

# Earnings Release 4Q 2007

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January 24, 2008



**LG Electronics Inc.**

# Disclaimer

All information regarding management performance and financial results of LG Electronics (the “Company”) during the 4th quarter of 2007 as contained herein has been prepared on a parent and consolidated basis in accordance with Korean Generally Accepted Accounting Principles (Korean GAPP).

In addition, the information contained herein has been prepared in advance, prior to being audited by outside auditors, solely for the convenience of investors of the Company, and is subject to change in the process of final audit by outside auditors.

The information contained herein includes forward-looking statements in respect to future plans, prospects, and performances of the Company as well as the Company’s projected sales plan for the year 2008. These forward-looking statements also refer to the Company’s performance on both parent and consolidated bases.

The aforementioned forward-looking statements are influenced by changes in the management environment and relative events, and by their nature, these statements refer to uncertain circumstances. Consequently, due to these uncertainties, the Company’s actual future results may differ materially from those expressed or implied by such statements.

Please note that as the forward-looking statements contained herein are based on the current market situation and the Company’s management direction, they are subject to change according to the changes in future market environment and business strategy.

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### Consolidated Sales & Profits

(Unit : KRW tn)

	4Q'07						FY07			
	Sales	QoQ	YoY	OP (%)	QoQ	YoY	Sales	YoY	OP (%)	YoY
<b>LG Electronics Global *</b>	<b>10.91</b>	+10.1%	+12.0%	<b>0.38</b> <b>(3.5%)</b>	+0.02 ↓0.1%p	+0.22 ↑1.9%p	<b>40.85</b>	+11.2%	<b>1.23</b> <b>(3.0%)</b>	+0.39 ↑0.7%p
<b>LPL</b>	<b>4.32</b>	+9.3%	+24.2%	<b>0.87</b> <b>(20.1%)</b>	+0.17 ↑2.5%p	+1.04 ↑25.1%p	<b>14.35</b>	+35.1%	<b>1.51</b> <b>(10.5%)</b>	+2.38 ↑18.8%p
<b>Other Affiliates</b>	<b>0.83</b>	-3.5%	+16.9%	<b>0.02</b> <b>(3.0%)</b>	+0.00 ↑0.4%p	+0.02 ↑2.2%p	<b>3.29</b>	+13.1%	<b>0.05</b> <b>(1.6%)</b>	+0.11 ↑3.4%p
<b>Intercompany Transactions</b>	<b>-1.12</b>			<b>-0.01</b>			<b>-5.12</b>		<b>-0.02</b>	
<b>Total (Consolidated)</b>	<b>14.94</b>	+12.7%	+17.7%	<b>1.28</b> <b>(8.6%)</b>	+0.19 ↑0.4%p	+1.31 ↑8.8%p	<b>53.38</b>	+15.2%	<b>2.82</b> <b>(5.3%)</b>	+2.81 ↑5.3%p

\* Consolidation based on LG Electronics Korea and overseas subsidiaries (excluding internal transactions)

### Sales & Profit

(Unit : KRW bn)

		1Q'07	2Q'07	3Q'07	4Q'07	QoQ	YoY	FY07	YoY	FY06
DA	Sales	2,941	3,604	2,785	2,473	-11.2%	5.1%	11,803	13.8%	10,376
	Op. Profit (%)	169 (5.7%)	292 (8.1%)	150 (5.4%)	107 (4.3%)			717 (6.1%)		594 (5.7%)
DD	Sales	2,754	2,727	3,170	3,968	25.2%	24.1%	12,619	11.0%	11,368
	Op. Profit (%)	-262 (-9.5%)	-138 (-5.1%)	-29 (-0.9%)	-11 (-0.3%)			-440 (-3.5%)		70 (0.6%)
DM	Sales	1,382	1,246	1,336	1,430	7.1%	-4.1%	5,394	-0.1%	5,401
	Op. Profit (%)	11 (0.8%)	-4 (-0.3%)	29 (2.2%)	27 (1.9%)			62 (1.2%)		72 (1.3%)
MC	Sales	2,509	2,865	2,635	3,050	15.7%	10.3%	11,059	13.0%	9,786
	Op. Profit (%)	121 (4.8%)	325 (11.3%)	220 (8.4%)	267 (8.7%)			933 (8.4%)		153 (1.6%)
Handset	Sales	2,354	2,709	2,496	2,917	16.8%	12.2%	10,476	15.1%	9,099
	Op. Profit (%)	110 (4.7%)	313 (11.6%)	209 (8.4%)	257 (8.8%)			889 (8.5%)		74 (0.8%)

\* Divisional sales includes internal transactions between divisions.

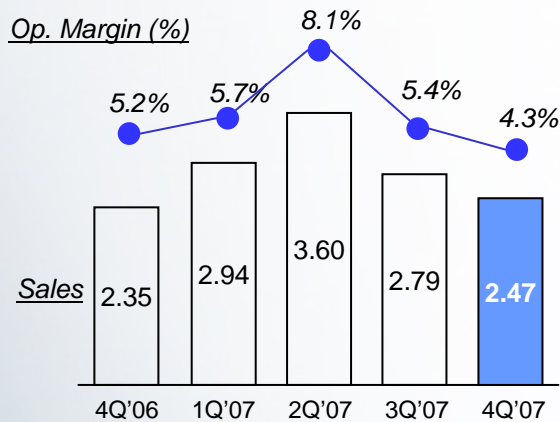
\* Consolidation based on LG Electronics Korea and overseas subsidiaries (excluding internal transactions)



### Global\* Performance

(KRW tn)

Op. Margin (%)

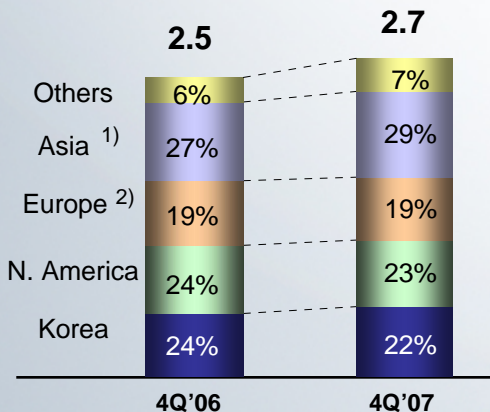


### 2007 4Q Performance

- ❖ Sales increased 5% (US\$ based 7%) YoY to 2.47 trillion KRW
  - Korea : Sales increased 5% YoY due to continuous CAC sales growth
  - Global : Sales increased 5% YoY due to sales boost in India and MEA
- ❖ Op. margin fell short 0.9%p YoY resulting in 4.3% due to increased marketing expenditure for global competitiveness

### Regional Sales

(USD bn)



1) Includes MEA 2) Includes CIS

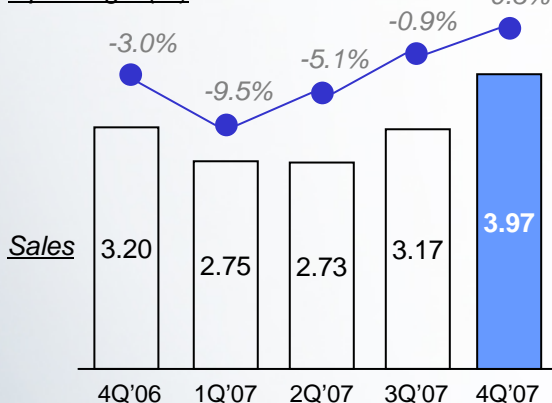
### 2008 Outlook

- ❖ Market : Demand to slow down in the U.S. due to sub-prime issues but continuous growth in EU and BRICs region
- ❖ LG : Sales growth and higher operating profit expected from expansion of CAC business and launch of new products based on customer insight
  - Korea : Continue our product leadership
  - Global : Utilize differentiated, location based marketing strategy and expand our premium product portion

### Global\* Performance

(KRW tn)

Op. Margin (%)



### 2007 4Q Performance

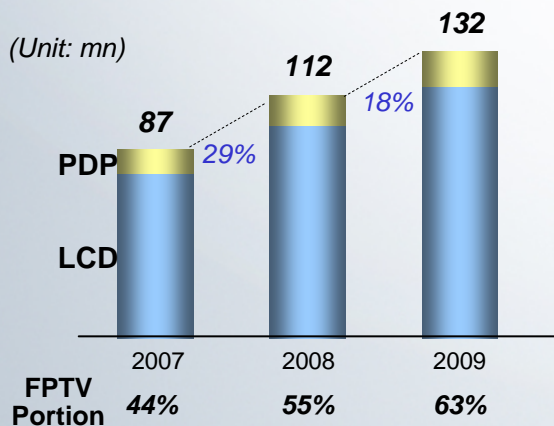
❖ Sales reached a quarterly historic high of 3.97 trillion KRW

- Display (TV) sales went up 26% QoQ from sales surge of flat panel TVs  
- Sales growth (QoQ): LCD TV 40%, PDP TV 26%
- PDP module sales went up 40% QoQ from robust sales of 32 inch panels

❖ Better operating profit margin QoQ as Display (TV) sustained profitability and PDP module business made improvements

### FPTV Demand Forecast

(Unit: mn)



(Source : Display Search)

### 2008 Outlook

❖ Market : Increased demand from price cuts in large-sized flat panel TVs and the Beijing Olympic Games → 29% growth expected YoY

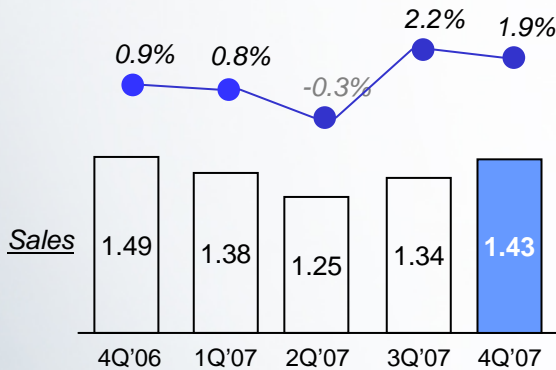
❖ LG : To become “Global Top 3” flat panel TV company and successfully turn this business around

- Launch LCD/PDP TVs with differentiated design based on Customer Insight and utilize integrated marketing strategy to create Mega Hit Products
- Expand sales in 42-inch plus-sized premium products and improve total cost competitiveness

### Global\* Performance

(KRW tn)

Op. Margin (%)



### 2007 4Q Performance

#### ❖ Sales grew 7% QoQ due to seasonality of media products

- Media : Sales of DVD-players and home theatre products increased in EU and U.S.
- IT : Increased sales of ODD from boost of DVD recorder shipment  
Slight decrease in notebook sales in Korea

#### ❖ Despite sales growth, ASP decline resulted in slight decrease of operating profit margin

### 2008 Outlook

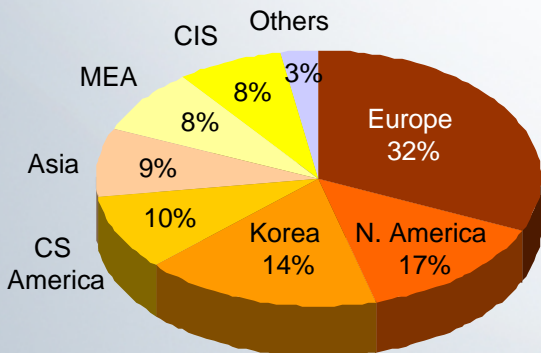
#### ❖ Market : Consumers' differentiated needs to expand and HD market to grow, but AV/ODD market to stagnate from intensified ASP erosion

#### ❖ LG : Improve profitability in existing businesses and secure growth drivers

- Media : Increase profitability through brand repositioning and portfolio mgt., focus on Car Built-in Biz while searching for future growth drivers
- DS : Expand premium portion and sustain #1 M/S with leading HD products
- PC : Selective concentration on businesses and expanding sales to telecommunication companies

### 4Q Regional Sales Breakdown

(%)



\* Based on brand sales

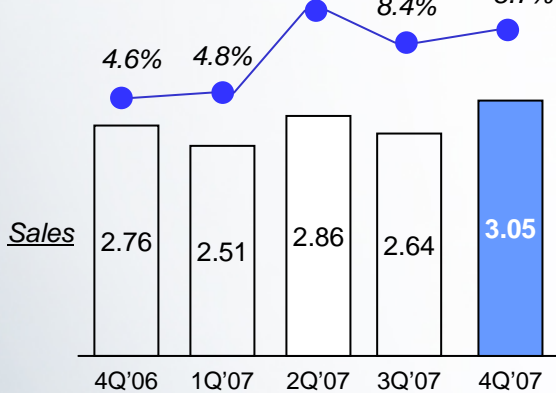
\* Pertains solely LG Electronics and its overseas subsidiaries (excluding internal transactions)



### Global\* Performance

(KRW tn)

Op. Margin (%)



### 2007 4Q Performance

❖ From strong sales in U.S. and EU, shipment grew 8% QoQ and ASP increased

- New hit models: “Viewty” in EU, “Voyager” and “Venus” in U.S.
- Shipment boost in developed markets (EU, U.S.) : 3Q 42% → 4Q 51%
- Robust WCDMA sales: 70% sales growth QoQ

❖ Operating profit margin improved QoQ due to higher premium model portion and better cost competitiveness

### 2008 Outlook

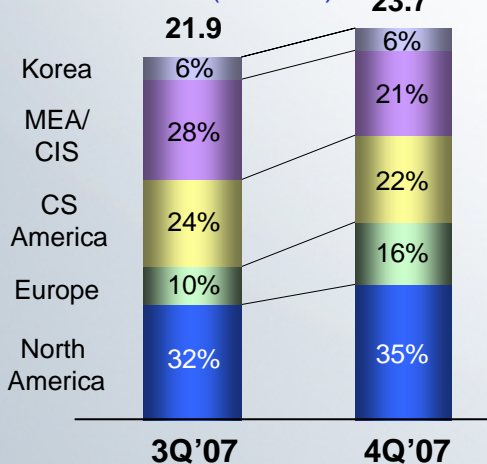
❖ Market : ① Growth centered on emerging markets, which is expected to grow 8% YoY to 121 million units  
 ② Market expansion centered on new design & features

❖ LG : Through Hit Models, increase our premium brand, strengthen our cost competitiveness, and continue to grow in emerging markets

- Shipment for '08 : Targeting 100 million units, 25% growth YoY
- Product : Strengthen our competitiveness in design and capture feature oriented markets with phones such as “Viewty” and others
- Region : Expand channels in emerging markets

### Shipment by Region

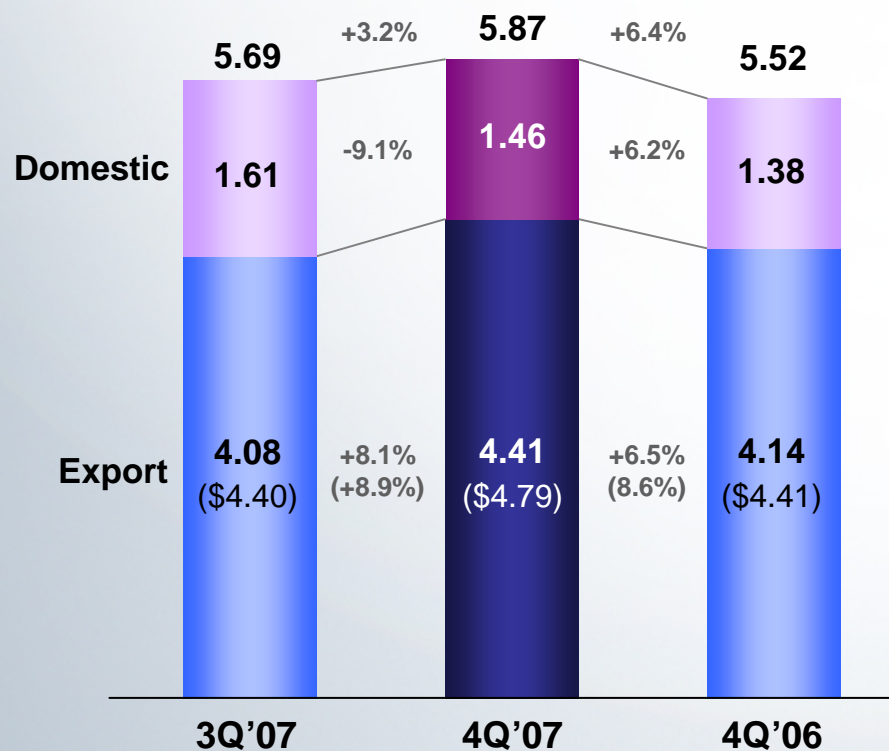
(unit:mn)



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### Sales

(Unit : KRW tn, USD bn)



### Profit

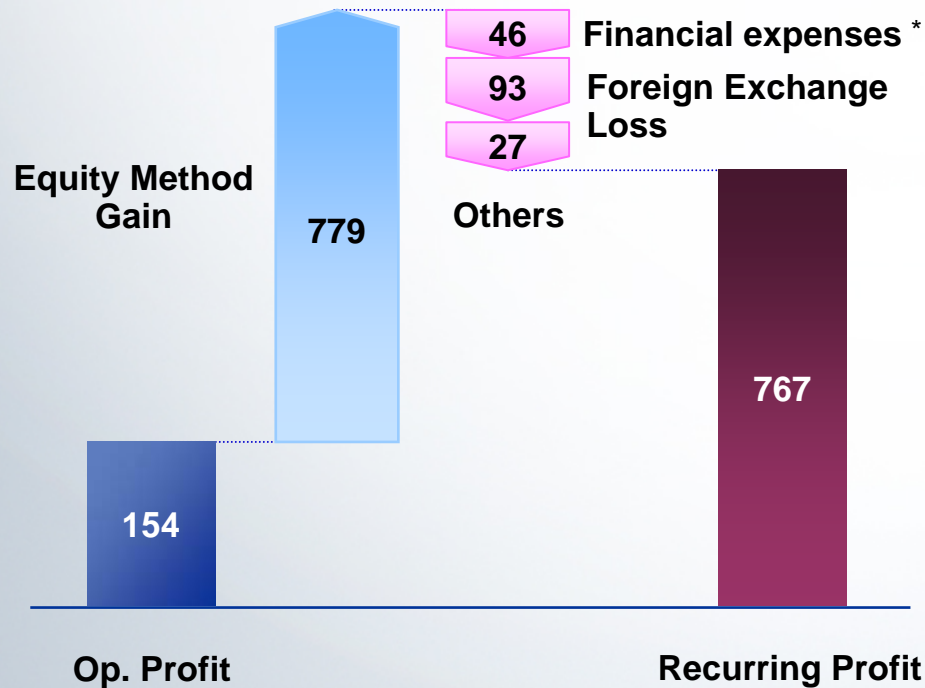
(Unit : KRW bn)

	3Q'07	QoQ	4Q'07	YoY	4Q'06
Operating Profit	92	+66%	154	n/a	-43
EBITDA	258	+24%	319	+134%	136
Recurring Profit	387	+98%	767	+1199%	59
Net Profit	339	+83%	621	+1168%	49

\*KAI opinion 06-2 not applied to 2006 results.

### Non-operating Items

(Unit : KRW bn)



### Equity Method

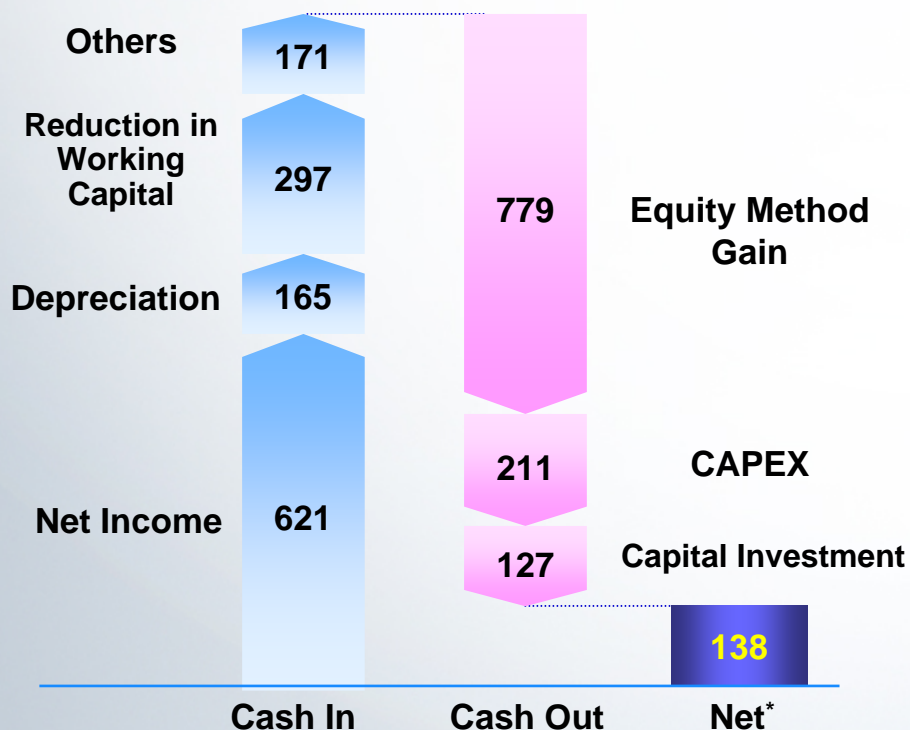
(Unit : KRW bn)

	3Q'07	4Q'07
LPL	206	298
Other Affiliates	21	38
Overseas Subsidiaries	172	443
<b>Equity Method Total</b>	<b>399</b>	<b>779</b>

\* AR discount fee included in financial expenses

### Net Cash Flow\*

(Unit : KRW bn)



### Cash flow

(Unit : KRW bn)

<b>Cash at the beginning of Quarter</b>	<b>394</b>
<b>Cash Flow from Operating Activities</b>	<b>476</b>
Net Income	621
Depreciation	165
Equity Method Gain	△779
Reduction in Working Capital	297
Others	171
<b>Cash Flow from Investing Activities</b>	<b>△ 338</b>
CAPEX	211
Capital Investment	127
<b>Cash Flow from Financing Activities</b>	<b>1</b>
Debt	1
<b>Cash Increase</b>	<b>139</b>
<b>Cash at the end of Quarter</b>	<b>532</b>

\* Excludes cash flow from financing activities

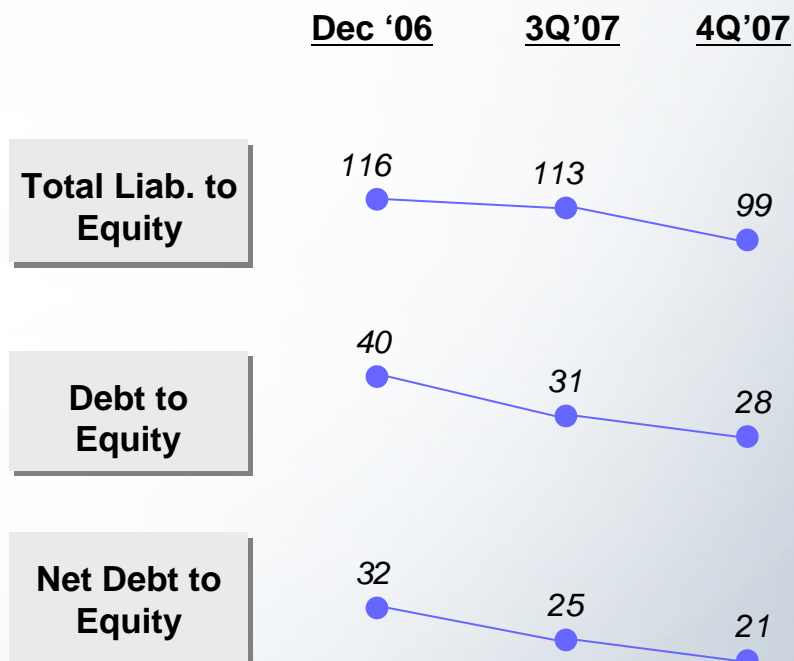
### Balance Sheet

(Unit : KRW tn)

	Dec '06	3Q'07	4Q'07
<b>☐ Assets</b>	<b>13.23</b>	<b>13.80</b>	<b>14.34</b>
Current Assets	3.16	3.31	2.83
Cash	0.51	0.39	0.53
Inventories	1.10	1.01	0.95
Fixed Assets	10.07	10.49	11.51
<b>☐ Liabilities</b>	<b>7.09</b>	<b>7.31</b>	<b>7.13</b>
Current Liabilities	4.90	4.73	4.42
Long-Term Liabilities	2.19	2.58	2.70
<b>☐ Equity</b>	<b>6.14</b>	<b>6.48</b>	<b>7.21</b>
<hr style="border-top: 1px dashed green;"/>			
<b>☐ Debt</b>	<b>2.47</b>	<b>2.02</b>	<b>2.05</b>

### Financial Ratio

(Unit : %)





## IV. Business Direction and Prospects for 2008

### Growth

**Sales growth over 10% YoY (U\$ based)**

### Profitability

#### **Better profitability in 2008**

: DM, MC division's profitability is expected to be similar YoY  
DA division's profitability to increase slightly  
DD division's profitability to increase considerably

### Investments

**CAPEX 1.2 trillion KRW (6% increase YoY)**

**R&D 1.7 trillion KRW (1% increase YoY)**



<http://www.lge.com>

## Income Statement

(Unit : KRW bn)

	2006					2007				
	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total
Sales	5,800	5,796	6,054	5,521	23,171	6,034	5,903	5,690	5,875	23,502
COGS	4,418	4,402	4,594	4,313	17,727	4,693	4,580	4,490	4,577	18,340
Gross Profit	1,382	1,394	1,461	1,207	5,443	1,341	1,323	1,200	1,298	5,162
SG&A	1,191	1,204	1,263	1,251	4,908	1,168	1,178	1,107	1,144	4,598
Op. Profit	191	191	197	-43	535	173	146	92	154	565
Non OP Item	-9	-200	-167	102	-273	-301	315	295	613	922
Rec. Profit*	182	-10	31	59	262	-128	461	387	767	1,487
Tax	31	0	8	10	49	-6	76	48	146	265
Net Profit	151	-10	23	49	213	-123	385	339	621	1,222

\*Recurring profit is equal to pre-tax profit from continuous operation.

## Balance Sheet

(Unit : KRW bn)

	2006				2007			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Assets	13,974	13,359	13,583	13,230	13,342	13,343	13,797	14,338
Current Asset	3,950	3,458	3,753	3,160	3,520	3,265	3,306	2,827
Quick Asset	2,609	2,128	2,401	2,057	2,323	2,279	2,292	1,882
Inventories	1,341	1,330	1,351	1,104	1,196	986	1,015	946
Fixed Asset	10,024	9,901	9,830	10,070	9,823	10,079	10,490	11,510
Investment	5,470	5,295	5,165	5,351	5,225	5,555	5,974	7,075
Tangible	4,116	4,170	4,215	4,256	4,152	4,126	4,119	4,037
Intangible	438	437	450	462	446	398	398	399
Liabilities	7,773	7,204	7,454	7,091	7,624	7,214	7,315	7,127
Current Liabilities	5,281	5,340	5,346	4,901	5,248	4,697	4,731	4,423
LT Liabilities	2,493	1,864	2,108	2,190	2,376	2,517	2,584	2,705
Capital	6,201	6,155	6,129	6,139	5,718	6,129	6,482	7,211

\*KAI opinion 06-2 is not applied to 2006 results.

(Unit :KRW bn)

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

\* Divisional sales includes internal transaction between divisions

(Unit :KRW bn)

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

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