



Earnings Release 2Q '06

July 19, 2006



LG Electronics Inc.

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The presentation includes forward-looking statements regarding the Company's outlook for 3rd Quarter Of 2006 and beyond, including projected sales. These forward-looking statements also refer to the Company's results on a non-consolidated basis. These forward-looking statements are subject to known and unknown risks and uncertainties that may cause actual results to differ materially from those stated or implied by such statements. The Company assumes no obligation or responsibility to update the information provided in the presentations in correspondence to their respective dates.






Table of Contents

- I . 2Q 2006 Results**
- II . Performance and Outlook by Division**
- III . 3Q 2006 Business Direction & Prospects**

- ◆ Sales : Despite slight decline of export revenue due to Won appreciation, revenue similar to 1Q due to strong domestic appliances and TV sales.
- ◆ Profit : Operating profit similar to 1Q, but recurring profit / net profit recorded losses due to equity method losses.

(Unit: KRW bn)

| Sales (Unit: KRW tn, USD bn) | | Results | | 1Q '06 | QoQ | 2Q '06 | YoY | 2Q '05 | | | | |
|---------------------------------|------|---------|------|--------|------|--------|------------------|------------------|------------------|------------------|------------------|------------------|
| Dom. | 5.80 | -0.1% | 5.80 | +3.2% | 5.62 | Exp. | 4.35 (\$4.45) | -3.1% (-0.3%) | 4.21 (\$4.43) | +1.5% (+7.7%) | 4.15 (\$4.12) | |
| | 1.45 | +9.0% | 1.58 | +8.1% | 1.47 | | Sales | 5,800 | -0.1% | 5,796 | 3.2% | 5,615 |
| | 4.35 | -3.1% | 4.21 | +1.5% | 4.15 | | Gross Profit (%) | 1,382 (23.8%) | 0.9% | 1,394 (24.0%) | -0.1% | 1,395 (24.8%) |
| | | | | | | | Op. Profit (%) | 191 (3.3%) | -0.1% | 191 (3.3%) | 32.4% | 144 (2.6%) |
| | | | | | | | EBITDA (%) | 368 (6.3%) | -1.1% | 364 (6.3%) | 2.8% | 354 (6.3%) |
| | | | | | | | Rec. Profit (%) | 182 (3.1%) | n/a | -10 (-0.2%) | n/a | 216 (3.8%) |
| | | | | | | | Net Profit (%) | 151 (2.6%) | n/a | -10 (-0.2%) | n/a | 151 (2.7%) |

* EBITDA : Operating Profit + Depreciation & Amortization

- ◆ **DA** : Despite raw material cost increase, profitability sustained due to growing sales of premium products.
- ◆ **DD** : Profit declined due to price erosion of TV & monitors, but PDP profitability increased QoQ.
- ◆ **DM** : Profit declined due to slow Media (AV) sales in CIS and continuous ASP decline of IT products.
- ◆ **MC** : Marginal profit improvement due to steep market competition in U.S. market, and GSM shipment decline.

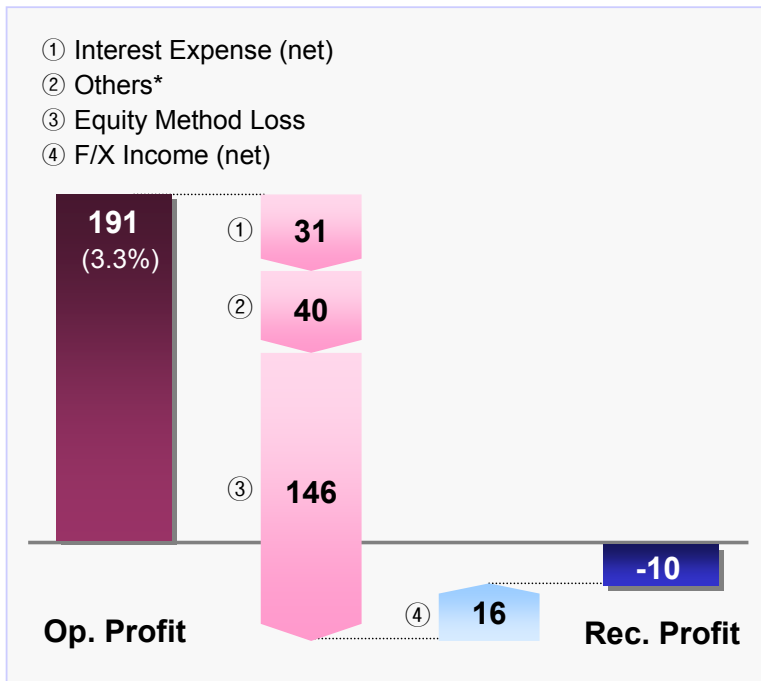
(Unit: KRW bn)

| | | 1Q'06 | QoQ | 2Q'06 | YoY | 2Q'05 |
|----------------|----------------|----------------|--------|---------------|--------|----------------|
| DA | Sales | 1,574 | -0.8% | 1,562 | -3.7% | 1,621 |
| | Op. Profit (%) | 160 (10.1%) | -6.1% | 150 (9.6%) | -7.6% | 162 (10.0%) |
| DD | Sales | 1,423 | 0.4% | 1,429 | 23.7% | 1,155 |
| | Op. Profit (%) | 30 (2.1%) | -29.5% | 21 (1.5%) | n/a | -22 (-1.9%) |
| DM | Sales | 764 | -16.0% | 642 | -12.4% | 732 |
| | Op. Profit (%) | 23 (3.0%) | -50.2% | 11 (1.8%) | -57.8% | 27 (3.7%) |
| MC | Sales | 2,033 | 7.9% | 2,193 | 5.4% | 2,081 |
| | Op. Profit (%) | -9 (-0.4%) | n/a | 21 (1.0%) | 148.8% | 8 (0.4%) |
| Handset | Sales | 1,843 | 9.6% | 2,019 | 10.9% | 1,822 |
| | Op. Profit (%) | -31 (-1.7%) | n/a | -3 (-0.1%) | n/a | -4 (-0.2%) |

◆ Recurring profit turned to loss mainly due to equity method losses.

2Q 2006

(Unit: KRW bn)



2Q 2006 Equity Method

(Unit: KRW bn)

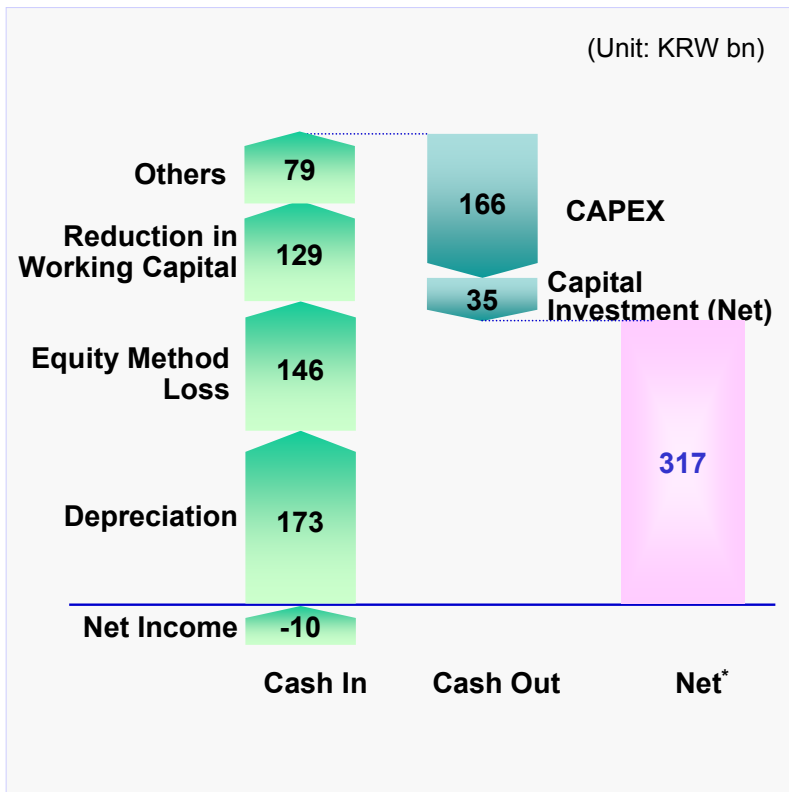
| | 2Q'06 | 1Q'06 |
|--------------------------------|-------------|------------|
| LG.Philips LCD | -132 | 21 |
| LG.Philips Display | 0 | 0 |
| Overseas Affiliates and Others | -14 | -43 |
| Total | -146 | -22 |

* Others = AR Discount Fee(-50) + Misc.(+10)

◆ Generated net cash flow of 317bn Won and reduced 565bn Won in debt.

Net Cash Flow*

(2Q '06)



Cash Flow

(2Q '06)

(Unit: KRW bn)

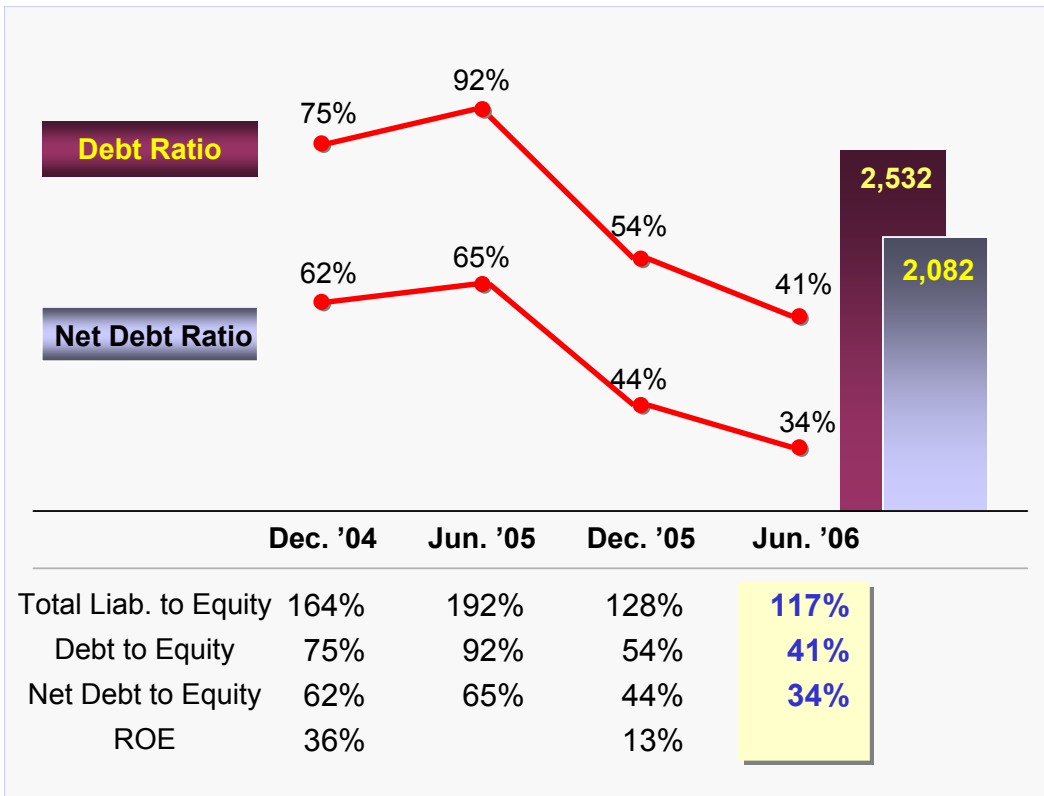
| | |
|--|--------------|
| Cash at the beginning of quarter | 898 |
| Cash flow from Oper. Activities | 518 |
| Net Income | (10) |
| Depreciation | 173 |
| Equity Method Loss | 146 |
| Reduction in Working Capital | 129 |
| Others | 80 |
| Cash flow from Invest. Activities | (201) |
| CAPEX | (166) |
| Capital Investment (Net) | (35) |
| Cash Flow from Finance Activities | (765) |
| Decrease in Debt | (565) |
| Dividend paid | (200) |
| Net Increase in Cash & Equiv. | (448) |
| Cash at the end of quarter | 450 |

* Excludes Cash Flow from Financing Activities

◆ Continue to concentrate on debt reduction to improve financial structure.

Debt

(Unit: KRW bn, Parent)



Balance Sheet

(Unit: KRW bn, Parent)

| June 2006 | |
|-----------------------|---------------|
| Assets | 13,359 |
| - Current Assets | 3,458 |
| - Fixed Assets | 9,901 |
| Liabilities | 7,204 |
| - Current Liabilities | 5,340 |
| - Fixed Liabilities | 1,864 |
| Equity | 6,155 |
| - Capital Stock | 809 |
| - Capital Surplus | 2,220 |
| - Retained Earnings | 2,453 |
| - Capital Adjustment | 673 |

- ◆ Consolidated revenue was similar to 1Q. Profitability declined QoQ due to losses recorded by LG.Philips LCD.

Consolidated & Global F/S

(Unit: KRW tn)

| | | 1Q'06 | 2Q'06 | 2Q'05 |
|----------------|---------------------------|-------|-------|-------|
| Consol. F/S | Revenue | 11.00 | 11.08 | 10.95 |
| | Op. Profit | 0.24 | -0.06 | 0.36 |
| | Rec. Profit ¹⁾ | 0.18 | -0.24 | 0.25 |
| Global F/S | Revenue | 8.86 | 9.26 | 8.82 |
| | Op. Profit | 0.17 | 0.31 | 0.32 |
| | Rec. Profit ²⁾ | 0.16 | 0.18 | 0.28 |

1) Before minority interest adjustment

2) Based on LGE parent and LGE overseas subsidiaries only

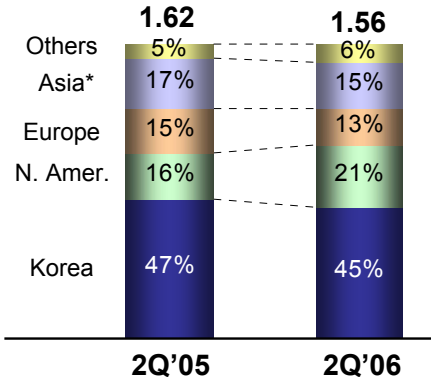
Consolidated Balance Sheet

(Unit: KRW tn / Jun. '06)

| | Jun.'06 | Dec.'05 |
|-----------------------|----------------|---------|
| Assets | 33.6 | 33.1 |
| - Current Assets | 15.1 | 15.0 |
| - Fixed Assets | 18.6 | 18.1 |
| Liabilities | 22.6 | 21.9 |
| - Current Liab. | 16.2 | 15.5 |
| - Fixed Liab. | 6.4 | 6.4 |
| Equity | 11.1 | 11.2 |
| | Jun.'06 | Dec.'05 |
| Total Liab. to Equity | 204% | 195% |
| Debt to Equity | 118% | 111% |
| Net Debt to Equity | 100% | 84% |

Sales Breakdown by Region

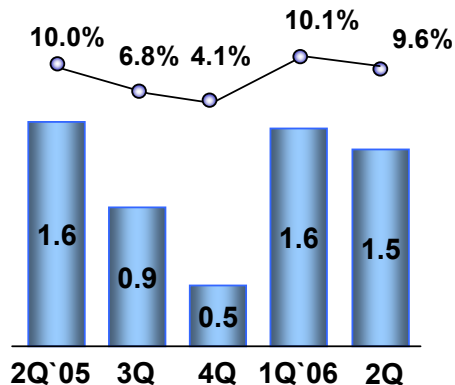
(Unit: KRW tn, %)



* M.E. Included

Quarterly Op. Profit Trend

(KRW 100bn, %)



2Q 2006 Performance

❖ **Sales : declined 3.7% YoY to KRW 1.56tn.**

▪ **Domestic: declined 8.3% YoY**

- domestic A/C sales declined YoY due to mild weather.
- commercial A/C sales increased 11% YoY.
- premium products (commercial A/C, SxS Ref, and drum-type W/M) sales increased 18% YoY.

▪ **Overseas : increased 0.5% YoY (global sales increased 11%)**

- N. American market sales grew 27% YoY due to channel expansion.
- sales of commercial A/C increased 53% YoY.

❖ **Op. Profit : despite pressures of strong Won and raw material cost increase, Op. Profit margin sustained YoY due to expansion of premium products sale and cost reduction.**

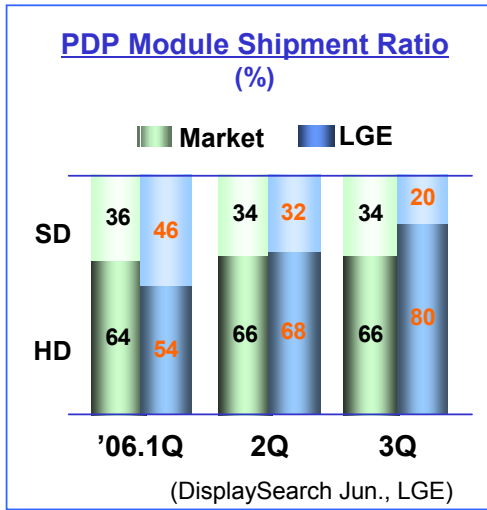
3Q 2006 Outlook

❖ **Domestic Market**

- premium products sale including commercial A/C expected to be strong.
- seasonally strong season for Kimchi Ref.

❖ **North American Market**

- strong sales centered on Ref., W/M, and Light Wave Oven expected.

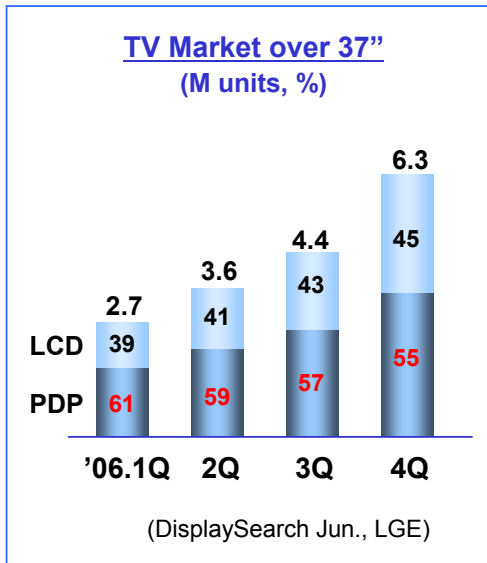


2Q 2006 Performance

❖ **Sales : increased slightly QoQ to KRW 1.43tn.**

- Domestic : up 16% due to PDP/LCD TV demand increase from World Cup.
- Overseas : down 5% due to Won appreciation and monitor sales decline.
 - DTV : Despite seasonally low period, sales grew over 5% led by sales of premium products (LCD/PDP TVs).
 - PDP Module : HD portion grew to 68%.

❖ **Op. Profit : Profitability as a division fell slightly, but PDP margin rose due to better product mix and cost reduction.**



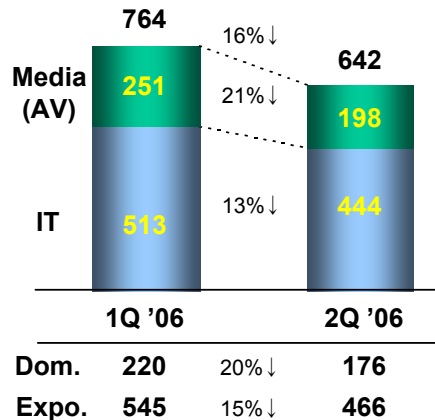
3Q 2006 Outlook

❖ **Sales is expected to rise over 15% sequentially due to seasonal increase with demand for flat panel displays expanding.**

- DTV : over 10% QoQ increase is expected as PDP / LCD TV prices become more affordable.
- PDP Module : HD portion to exceed industry average. (3Q : industry 66%, LGE 80%)

❖ **Large LCD TV and PDP TV market is expected to grow rapidly.**

Sales (KRW bn)



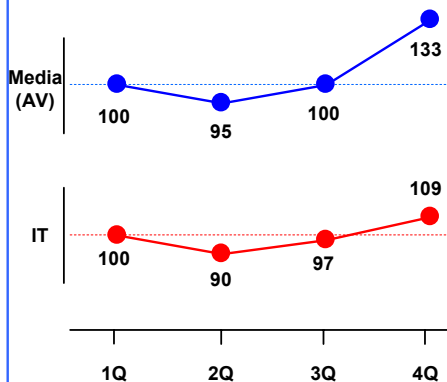
2Q 2006 Performance

❖ **Sales** : decreased 16% QoQ to KRW 642bn.

- Domestic : gained market share by launching new notebook PCs. revenue declined due to competition from low-end PC makers.
- Overseas : sales decreased due to sluggish sales in Russia and ASP decline of DVD-W drives.

❖ **Op. Profit** : declined QoQ due to shipment decrease of Media (AV) products and ASP decline of IT products.

Quarterly Trend



*2-year average

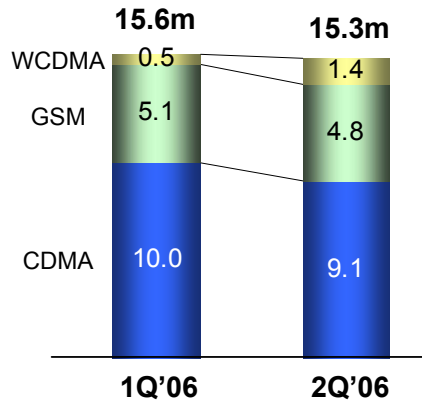
3Q 2006 Outlook

❖ **Revenue to rise due to seasonal demand increase, ASP decline will continue due to intensifying competition.**

❖ **Secure profitability by expanding premium products sales.**

- Media : expand sales in strategic markets (CIS, CS America) for high-demand season.
- DS : launch premium DVD-W (18x) and expand slim optical disk drive sales.
- PC : premium marketing through Red Dot Design Awarded products.

Shipment by Technology



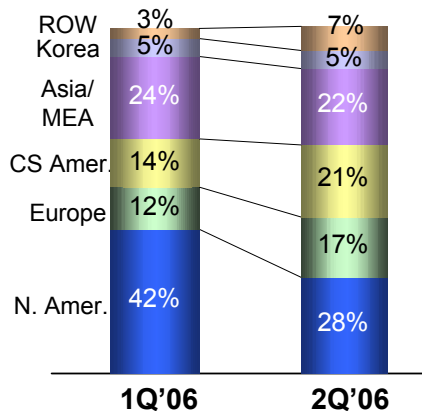
2Q 2006 Performance

❖ **Shipment : decreased 2% QoQ to 15.3M units (26% ↑ YoY).**

- **CDMA** : domestic shipment of mid-to-low end declined while high end phone showed strong growth.
shipment to N. America and India declined slightly.
- **GSM** : shipment to open market grew steadily, but decreased shipment to carriers resulted in 5% QoQ decline.
- **WCDMA** : shipment grew 170% QoQ with the launch of DVB-H / Slim type 3G phones.

❖ **Op. Profit : marginal profit improvement due to ASP decline from intensifying competition, and increase in marketing expenditure.**

Shipment by Region



3Q 2006 Outlook

❖ **Shipment : expect 10% QoQ shipment increase.**

❖ **Expand GSM open market sales and strengthen North American Biz.**

- **CDMA** : domestic → raise sales and brand image by launching innovative and stylish premium models.
overseas → expect sales increase to carriers in North America.
- **GSM** : accelerated open market expansion.
- **WCDMA** : sales expected to decrease due to rising competition.

III. 3Q '06 Business Direction and Prospects

3Q 2006 Business Environment and Focus of Operation

- **DA** - Won appreciation, raw material cost increase.
 - Maintain profitability via expanding premium products sales.
- **DD** - Rising demand, but face fierce price competition.
 - Secure competitiveness through strategic production and price policy.
- **DM** - Beginning of transition period for Post-DVD market.
 - Establish platform to take advantage of the shift to Post-DVD market.
- **MC** - More competition among global players in N. America and 3G market.
 - Secure cost competitiveness by utilizing existing platforms.

(Unit: KRW tn)

Revenue

| | |
|---------------|----------------------------------|
| Parent | 5.9 ~ 6.0 (2~3% ↑ QoQ) |
| Global | 9.5 ~ 10 (3~8% ↑ QoQ) |



<http://www.lge.com>

Sales and Profits by Division – Like for Like Comparison

Appendix

(Unit: KRW bn, USD M)

| Section | | | 2005 | | | | | 2006 | | | | |
|--------------------------|------------|------------------|---------|---------|---------|---------|---------|----------|---------|---------|---------|---------|
| | | | 1Q | 2Q | 3Q | 4Q | Total | 1Q | 2Q | 3Q | 4Q | Total |
| Digital Appliance | Sales | Domestic | 494 | 765 | 575 | 468 | 2,303 | 494 | 702 | | 1,196 | |
| | | Export | 1,175 | 856 | 749 | 771 | 3,550 | 1,079 | 860 | | 1,939 | |
| | | M\$ | \$1,150 | \$849 | \$728 | \$743 | \$3,469 | \$1,105 | \$905 | | \$2,010 | |
| | 10 | Total | 1,669 | 1,621 | 1,324 | 1,239 | 5,853 | 1,574 | 1,562 | | 3,136 | |
| | | Operating Profit | 170 | 162 | 90 | 50 | 473 | 160 | 150 | | 309 | |
| Digital Display | Sales | Domestic | 263 | 254 | 300 | 296 | 1,113 | 384 | 445 | | 829 | |
| | | Export | 990 | 901 | 1,019 | 1,098 | 4,008 | 1,039 | 984 | | 2,023 | |
| | | M\$ | \$968 | \$894 | \$991 | \$1,058 | \$3,911 | \$1,064 | \$1,035 | | \$2,099 | |
| | | Total | 1,253 | 1,155 | 1,319 | 1,393 | 5,121 | 1,423 | 1,429 | | 2,852 | |
| | | Operating Profit | 17 | -22 | 28 | -81 | -58 | 30 | 21 | | 50 | |
| Digital Media | Sales | Domestic | 179 | 157 | 176 | 160 | 672 | 219 | 176 | | 396 | |
| | | Export | 667 | 575 | 604 | 661 | 2,507 | 545 | 466 | | 1,010 | |
| | | M\$ | \$652 | \$571 | \$587 | \$637 | \$2,446 | \$558 | \$490 | | \$1,048 | |
| | | Total | 846 | 732 | 780 | 820 | 3,179 | 764 | 642 | | 1,406 | |
| | | Operating Profit | 23 | 27 | 52 | 36 | 138 | 23 | 11 | | 34 | |
| Mobile Communications | Sales | Domestic | 333 | 265 | 363 | 316 | 1,276 | 350 | 291 | | 641 | |
| | | Export | 1,822 | 1,816 | 2,182 | 2,362 | 8,182 | 1,682 | 1,903 | | 3,585 | |
| | | M\$ | \$1,785 | \$1,801 | \$2,121 | \$2,276 | \$7,983 | \$1,722 | \$2,003 | | \$3,725 | |
| | | Total | 2,155 | 2,081 | 2,545 | 2,679 | 9,459 | 2,033 | 2,193 | | 4,226 | |
| | | Operating Profit | 102 | 8 | 128 | 217 | 455 | -9 | 21 | | 12 | |
| Handset | Sales | Domestic | 258 | 174 | 237 | 246 | 915 | 316 | 248 | | 564 | |
| | | Export | 1,615 | 1,647 | 2,056 | 2,206 | 7,524 | 1,527 | 1,771 | | 3,298 | |
| | | M\$ | \$1,582 | \$1,634 | \$1,999 | \$2,125 | \$7,339 | \$1,563 | \$1,864 | | \$3,427 | |
| | | Total | 1,873 | 1,822 | 2,293 | 2,452 | 8,439 | 1,843 | 2,019 | | 3,862 | |
| | | Operating Profit | 67 | -4 | 123 | 197 | 384 | -31 | -3 | | -34 | |
| Parent | Sales | Domestic | 1,302 | 1,466 | 1,454 | 1,288 | 5,509 | 1,454 | 1,584 | | 3,038 | |
| | | Export | 4,657 | 4,150 | 4,565 | 4,894 | 18,265 | 4,346 | 4,212 | | 8,558 | |
| | | | M\$ | \$4,556 | \$4,117 | \$4,438 | \$4,715 | \$17,826 | \$4,448 | \$4,434 | | \$8,882 |
| | | | Total | 5,959 | 5,615 | 6,018 | 6,182 | 23,774 | 5,800 | 5,796 | | 11,596 |
| | | Gross Profit | 1,496 | 1,395 | 1,608 | 1,611 | 6,111 | 1,382 | 1,394 | | 2,776 | |
| | | Operating Profit | 280 | 144 | 280 | 211 | 915 | 191 | 191 | | 382 | |
| | | Recurring Profit | 77 | 216 | 128 | 321 | 741 | 182 | -10 | | 172 | |
| | Net Profit | 83 | 151 | 157 | 312 | 703 | 151 | -10 | | 141 | | |

◆ Income Statement

(Unit: KRW bn)

| | 2005 | | | | | 2006 | | | | | | | | |
|--------------|-------|--------|-------|--------|-------|--------|-------|--------|--------|--------|-------|--------|-------|--------|
| | 1Q | 2Q | 3Q | 4Q | Total | 1Q | 2Q | 3Q | 4Q | Total | | | | |
| Sales | 5,959 | 100.0% | 5,615 | 100.0% | 6,018 | 100.0% | 6,182 | 100.0% | 23,774 | 100.0% | 5,800 | 100.0% | 5,796 | 100.0% |
| COGS | 4,463 | 74.9% | 4,220 | 75.2% | 4,410 | 73.3% | 4,571 | 73.9% | 17,664 | 74.3% | 4,418 | 76.2% | 4,402 | 76.0% |
| Gross Profit | 1,496 | 25.1% | 1,395 | 24.8% | 1,608 | 26.7% | 1,611 | 26.1% | 6,111 | 25.7% | 1,382 | 23.8% | 1,394 | 24.0% |
| SG&A | 1,216 | 20.4% | 1,251 | 22.3% | 1,328 | 22.1% | 1,400 | 22.7% | 5,196 | 21.9% | 1,191 | 20.5% | 1,203 | 20.8% |
| Op. Profit | 280 | 4.7% | 144 | 2.6% | 280 | 4.7% | 211 | 3.4% | 915 | 3.8% | 191 | 3.3% | 191 | 3.3% |
| Non OP | -203 | -3.4% | 72 | 1.3% | -152 | -2.5% | 161 | 2.6% | -123 | -0.5% | -9 | 0.0% | -200 | -3.5% |
| Rec. Profit | 77 | 1.3% | 216 | 3.8% | 128 | 2.1% | 321 | 5.2% | 741 | 3.1% | 182 | 3.3% | -10 | -0.2% |
| Tax | -7 | -0.1% | 65 | 1.2% | -29 | -0.5% | 9 | 0.1% | 39 | 0.2% | 31 | 0.5% | 0 | 0.0% |
| Net Profit | 83 | 1.4% | 151 | 2.7% | 157 | 2.6% | 312 | 5.0% | 703 | 3.0% | 151 | 2.6% | -10 | -0.2% |

◆ Balance Sheet

(Unit: KRW bn)

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