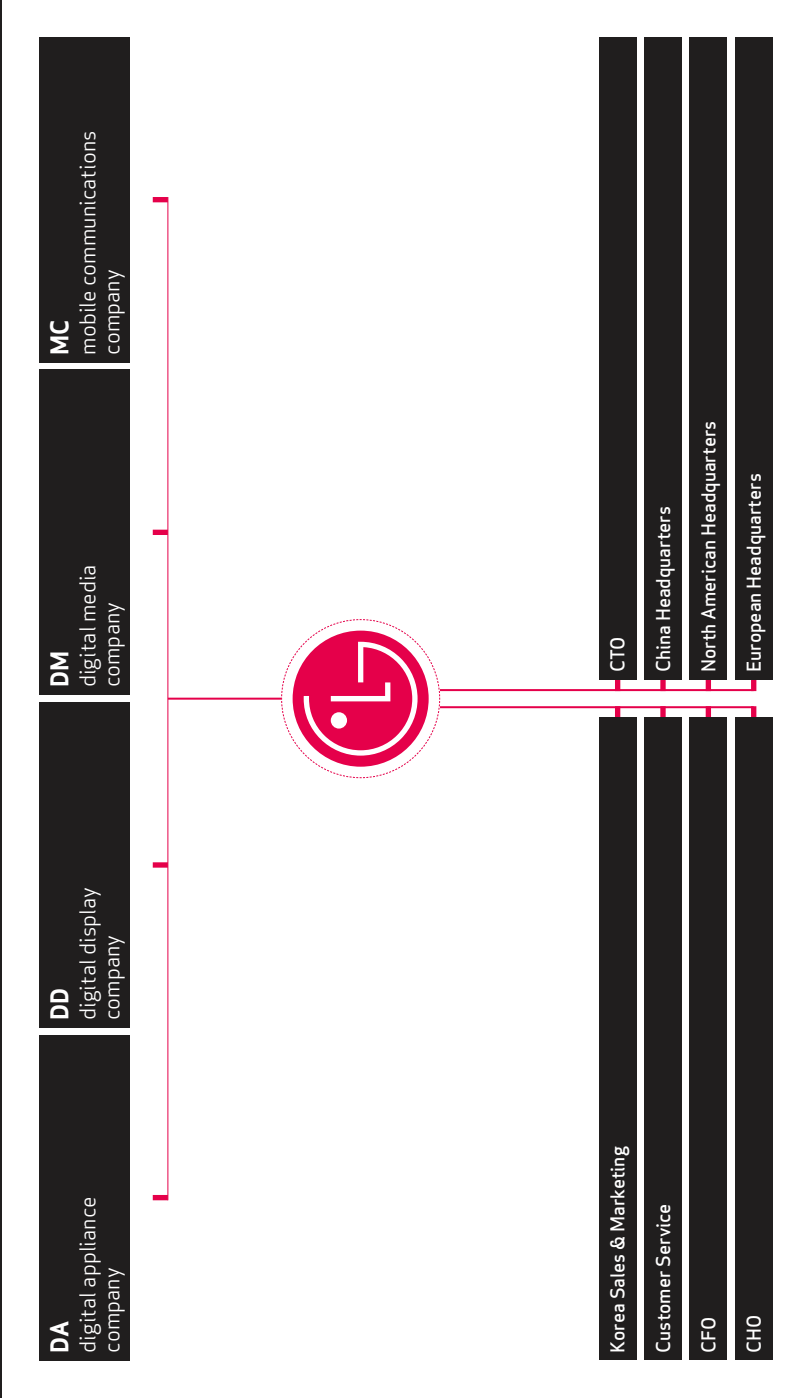
In venues around the world, we put on the LG Action Sports Championship, a major Extreme Sports competition. Also called X Games, these are risky, adventurous sports that are a favorite among young people across the globe. Standard events include Aggressive Inline, Skateboard, Bicycle Motocross (BMX), and Freestyle Motocross (FMX). These activities reflect the youthfulness and innovation that is part of the image of both our customers and our company.



This range of sponsorships comes from our understanding that sports are a valuable way to connect with our consumers and express to the world our passion and willingness as a company to take on challenges.



FACTS & FIGURES



MID - TERM
STRATEGIES

	BUSINESS GOAL	STRATEGIES
DA	Global Number 1 player in the digital appliance industry	• Premium marketing based on customer insights
DD	Upgrading position to global top level	• Align whole activities to enhance brand power and strengthen customer insight
DM	Provide utmost customer value through advanced infotainment solutions	• Grow new business by taking advantage of opportunities in digital convergence
MC	Aggressively expanding GSM market share	• Achieve leading positions by focusing on key targeted segments

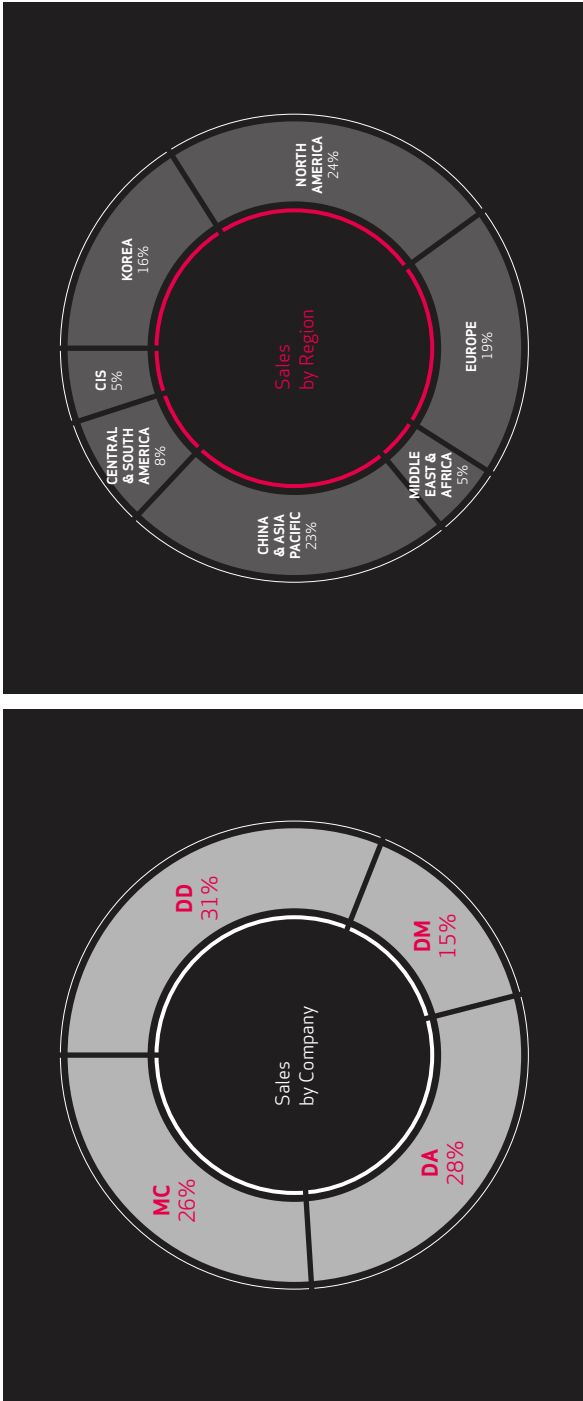
SALES

in billions of Korean won
Global revenue, referring
to the total revenue of
the global subsidiaries,
account excluding
internal transactions



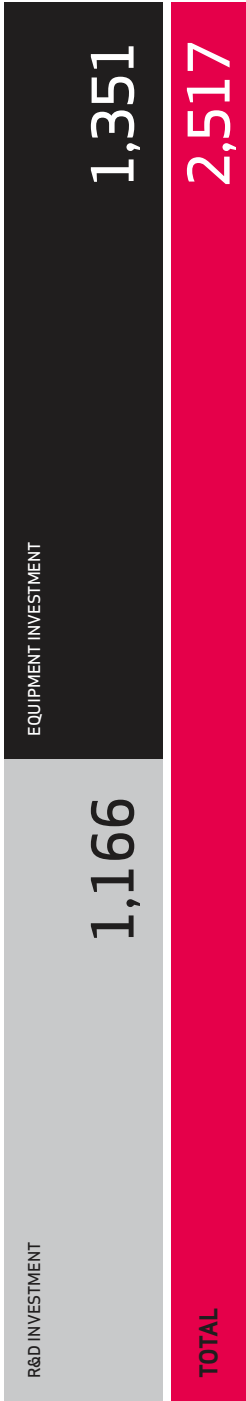
SALES
BY COMPANY
-
SALES
BY REGION

as of 2006
Global revenue, referring
to the total revenue of
the global subsidiaries,
account excluding
internal transactions



INVESTMENT

as of 2006
in billions of Korean won



LEADING
GLOBAL
PRODUCTS

as of 2006



EMPLOYEES

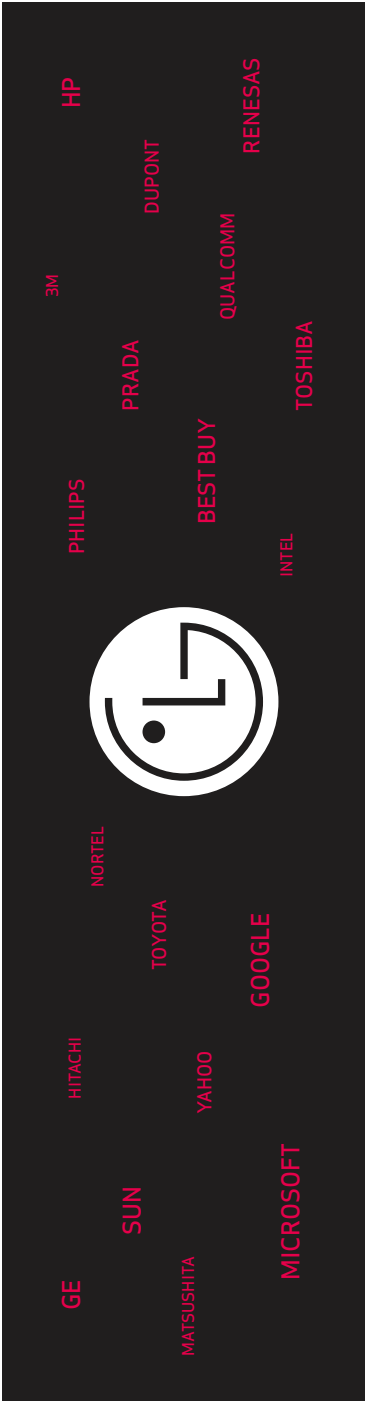
as of 2006



GLOBAL
PRODUCTION
NETWORK

Region	Country	City	Worldwide Operations	Products
EUROPE	POLAND	MLAWA	LGEMA	TV, LCD MNT, PDP
	POLAND	WROCLAW	LGEMR	REF, LCD TV
	ENGLAND	WALES	LGEMA	MNT
CIS	KAZAKSTAN	ALMATY	LGAK	TV, W/M, AUDIO
	RUSSIA	MOSCOW	LGEMR	FLAT TV, S/S LIM TV, PLASMA TV, LCD TV, AUDIO, REF, W/M
MIDDLE EAST & AFRICA	TURKEY	ISTANBUL	LGEMR	A/C
	EGYPT	ISMAILIA	LGEMR	TV, LCD
	CHINA	HANGZHOU	LGEMR	DRM
CHINA	CHINA	HUIZHOU	LGEMR	DS, AUDIO
	CHINA	KUNSHAN	LGEMR	NOTEBOOK PC, PDA
	CHINA	NANJING	LGEMR	PLASMA TV, PDP
	CHINA	NANJING	LGEMR	MNT, LCD TV
	CHINA	NANJING	LGEMR	W/M
	CHINA	QINGDAO	LGEMR	GSM
	CHINA	QINHUANGDAO	LGEMR	CAST
	CHINA	SHANGHAI	LGEMR	DAV
	CHINA	SHENYANG	LGEMR	TV
	CHINA	TIANJIN	LGEMR	MWO, RAC, MOTOR, MGT, VC, RO COMP
	CHINA	TAIZHOU	LGEMR	REF, REF-COMP
	CHINA	YANTAI	LGEMR	CDMA, GSM
	INDIA	NEW DELHI/PUNE	LGEMR	TV, REF, W/M, A/C, MWO, MNT, GSM, ODD, DVD
	INDONESIA	JAKARTA	LGEMR	AUDIO, VIDEO, DVD, MNT, TV, LCD TV, PLASMA TV, REF
	THAILAND	BANGKOK	LGEMR	REF, A/C, A/C-COMP, TV
	VIETNAM	HANOI	LGEMR	A/C, W/M, REF, VC, MWO, TV, MNT, DAV, DS, GSM
NORTH AMERICA	MEXICO	MONTERREY	LGEMR	REF
	MEXICO	MEXICALI	LGEMR	MNT, LCD, GSM, CDMA
LATIN AMERICA	BRAZIL	MANAUS	LGEMR	TV, AUDIO, DVD, A/C
	BRAZIL	TAUBATE	LGEMR	CELLULAR, MNT, NOTEBOOK PC
	MEXICO	REYNOSA	LGEMR	PLASMA TV, FLAT TV, PDP

STRATEGIC
ALLIANCES



GLOBAL NETWORK



- EUROPE**
- LGEAG LG Electronics Austria GmbH
 - LGEAL LG Electronics Antwerp Logistic n.v.
 - LGEBN LG Electronics Benelux Sales BV
 - LGECEZ LG Electronics CZ, s.r.o
 - LGEDG LG Electronics Deutschland GmbH
 - LGEEH LG Electronics European Holdings B.V.
 - LGEES LG Electronics Espana S.A
 - LGEFS LG Electronics France S.A.R.L
 - LGEHS LG Electronics Hellas S.A.
 - LGEIS LG Electronics Italia S.p.A.
 - LGEJE LG Electronics JIT Europe B.V
 - LGEELS LG Electronics European Logistics & Services B.V.
 - LGELV LG Electronics Latvia, LLC
 - LGEMA LG Electronics Miawa Sp. Z.o.o.
 - LGEMF LG Electronics Mobilecomm France
 - LGEMK LG Electronics Magyar KFT
 - LGEPŁ LG Electronics Polska Sp. Z.o.o.
 - LGEPŁ LG Electronics Portugal S.A.
 - LGERO LG Electronics Romania S.R.L.
 - LGESC LG Electronics European Shared Service Center B.V.
 - LGESW LG Electronics Nordic AB
 - LGEEK LG Electronics United Kingdom Ltd.
 - LGEMA LG Electronics Wales Ltd.
 - LGESW LG Electronics Wrocław Sp. Z.o.o.
- CIS**
- LGEAK LG Electronics Almaty Kazakhstan
 - LGERA LG Electronics RUS, LLC
 - LGARI LG Alina Electronics
 - LGEMR LG Electronics RUS-Marketing, LLC
 - LGERR LG Electronics Russia & Ukraine
 - LGEMU LG Electronics Ukraine
 - LGEMR LG Electronics Ukraine Inc.

- MIDDLE EAST AND AFRICA**
- LGEAF LG Electronics Africa Logistic FZE
 - LGEAT Arcelik-LG Klima Sanayi ve Ticaret A.S.
 - LGEEC LG Electronics Egypt Cairo S.A.E.
 - LGEEG LG Electronics Egypt S.A.E.
 - LGEGF LG Electronics Gulf FZE
 - LGEMC LG Electronics Morocco S.A.R.L.
 - LGEME LG Electronics Middle East Co., Ltd.
 - LGESA LG Electronics S.A. (Pty) Ltd.

- CHINA**
- (CHINA R&D CENTER) LG Electronics (China) Research and Development Center Co., Ltd.
 - China Holding Company

LGEHN LG Electronics Nature(Hangzhou) Recording Media Co., Ltd.
LGEHK LG Electronics HK Ltd.
LGEHZ LG Electronics Huizhou Ltd.
LGEKS LG Electronics (Kunshan) Computer Co., Ltd.
LGENP LG Electronics (Nanjing) Plasma Co., Ltd.
LGEND LG Electronics Nanjing Display Co., Ltd.
LGEPN Nanjing LG-Panda Appliances Co., Ltd.
LGEQD Qingdao LG Inspur Digital Communication Co., Ltd.
LGEQH LG Electronics Qinhuangdao Inc.
LGESH Shanghai LG Electronics Co., Ltd.
LGESY LG Electronics Shenyang Inc.
LGETA LG Electronics Tianjin Appliances Co., Ltd.
LGETR LG Electronics (TaiZhou) Refrigeration Co., Ltd.
LGEYT LG Inspur Digital Mobile Communication Co., Ltd.

ASIA

LGEAP LG Electronics Australia Pty, Ltd.
LGEIL LG Electronics India Pvt. Ltd.
LGEIN P.T. LG Electronics Indonesia
LGEJP LG Electronics Japan, Inc.
LGEML LG Electronics Malaysia Sdn. Bhd.
LGEPH LG Electronics Philippines Inc.
LGSJ LG Soft India Private Ltd.
LGESL LG Electronics Singapore Pte. Ltd.
LGETH LG Electronics (Thailand) Co., Ltd.
LGETT LG Electronics Taiwan Taipei Co., Ltd.
LGEVN LG Electronics Vietnam Co., Ltd.

NORTH AMERICA

LGEAI LG Electronics Alabama Inc.
LGECI LG Electronics Canada, Inc.
LGEMR LG Electronics Mobile Research. U.S.A., L.L.C
LGEMS LG Electronics Mexico S.A.DE C.V.
LGEMU LG Electronics Mobilecomm U.S.A., Inc.
LGEUS LG Electronics U.S.A., Inc.
ZENITH Zenith Electronics Corporation
LGEMM LG Electronics Monterrey Mexico S.A. de C.V
LGEMX LG Electronics Mexicali S.A.DE C.V.

LATIN AMERICA

LGEAR LG Electronics Argentina S.A.
LGEAZ LG Electronics da Amazonia Ltda.
LGEGB LG Electronics Colombia Ltda.
LGECL LG Electronics Inc. Chile Ltda.
LGEPR LG Electronics Peru S.A.
LGEPS LG Electronics Panama, S.A.
LGRS LG Electronics Reynosa, Inc.
LGESP LG Electronics de Sao Paulo Ltda.

- PRODUCTION / SALES
- SERVICE
- LIAISON OFFICE
- SALES
- R & D DESIGN / OTHERS
- LOGISTICS

● LGECI Toronto
● LGEUS New Jersey
● ZENITH Chicago
● LGEMR San Diego
● LGEMU
● LGEMX Mexicali
● LGEAI Huntsville
● LGRS Reynosa
● LGEMM Monterrey
● LGEMS Mexico City
● LGEPS Panama
● LGEGB Bogotá
● LGEAZ Manaus
● LGEPR Lima
● LGESP Taubate
● LGECI Santiago
● LGEAR Buenos Aires

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board of directors

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LG CORP.

directors

YONG NAM
VICE CHAIRMAN /
CEO

HO YOUNG JEONG
EXECUTIVE VICE PRESIDENT /
CFO

outside directors

IN-KI JOO
PROFESSOR /
YONSEI UNIVERSITY

SUK-CHAE LEE
ADVISOR /
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EUROPEAN
HEADQUARTERS



KWANG-RO KIM
PRESIDENT /
HEAD OF SOUTH
EAST ASIA REGION
HEADQUARTERS



MANAGEMENT

BOARD OF
DIRECTORS

1958	GoldStar (today's LG Electronics) established	1982	Color TV plant established in the US in Huntsville, Alabama	2000	LG Information & Communications merged • The world's first Internet-enabled refrigerator launched • Global sales of refrigerators reached the number one position	2005	The world's first DMB notebook commercialized • The world's slimmest TV commercialized • The world's largest 102-inch Plasma TV developed • LG and Nortel Networks agreed to establish a joint venture for telecommunication network equipment • Satellite-based DMB phone commercialized • The largest share seized in the global CDMA market
1959	Korea's first radio produced	1984	Sales surpassed 1 trillion Won	1986	European-standard VCR plant established in Germany	2001	Asynchronous IMT-2000 equipment commercialized • The world's first Internet-enabled washing machine, air conditioner, and microwave oven launched • LG, Philips Displays, a joint venture with Philips established
1962	Radio exported to the US and Hong Kong as Korea's first	1989	Sales subsidiary and a joint production subsidiary established in Thailand	1990	Ireland-based design technology center established	2002	Under the LG Holding Company system, the Company spun off to LG Electronics (LGE) & LG Electronics Investment (LGEI) • The first home network system commercialized in the global market
1965	Korea's first refrigerator produced	1993	With the establishment of Huizhou subsidiary in China (LGEHZ), marketing in China took full swing	2003	World's first synchronous-asynchronous IMT-2000 mobile phone developed • The world's first 76-inch Plasma TV developed • CDMA mobile handsets took the largest share in the US and world CDMA market • Launched the world's first Super Multi DVD Rewriter	2006	Launched the LG Shine, the second handset in the Black Label Series • Globally launched the steam washing machine and interactive TV refrigerator • Developed the world's first 100-inch LCD TV • Launched the world's largest Full HD 102-inch Plasma TV (1080p) • Developed the world's first dual-format high-definition Disc Player& Drive
1966	Korea's first black & white TV produced	1995	Company name changed to LG Electronics and US-based Zenith acquired	2004	EV5B, the next-generation DTV transmission technology, chosen to be the US/Canada DTV transmission standard by the US ATSC • All-in-one LG 55-inch LCD TV, the world's first and largest among LCD TVs, commercialized • The world's largest and first 71-inch Plasma TV commercialized • The world's first terrestrial DMB phone developed • Developed Wireless Speaker Home Cinema System		
1968	Korea's first air conditioner produced	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		
1969	Korea's first washing machine produced	1999	LG.Philips LCD established				
1974	GoldStar Communications went public						
1977	Color TV produced						
1978	Exports surpassed US\$100 million, a first for Korea's electronics industry						
1980	First EU sales subsidiary in Germany (LGEWG) established						

CORPORATE MILESTONES

FINANCIAL STATEMENTS

	2006	2005
(in millions of Korean won)		
ASSETS		
Current assets		
Cash and cash equivalents	₩490,315	₩581,264
Short-term financial instruments	20,000	-
Trade accounts and notes receivable, net	899,904	1,397,815
Inventories, net	1,103,654	1,408,333
Other accounts receivable, net	232,430	260,186
Prepaid expenses	75,679	69,640
Accrued income, net	53,174	51,065
Advances, net	55,180	46,148
Derivatives transaction debit	6,646	4,748
Deferred income tax assets	161,898	161,824
Other current assets, net	61,497	4,140
Total current assets	3,160,377	3,985,163
Property, plant and equipment, net	4,256,321	4,150,304
Long-term financial instruments	28,040	18,945
Long-term investment securities	37,078	54,363
Equity method investments	4,583,577	4,681,306
Refundable deposits	319,241	390,629
Long-term advance payments	149,505	137,723
Long-term prepaid expenses	125,531	95,071
Long-term loans receivable, net	103,748	98,878
Intangible assets, net	462,217	419,672
Derivatives transaction debit	4,507	4,386
TOTAL ASSETS	₩13,230,142	₩14,036,440

(in millions of Korean won)

20062005

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities

Short-term borrowings	₩37,674	₩12,853
Current maturities of long-term net debts	792,569	1,129,434
Trade accounts and notes payable	1,764,116	1,794,114
Other accounts payable	1,083,209	1,101,399
Income taxes payable	42,813	21,971
Accrued expenses	805,438	885,284
Withholdings	53,705	7,727
Unearned income	35,928	40,492
Advances from customers	284,595	213,837
Derivatives transaction credit	1,281	1,159
Others	-	76
Total current liabilities	4,901,328	5,208,346

Debentures and convertible bonds, net of current maturities and discounts on debentures

Long-term debts, net of current maturities	792,197	1,513,601
Accrued severance benefits, net	849,944	642,076
Product warranty reserve	228,635	240,853
Deferred income tax liabilities	241,956	112,499
Derivatives transaction credit	53,036	102,894
Other long-term liabilities	23,832	2,842
	38	50,686
TOTAL LIABILITIES	7,090,966	7,873,797

Commitments and contingencies

Shareholders' equity

Capital stock	809,169	800,226
Capital surplus	2,219,993	2,107,259
Retained earnings	2,466,926	2,511,378
Capital adjustments	643,088	743,780
TOTAL SHAREHOLDERS' EQUITY	6,139,176	6,162,643
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	₩13,230,142	₩14,036,440

	2006	2005
(in millions of Korean won, except per share amounts)		
Sales	₩23,170,719	₩23,774,151
Cost of sales	17,727,403	17,663,551
Gross profit	5,443,316	6,110,600
Selling and administrative expenses	4,908,402	5,195,960
Operating income	534,914	914,640
Non-operating Income		
Interest income	45,743	56,595
Equity in earnings of equity-method investees	225,018	516,588
Foreign exchange gains	326,121	313,365
Gain on valuation of derivatives	11,154	9,134
Gain on settlement of derivatives	45,936	39,369
Gain on disposal of investment securities	24,792	48,713
Reversal of allowance for doubtful accounts	7,473	7,487
Rent income	28,495	21,020
Dividend income	675	1,073
Gain on disposal of property, plant and equipment	4,988	3,895
Refund of income taxes	6,573	38,828
Gain on business transfer	-	28,607
Others	27,413	49,271
	754,381	1,133,945

(in millions of Korean won, except per share amounts)

20062005

NON-OPERATING EXPENSES

Interest expense	150,019	200,275
Foreign exchange losses	172,300	252,227
Loss from transfer of trade accounts and notes receivable	204,546	135,035
Loss from disposal of property, plant and equipment	15,863	33,894
Loss from disposal of investment securities	1,318	7,486
Loss on impairment of investment securities	837	1,893
Loss on impairment of intangible assets	-	89,031
Additional payment of income taxes	-	7,995
Loss on valuation of derivatives	29,499	4,001
Loss on settlement of derivatives	27,101	36,036
Donations	15,713	13,742
Other bad debt expense	2,241	4
Loss on redemption of debentures	-	8,238
Loss on payment guarantees	-	50,650
Equity in losses of equity-method investees	399,644	360,411
Others	8,411	106,276
	1,027,492	1,307,194
Income before income taxes	261,803	741,391
Income tax expense	49,085	38,590
NET INCOME	₩212,718	₩702,801
Earnings per share and ordinary income per share (in won)	₩1,315	₩4,407
Diluted earnings per share and diluted ordinary income per share (in won)	₩1,315	₩4,357

LG ELECTRONICS INC.
NON-CONSOLIDATED STATEMENTS OF APPROPRIATIONS OF RETAINED EARNINGS
YEARS ENDED DECEMBER 31, 2006 AND 2005
(DATES OF APPROPRIATIONS: MARCH 23, 2007 AND MARCH 10, 2006
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005, RESPECTIVELY)

	2006	2005
(in millions of Korean won)		
RETAINED EARNINGS BEFORE APPROPRIATIONS		
Unappropriated retained earnings carried over from prior year	₩99	₩121
Cumulative effect of change in accounting principle	-	3,308
Changes in retained earnings arising from equity method accounting	(57,215)	(23,511)
Net income	<u>212,718</u>	<u>702,801</u>
	155,602	682,719
TRANSFER FROM VOLUNTARY RESERVE		
Reserve for research and manpower development	<u>2,204,668</u>	<u>1,742,000</u>
	<u>2,360,270</u>	<u>2,424,719</u>
APPROPRIATIONS OF RETAINED EARNINGS		
Legal reserve	12,166	19,996
Reserve for research and manpower development	2,226,347	2,204,668
Cash dividends	<u>121,658</u>	<u>199,956</u>
	<u>2,360,171</u>	<u>2,424,620</u>
UNAPPROPRIATED RETAINED EARNINGS TO BE CARRIED FORWARD TO SUBSEQUENT YEAR	<u>₩99</u>	<u>₩99</u>

LG ELECTRONICS INC.
NON-CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2006 AND 2005

	2006	2005
	₩212,718	₩702,801
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income		
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation	591,211	645,683
Amortization	115,763	165,650
Amortization of discounts on debentures	23,674	39,270
Provision for severance benefits	186,811	190,375
Loss from transfer of trade accounts and notes receivable	204,546	135,035
Bad debt expense	2,241	4
Gain on foreign currency translation, net	(76,640)	(60,020)
Gain from disposal of investment securities, net	(23,474)	(41,227)
Loss on impairment of investment securities	837	1,893
Loss from disposal of property, plant and equipment, net	10,875	29,999
Loss on impairment of intangible assets	-	89,031
Equity in losses (gains) of equity-method investees, net	174,626	(156,177)
Loss (gain) on valuation of derivatives, net	18,345	(5,133)
Gain on settlement of derivatives, net	(18,835)	(3,333)
Provision for product warranty, net	129,457	(25,091)
Loss on payment guarantees	-	50,650
Loss on redemption of debentures	-	8,238
Reversal of accounts receivables	(7,473)	(7,487)
Others	(5,142)	1,945
	1,326,822	1,059,305

(in millions of Korean won)

(in millions of Korean won)

2006

2005

Changes in operating assets and liabilities

Decrease (increase) in trade accounts and notes receivable	296,236	(678,458)
Decrease in other accounts receivable	24,252	257,261
Increase in accrued income	(2,131)	(39,288)
(Increase) decrease in advances	(8,889)	622
(Increase) decrease in other current assets	(20,485)	142
Decrease in inventories	334,492	267,168
Increase in prepaid expenses	(6,038)	(29,967)
Increase in long-term advance payments	(11,782)	(33,277)
Increase in long-term prepaid expenses	(30,461)	(61,818)
Decrease (increase) in deferred income tax assets	200	(55,856)
(Decrease) increase trade accounts and notes payable	(24,361)	13,662
Decrease in other accounts payable	(18,268)	(5,464)
Decrease in accrued expenses	(77,616)	(123,959)
Increase (decrease) in withholdings	13,084	(13,110)
Increase in advances from customers	70,758	14,273
Increase (decrease) in income taxes payable	20,842	(64,326)
Payment of severance benefits	(210,763)	(156,161)
Decrease (increase) in severance insurance deposits	9,033	(22,151)
Decrease in contribution to the National Pension Fund	4,076	3,104
(Decrease) increase in deferred income tax liabilities	(46,747)	95,985
Dividend received	16,673	17,421
Others	(56,664)	(550)
	275,441	(614,747)
Net cash provided by operating activities	1,814,981	1,147,359

CASH FLOWS FROM INVESTING ACTIVITIES

Disposal of short-term investments assets	-	111,876
Increase in short-term and long-term loans, net	(8,939)	(49,828)

	2006	2005
(in millions of Korean won)		
Increase in short-term financial instruments	(20,000)	-
Acquisition of long-term financial instruments, net	(9,095)	(1,166)
Proceeds from disposal of investment securities	23,912	488,411
Acquisition of investment securities	(237,320)	(235,724)
Payment of refundable deposits, net	71,211	(8,846)
Proceeds from disposal of property, plant and equipment	28,823	104,013
Proceeds from disposal of intangible assets	23,910	58,179
Proceeds from disposal of derivatives	50,685	90,844
Acquisition of property, plant and equipment	(766,181)	(1,314,944)
Acquisition of intangible assets	(153,360)	(148,893)
Purchase of derivatives	(31,102)	(38,102)
Increase from merger	-	34,575
Increase from business transfer	-	151,163
Others	-	412
Net cash used in investing activities	(1,027,456)	(758,030)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	40,000	40,000
Repayment of short-term borrowings	(44,992)	(236,877)
Repayment of current maturities of long-term debt	(1,011,517)	(649,140)
Proceeds from issuance of debentures	-	602,258
Proceeds from long-term debt	381,550	482,938
Repayment of debentures	-	(462,937)
Repayment of long-term debt	(43,559)	-
Payment of dividends	(199,956)	(234,851)
Proceeds from disposal of treasury stock	-	2,128
Net cash used in financing activities	(878,474)	(456,481)
Net decrease in cash and cash equivalents	(90,949)	(67,152)

CASH AND CASH EQUIVALENTS		
Beginning of the year	581,264	648,416
End of the year	₩490,315	₩581,264

I'M FEELIN'

At LG Electronics
we advance technology
to enrich people's lives.

The measure of that enrichment is in
how our products make people feel,
the pleasure our products deliver:
the movies and television programs,
the music, the text messages,
the sound of a loved one's voice.

We also enrich people's lives
in the enjoyment they feel
when using our products.

Finally, we work to help people
feel hopeful about our environment,
feel charitable toward others, and
feel the unity promoted through sports.

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