



LG ELECTRONICS 50-YEAR HISTORY VOL. 04 | ENGLISH EDITION


1958

LG ELECTRONICS
50-YEAR HISTORY
VOL. 04
ENGLISH EDITION

THE
PEOPLE
COMPANY

2008





THE HISTORY WILL REMEMBER. IT WILL REMEMBER THAT LG ELECTRONICS WAS ALWAYS ON ITS OWN,
LEADING UNDEFEATED PATHS TO BECOME THE NUMBER-ONE IN ITS INDUSTRY. AND THE HISTORY WILL
TELL, THE TRADITION WHICH FORGED THE COMPANY WILL ONCE AGAIN FLOURISH AND BECOME MYTH
ANEW, TO THE PRESENT AND UP TO THE FUTURE.



IN-HWOI KOO | LG Group Founder

FOUNDING PRINCIPLES

HARMONY AND SOLIDARITY
PIONEERING SPIRIT
RESEARCH AND DEVELOPMENT



CHA-KYUNG KOO | LG Honorary Chairman

MANAGEMENT PRINCIPLES

CREATING VALUE FOR CUSTOMER
RESPECTING HUMAN DIGNITY

**LET US STRIVE TOWARDS THE FUTURE,
FROM THE NATION'S FIRST ELECTRONICS COMPANY
TO THE TOP GLOBAL ELECTRONICS COMPANY**

LG Electronics is celebrating its 50th anniversary of ongoing efforts to become a global company whilst leading the nation's electronics industry. Since taking its very first step in 1958 as GoldStar, LG Electronics' 50-year history can truly be called 'Korea's history of electronics'. LG Electronics has improved people's living standards and has contributed to the national economy with aggressive investments and constant technological developments, writing chapter after chapter about Korea's first and best electronics company. I'm filled with deep emotion as we publish 'LG Electronics' 50-year History' of endeavors and pioneering.

LG Electronics' 50-year History is not putting an end to the previous half-century. Instead, it is the beginning of the next 50 years or century in the knowledge of all it has achieved over the past 50 years. LG Electronics has managed to achieve its goals over time through its continual efforts and innovations. As a result, it has become a global company equipped with 80 or so overseas subsidiaries worldwide and a sales network of 120 countries.

Now it is time for a new challenge and to go beyond the past half-century of the nation's first electronics company towards being the global No. 1. We must be fully committed to becoming the global No. 1 and this can be achieved with our solid foundation of business competence. We should continuously develop new independent technology and become globally competitive in order to seize the top spot of the global electronics industry. To do this, we need to look back over LG Electronics' and Korea's 50-year history of electronics. Most importantly, LG Electronics' 50-year history is not



merely about one individual or company but also about customers worldwide. We should not forget that the importance we place on our customers is the driving force that will power our growth and future. It is only on this basis that we can envisage our goal and future of 'Outstanding LG through ethical management' and 'No. 1 LG'. We will certainly realize our dream since we have the dedication and passion of all our LG employees as well as the trust and loyalty of all our customers.

Having started from scratch to rapidly grow and progress over the past half-century, LG Electronics is now ready for another new journey. Let us strengthen our foundation by using a management strategy based on sustainable growth in order to become a transparent company that is socially responsible and plays by the rules in this 21st century of boundless competition. Let us progress steadily towards our new future with the management philosophy that created LG Electronics.

I'm deeply obliged to the people and customers who, with their devotion and enthusiasm, have helped LG Electronics to become what it is today. I ask once again that we give our all to become a company that will help ensure the happiness and future of humanity. Let us strive towards the future, from the nation's first electronics company to the top global electronics company.

April 2008

BON-MOO KOO | Chairman of LG

A handwritten signature in black ink, which appears to read 'Bon M Koo'.

TOWARDS A GREAT COMPANY OF CENTURY-LONG STANDING THROUGH CONTINUAL CUSTOMER VALUE CREATION

It has been 50 years since LG Electronics took root in Korea's electronics industry with its production of the nation's first radio. Since its first product irrevocably changed people's lives, every time a new product is made, LG Electronics thinks about how we may affect customers' lives, and how convenient and enriched their lives might be.

There is a founding spirit at the heart of LG Electronics' 50-year history that has made us what we are today. This is the founding spirit of harmony among employees, its pioneering approach, and its research & development expanded and developed further into value creation for the customer and human-oriented management. With this management philosophy we have overcome countless obstacles and crises, and have progressed steadily. To lead change all over the world, we pushed the frontier further into new markets, developed new technology and created new trends. Now we are publishing 'LG Electronics' 50-year History', compiling the moments when our creations were born.

LG Electronics' 50-year History talks about the marks that LG Electronics has left all over the world with its challenging and pioneering spirit. We will discover hope on every mark we left. We will see our dream to become a great company of century-long standing through continual customer value creation. The future we envisage is a people company that has the best talents to produce the best results with the best teamwork.

Our products and technology continue to evolve to make customers' lives more convenient and enjoyable. One thing that will change, however, is this.



It has been a belief in LG Electronics since its foundation that 'customers are the starting point and destination of our management.' This belief is what strengthens our employees' power to create the value that customers want. When our activities of innovation take shape before our very eyes, we will be transformed from merely a good company to a great company.

Let me express my gratitude to all our employees who stayed together through good times and bad times to make us what we are today. Above all, I'm respectfully obliged to our customers who have offered their generous love and support to the growth of LG Electronics. We will continue to do our best to create maximum shareholder value and profitability on a global level, and to participate and take responsibility as a reliable corporate citizen. It's a promise given by all our hard-working employees around the world. Thank you.

April 2008

YONG NAM | Vice Chairman & CEO of LG Electronics

A handwritten signature in black ink, reading "Yung Nam". The signature is fluid and cursive, written in a professional style.





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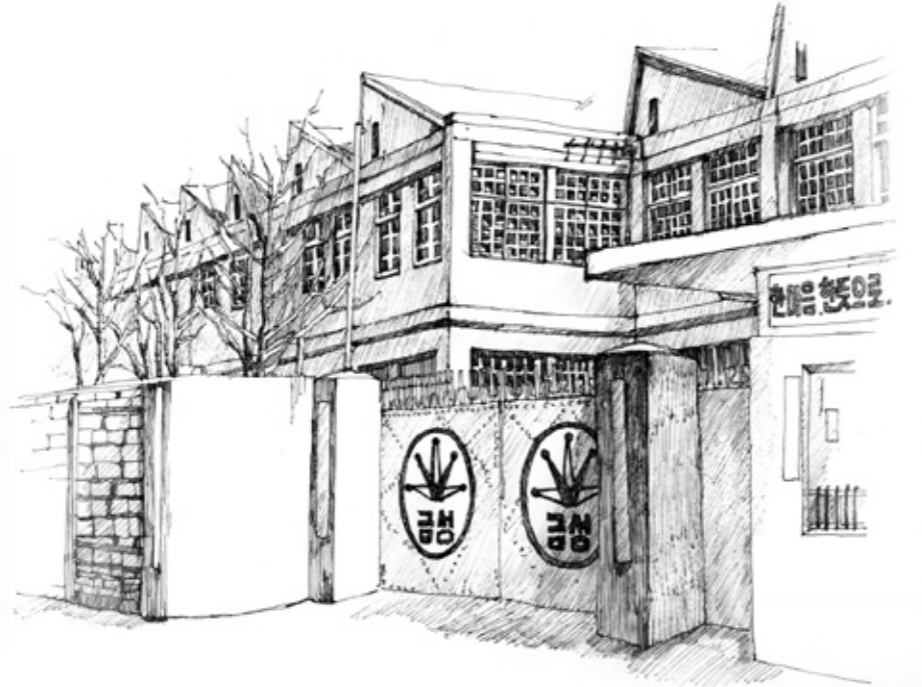
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CHAPTER 01

FROM THE FIRST IN KOREA TO THE BEST
IN THE WORLD

LG ELECTRONICS, FORGING MYTHOLOGY TOWARD THE FUTURE



01 GOLDSTAR, THE DAWNING OF THE MYTH

It was 1957, one spring day when Koo In-Hwoi, the founder and chairman of the company (president of Lak Hui at the time) and other employees, managers and executives gathered in a small office at the company.

"These days, I spend my nights listening to the radio."

Yoon Wook-Hyun planning director opened the conversation. At the time, radios were attracting interests as embodiments of civilization, bringing news of the world to their listeners. The instant he heard Yoon Wook-Hyun's opinion, the possibility of a new business opportunity came into Koo In-Hwoi's mind.

"We could make it."

"I wouldn't say it's impossible, but our technology is too far behind."

It was not only Yoon Wook-Hyun; most of the staff attending the reunion were too skeptic to face Koo In-Hwoi's proposition. But Koo In-Hwoi's hope was already rushing toward the new electronic

industry era.

"We could certainly deal with it. If we need to learn, we'll go abroad and learn; if we can't, we'll invite foreign technical experts. I say let's unveil the electronic industry within us."

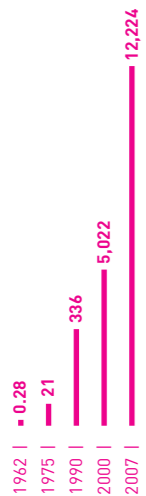
Koo In-Hwoi went on with his sole challenging, pioneering spirit. That radio Koo In-Hwoi once dreamt to make with his own hand later became the footstone which led Korea into today's biggest electronic industry nation. Hence in 1958, GoldStar (now LG Electronics) sowed seeds of electronic industry to the land where traces of recent war still lingered. Truly, it was the dawning of the new Korean electronic industry era. GoldStar initially founded in October 1st 1958 eventually grew into today's global company, LG Electronics.

In July 1959, for the first time in both LG Electronics history and Korean electronic industry's history, LG Electronics committed itself in the development of the radio. Neither the company nor the nation had developed other electronic devices prior to the commitment, and most looked upon doubtfully. In spite of the much apprehension, however, LG Electronics' determination to produce a first-ever domestic radio went on unaltered.

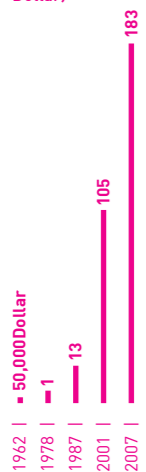
Considering the situation of the company and its low technology standard, importing radio components was more practical than risking in-house development. But GoldStar chose to develop and provide domestic components to their radios. For a company which had barely started toddling, developing domestic components was folly enough. From its beginning, LG decided to take a risk that no other Korean electronics maker was willing to pursue. Rather than sourcing parts for its radios from foreign makers, LG – then GoldStar – chose to make its own components. This decision helped lay the foundation for the company to become a world leader in technology. LG was successfully using its own parts to build radios, the first electronic products made in Korea, within a year of starting the project. From the switches, transformers and sockets of long ago to today's most advanced electronics, LG is a true success story.

Not only it was the first Korean radio, but it was also the first product to include more than 60% of domestic components; up to today, LG Electronics' first radio is regarded as the hallmark of the new Korean electronic industry era. Considering that the Korean electronic industry barely began in 1958 with the foundation of GoldStar,

LG Electronics Net Income
(Unit: 100M Won)



LG Electronics
Exportation (Unit: 100M
Dollar)



manufacturing a domestic brand product with our own technology within less than a year was more than a historical event.

The development of the radio is only one among LG Electronics' (GoldStar at the time) countless achievements. Most of the electric appliances that surrounds our everyday life began with LG Electronics. This is precisely why we can declare, that LG Electronics history 'is' the Korean electronic industry. First among the Korean companies to establish a foreign branch, first among the private companies to establish a general R&D laboratory, first in the industry to achieve and surpass 100 million dollars exportation, first in the industry to provide a consumer consulting office, first among the Korean companies to establish an overseas production plant, first in the industry to establish a design laboratory... Undoubtedly, the many achievements of LG Electronics have been writing the Korean business management history anew ever since its foundation.

As to fulfill its reputation as the first Korean electronic company, LG Electronics continuously bore acknowledgements such as 'The first' and 'The best' during the past 50 years. The records LG Electronics set were none other than the records which positioned Korea as the 'Number-one' nation. The first-ever Korean radio LG Electronics developed became the symbol of hope to every Koreans, living desperate lives within the ruins the war had left behind. The crown emblem a GoldStar radio bore signified dream and hope toward their future. Soon afterward, LG Electronics forged its way to become Korea's best electronic company by successively producing first-ever domestic products in most of the electronic appliances, including the first refrigerator, first television, first air conditioner and first washing machine.



LG Electronics is also proud to have been the first company to represent Korea worldwide, starting from 1962 when the first Korean-made radios were exported to the USA. to be soon followed by other products, to other parts of the world, thus leading the 'Export Korea' motto into brilliant achievement. The efforts LG Electronics endeavored positioned the company as the first in the Korean electronic industry to surpass the 100 million dollars exportation, Showing confidence in the heart of every Koreans who considered exportation as the only means of survival: 'We can do it'

GLOBAL COMPANY, LG ELECTRONICS

02

GoldStar's challenging spirit had fueled its determination to create electric appliances with our own hands in the barren land devoid of any potential electronic industry. Its pioneering spirit had led the company to overcome the most difficult situations and bring forth the very

first step toward the emergence of the Korean electronic industry. Beginning with the development of the radio, the company had gained confidence with its 50 years of top-rank success in every areas of the Korean electronic industry. Today's global company, LG Electronics is forged upon these roots. This success has required the company to continually take on new challenges and it will continue in this pioneering spirit to achieve its future goals.

In October 8, 1982, the first 'Made in USA' product bearing the GoldStar seal came out of GSAI (GoldStar America Inc., now LGEAI), Korea's first overseas production subsidiary located in Huntsville, Alabama. It was the 'CMA-2030', the first color television to symbolize the company's giant leap from the Korean market to the global industry.

GoldStar had foreseen the need to secure a front-line overseas production plant in order to confront changes in the international trade order, and had established its first overseas production subsidiary in the USA. Soon, it was followed by a string of other overseas manufacturing and sales outposts in Europe, Central and South America and Asia, bringing forth the company's fully stretched step toward the global industry. The success of LG Electronics in becoming the global company of today with 83 overseas subsidiaries was mainly due to its globalization strategy.

In 1989, however, GoldStar faced the biggest challenge in its

history of Korean leading company, hit by an unprecedented labor-management dispute. The competitors did not miss the opportunity; GoldStar relinquished a considerable amount of the market share, its number-one pride deeply wounded. But as always, true leaders shine the most upon the darkest time. The conflict between the labor and management left a scar, from which the company learned to seek a stronger relationship. This resulted GoldStar to be once again selected as the top-ranking company in terms of labor and management collaboration, exemplifying the win-win relationship the company forged.

In 1995, WTO(World Trade Organization) was formed and the world's trade order underwent radical changes. The subsequent globalization threw the business environment into an endless competition. The influence of the bloc economy grew stronger. Competitions for new opportunities toward the Chinese and Indonesian market were fierce, and the race to the emerging businesses, including the new multimedia industry, was reckless. LG Electronics responded actively to such changes, reformed its corporate mission and CI(Corporate Identity) and underwent a significant transformation into a more progressive, dynamic and future-oriented company. Henceforth in January 1st 1995, GoldStar which led the Korean electronic industry for 37 years gave way to LG Electronics, face to the dawning of the new era.

But in 1997, Korea faced the biggest economic downfall in its history when the IMF(International Monetary Fund), the foreign exchange crisis, hit the nation. Companies in every industry sought survivals with extreme reconstructions; exchange rates and interests soared, and the nation's economy froze. LG Electronics was not immune to the crisis. The company restructured its workforce and its organization to strengthen its competitiveness, and focused on customer-oriented researches and developments. By setting the priority to the customer, the company labored in laying a foundation to gain confidence from its customers. The strategy proved effective. Not only it had overcome the IMF foreign exchange crisis, the company had also succeeded in providing substantial background face to the emerging 21st century.

Up to the 1980s, the manufacturing and building industries shaped the Korean economy. After the 1990s, however, the electronic information technology was the primary factor inciting the development of the

Korean economy. The electronic information technology played an essential role in developing the Korean economy. On top of the governing electronic industry, 'Digital LG' was the leading company.

With the word 'Digital' emerging as the new subject at late 1990s, LG Electronics pronounced 'Digital LG' as the new vision of the company and set out its long march toward the global-leading company of the digital era. Never satisfied in being the number one in Korea, LG Electronics had challenged the world for the 'Global number-one' position. The company's endeavor resulted in remarkable outputs, including the world's first terrestrial DMB phone supporting the WCDMA platform, the world's first Plasma TV with built-in DVR(Time Machine TV) and the world's first terrestrial DMB notebook among others.

In 1998, four years after its introduction, LG Electronics' CD-ROM drive(optical storage) scored number one in the global market share. Soon after, the company saw its products entering the global market's premium brand category. Air conditioner, microwave oven, vacuum cleaner, CDMA WLL terminal... LG Electronics' products were now securing the top-rank in the global industry.

The acknowledgements LG Electronics bore remained unaltered. Simply, 'The first' and 'The best' were now coupled with 'The world' instead of 'Korea' where they had been previously. LG Electronics had seen a considerable growth in its capacity had surpassed the Korean market boundary and was now leveling with the global competency.

Starting from the year 2000, LG Electronics' global competency exhibited a steep growth and was soon level to the world's premium quality products, including the mobile phone, Plasma TV, LCD TV, optical storage and other home appliances. In January 2004, LG Electronics announced its new 'Global top 3 by 2010' vision and focused all its energy in creating first-quality products and technologies, a quality indispensable for the global market competition. The company's ambition was high; it had decided to seize the top-rank position not only in the home appliance industry where the company was already competing globally, but also in the next generation mobile communications and in the digital display industry. The past experiences had taught the company that only the number one could survive in this battle. Combined the innovative spirit and the business capability the company had aggregated, the global number

one position was not merely attainable; it was an achievement the company was expecting in the near future. The 'Global top 3 by 2010' was, by itself, representing the company's resolution.

From its analog roots in the 1950s, LG Electronics grew quickly as it brought a number of firsts to the Korean market, starting with the first-ever domestic radio, and extending now in the digital era to groundbreaking mobile phones, televisions and home appliances. This helped LG Electronics become the first Korean electronics company to surpass USD 100 million in exports. Today, LG Electronics is boldly pursuing its goal of being a global top three electronics player by 2010. For LG Electronics, the year 2008 is yet another starting point for the incoming 50 years. In these days of turbulence where the world's economy is suffering from low exchange rates, high oil price, financial crisis due to US-initiated subprime mortgage and global inflation threats due to the Chinese market, the global economy is mostly feared to have reached its limit. Even in the electronic information technology where LG Electronics holds the most advanced position, the business environment is harsh as well. The FTA(Free Trade Agreement) is urging toward open-economy structure; Korean currency is revaluated upward; technology protectionism is strengthening; and most of all, the international standardization is yet to be settled. The company now faces new challenges such as acquiring core technologies, expanding its market and alleviating its restrictions to once again lead the global Korea.

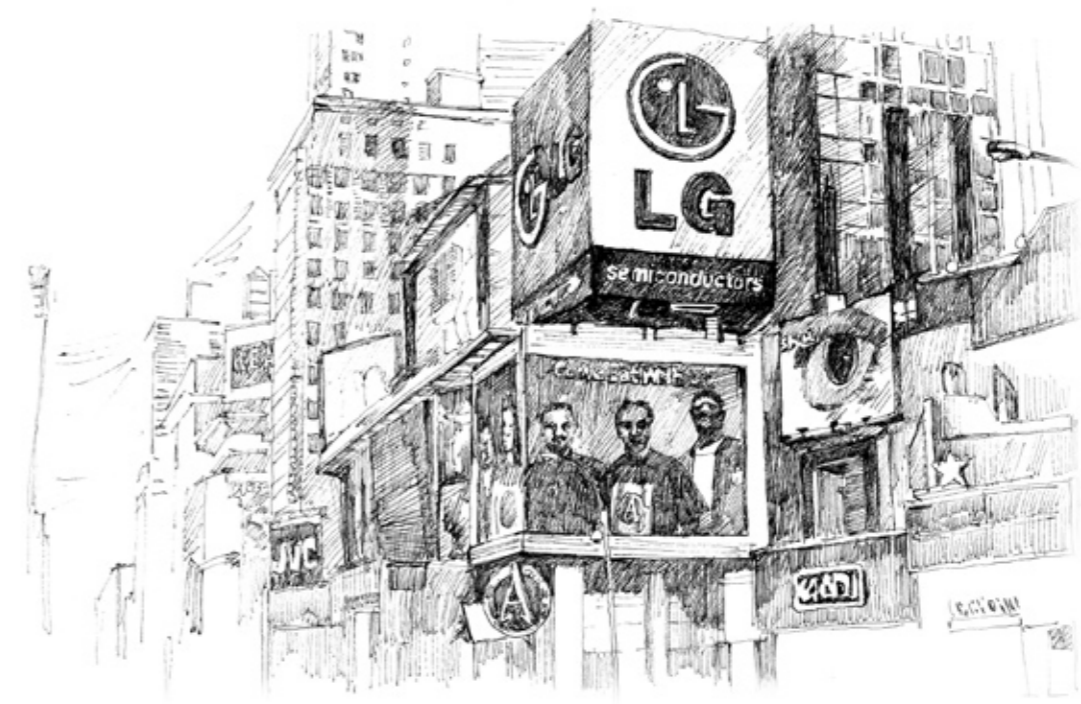
The history of 'Digital LG' is still ongoing. The electronic information technology initiated by LG Electronics in 1958 has long expanded to the global industry, with LG Electronics in its center. North America, South America, Europe, China, India, Asia, Middle East and Africa. LG Electronics is leaping beyond the world's boundaries and up to the future.

In its vein is the challenging spirit, the pioneering spirit, the pursuit of the number one in the market which keeps up the company since its very foundation. It is the soul, the conscience that drove LG Electronics to what the company is undeniably today. To revive its soul and maintain its conscience is by far the company's most precious asset in accomplishing the 'Global no.1 LG' for the dawning 21st century. And the history will remember. It will remember that LG Electronics was always on its own, leading undefeated paths to become the number-

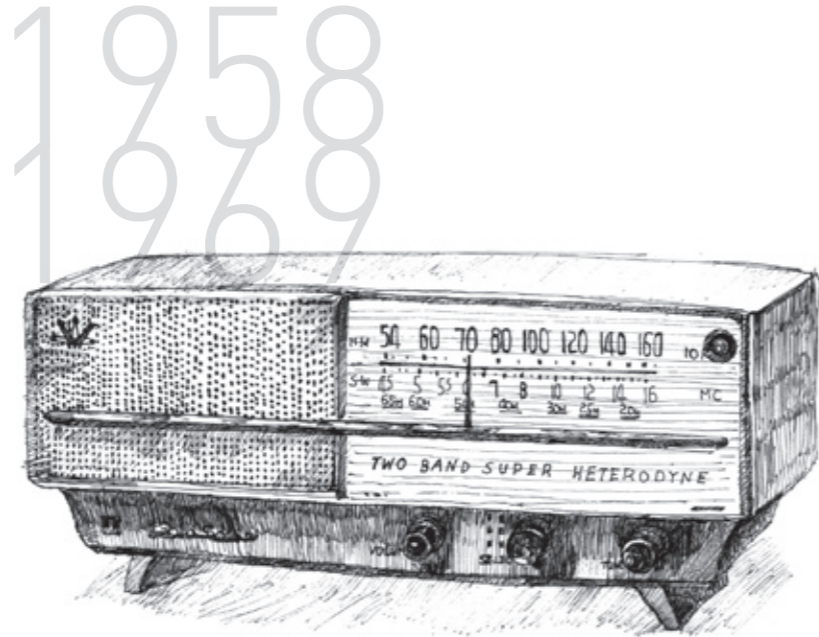
one in its industry. And the history will tell, the tradition which forged the company will once again flourish and become myth anew, to the present and up to the future.

LG ELECTRONICS, 50 YEARS OF EVOLUTION

| Classification | First Years | Today |
|----------------|--------------------------------|---------------------------------|
| Employees | 300(Year 1958) | 82,000 |
| Sales Revenue | 50 Million Wons(Year 1959) | 41 Trillion Wons(Year 2007) |
| Exportation | 50 Thousand Dollars(Year 1962) | 18.3 Billion Dollars(Year 2007) |
| Capital | 10 Million Wons(Year 1958) | 7.2 Trillion Wons(Year 2007) |
| Net income | 29 Million Wons(Year 1962) | 1.2 Trillion Wons(Year 2007) |



THE LG ELECTRONICS WAY



GOLDSTAR, THE ELECTRONICS INDUSTRY DREAM

01 In 1957, Koo In-Hwoi saw the possibility of a new business venture as opportunities in the electronics industry emerged. Leading up to these changes were the private owned broadcasting station, CBS, the launch of cable broadcasting and the opening of a TV station. He was determined to exploit the tough, pioneering spirit to bring the much needed electronics industry to Korea, and he, therefore, decided to develop the first ever domestic radio. On October 1, 1958, the dream of a Korean electronics industry became a reality as GoldStar was born. In June 1959, even before the official inauguration of the company, GoldStar's design laboratory at the Yeonji-Dong plant had already started designing the new radio model. Alongside efforts to develop the new radio model the laboratory was also designing domestic components in house. On November 15, 1959, the first domestic radio A-501 came off the assembly line. GoldStar! Soon after this historical

event in the Korean electronics industry, the word 'Electronic' first appeared in Korea's newspapers.

GoldStar's radio manufacturing sowed the seeds of the electronics industry and heralded the beginning of the broadcasting era. The government's modernization policy was also greatly strengthened. During the 1960s, GoldStar developed its second radio, the transistor-type model, T-701, which had gone beyond the age of the vacuum tube, and utilized new cutting-edge technologies. However, the result was disastrous. The failure even put the company's existence at stake. Market demand was very limited due to the fact that most people in Korea were on low incomes, and those who could afford radios, preferred foreign brands. In 1961, GoldStar had to seriously consider whether to keep or abandon the company.

Fortunately, the situation did a u-turn when the 5.16 military government announced its decision to supply radios to rural and farming areas. GoldStar had found a way to enter the market. The aggregate sales of radios, which at the time amounted to thousands in 1960, rose to over one million in 1961; in 1962, the company was recording 1,034,000 in sales. In the same year, Korea witnessed its first domestic radio exports. The exports provided the company with a considerable increase in income. Its technologies were also greatly enhanced.

The newborn star of the Korean electronics industry, GoldStar, had finally taken off. The company, fueled by its recent success, challenged the communications industry with Korea's first automatic telephone in July 1961; with the company's establishment of the comprehensive electrical plant in Oncheon-Dong, Pusan, the 'Oncheon-Dong era' began in 1964. The production of Korea's first electric appliances soon followed the radio: monochrome TV, air conditioners, refrigerator, etc. GoldStar was gradually laying the foundation for the electronics industry.

Because of the company's remarkable progress, the Korean electronics industry as a whole was beginning to flourish. However, on December 31, 1969, the founder of GoldStar, Koo In-Hwoi, who had sown the seeds of the electronics industry throughout the nation, sadly passed away. The company mourned, but despite its sadness, it had to carry on. The 70s was the decade the company was aiming for new progress and advancement.



1959.11.15 KOREA'S FIRST RADIO(MODEL NAME: A-501) PRODUCED

Soon after its inauguration, GoldStar saw its plan materialize and in November 1959, the first-ever domestic radio came out of the assembly line. Considering the overall situation, developing in-house components was more a daunting risk. Nevertheless, the company succeeded in developing its own radio components, thus enabling lower-priced radios through higher rates of product localization. Owing to the development of various models, the company not only conquered the domestic radio market, but also laid a firm ground toward the evolution of the Korean electronic industry.



1961.07.18 KOREA'S FIRST AUTOMATIC TELEPHONE(MODEL NAME: GS-1) PRODUCED

Telephone was the next challenge GoldStar endeavored soon after its successful development of domestic radio. In these days, it was considered a norm to manufacture telephones following the Postal Service Department's specification. However, the company relied on its own technology and specification and in 1961, introduced Korea's first automatic telephone to the market. More remarkably, GoldStar had minimized the use of foreign components and had succeeded not only in providing its own specification, but also in furnishing in-house transformer, bell, screw and most of other core components. During the same year, GoldStar also succeeded in manufacturing telephone wires, recording 1961 as the initial year of the communication industry.



1962.11.28 FIRST KOREAN COMPANY TO EXPORT RADIOS

In November 1962, for the first time since its inauguration, GoldStar opened its gate toward overseas exportations. 62 radios had been exported to New York Lsenberg Co., USA. This provided GoldStar an opportunity to get ready for the global market. The company was already engaged in overseas exportations; it was not to hesitate anymore.



1964.03 ONCHEON-DONG ELECTRONICS ELECTRICAL PLANT ESTABLISHED

In March 1964, GoldStar established its electronics electrical plant in Oncheon-Dong, Pusan. The construction of the plant was part of the 'GoldStar 5-year development project'. It was a monumental event exhibiting the full presence of the Korean electronic industry. In its center, GoldStar was the propelling force



1965.04 KOREA'S FIRST REFRIGERATOR(MODEL NAME: GR-120) PRODUCED

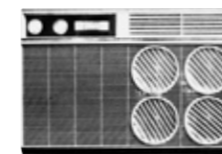
In April 1965, the first domestic refrigerator was

introduced in the Korean market. The development took less than a year since Koo In-Hwoi's initial order, October 1964. A pilot product was shown in December of the same year and eventually, the final product hit the market in April, next year. The first refrigerator was designed for common household usage. A direct-cooling, one-door system equipped with an internal lamp and an automatic temperature controller. Its low power consumption and reasonable price greatly appealed to domestic customers. GoldStar's ongoing efforts to improve the quality and diversify the model of its refrigerator proved fruitful. In 1975, the company was seeing its first indirect-cooling refrigerator, developed with its own technology.



1966.08.01 KOREA'S FIRST MONOCHROME TV(MODEL NAME: VD-191) PRODUCED

In August 1st 1966, GoldStar introduced Korea's first television, taking the history of the Korean electronic industry to the next level. The Korean economy was suffering from foreign exchange crisis, and due to the low electric power supply, the government did not allow importations of foreign components. But GoldStar did not renounce. A TV department was established in July 1965, and in September, the company concluded an agreement with Hitachi, Japan, for the introduction of foreign technology. When the government finally authorized the production of the television in late 1965, GoldStar was all set for the production; Korea's first domestic television was introduced to the market in August 1966. GoldStar's development of the television signified that the history of the Korean electronic industry, which initially began with the manufacturing of the radio, was taken to the next level. Furthermore, it also enabled the electric appliances to get closer to the common domestic households.



1968.03 KOREA'S FIRST AIR CONDITIONER(MODEL NAME: GA-111) PRODUCED

GoldStar entered the air conditioning market in 1967, quickly dominating the domestic industry. In order

to get hold of the required technologies in advance, GoldStar concluded a technology agreement with General Electric, USA. With respect to the agreement, the company acquired the necessary technologies for core equipment installation such as the spice fin and rotary compressor; finally in March 1968, Korea's first air conditioner came out of the assembly line.



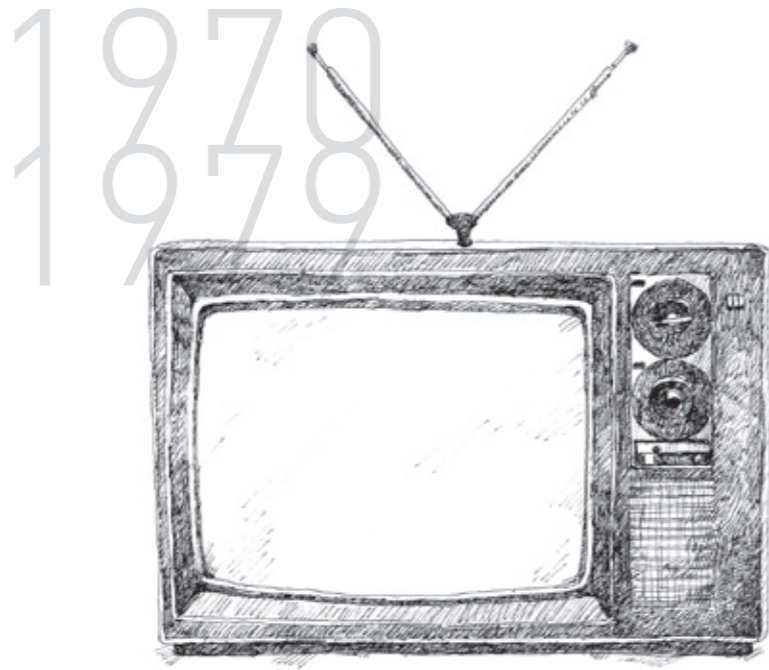
1969.05 KOREA'S FIRST WASHING MACHINE(MODEL NAME: WP-181) PRODUCED

Since its manufacturing of diverse household appliances during the 1960s and hence contributing to the modernization of Korean families, GoldStar introduced Korea's first washing machine in 1969. Nicknamed White Swan, the washing machine was made of aluminum, two drums and had simple manual functions. Despite its internal capacity of only 1.8kg, the fact that a machine was replacing the most strenuous household chore was by itself revolutionary. This was an event which dramatically impacted Korean housewives' lifestyle.



1969.10.23 GOLDSTAR COMMUNICATION FOUNDED

In late 1960s, GoldStar had reached a level of expansion too big for a single, centrally-operated management. It was time for the company to separate and foster the independent growth of its diverse business areas, including the Home Appliance, Communication and Wiring divisions. In October 23, 1969, GoldStar declared its Communication Division an independent business and established the GoldStar Communications subsidiary. Also, the Wiring division was separated from the company to establish the GoldStar Cables subsidiary.



SYMBOL OF THE TECHNOLOGY, GOLDSTAR

02

The word that best represented GoldStar during the 1970s was 'Symbol of the technology, GoldStar'.

The 1970s was the golden age of the Korean industry, with the average of 9.7% annual economic growth rate.

GoldStar, the leading company of the Korean electronic industry, was actively pursuing both external growth and internal strength. Development of high technologies, establishment of large scale plants... The company ceaselessly exhibited astonishing outcomes as if to demonstrate its industry-leading position.

Meanwhile, the Korean government had announced the electronic industry development plan in 1966, showing interests toward the electronic industry. In 1969, the 'Electronic industry 8-year development project' was announced, providing ground for the electronic industry to grow steeply. In response to the government's vision, GoldStar was the first Korean electronic company to go public in 1970, hence becoming Korea's national company.

GoldStar led the electronic industry by establishing three-stage facility construction plans and expanding the company's manufacturing facilities. The company's manufacturing base grew nation-wide,

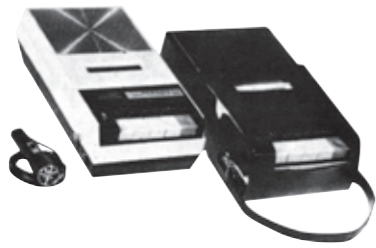
starting from the establishment of Gumi plant in 1975 and soon followed by large scale plants in Changwon and Guro, among other regions. Through the establishment of the manufacturing bases, GoldStar laid the basis for upsizing, nation-wide expansion and internationalization.

Recurring oil crises, resources nationalism, economic depression, pursuits of latecoming companies... Despite of the many difficulties in the 1970s, GoldStar was marked with steady growth, recording 42.3% from its sales increase. The company's success was the fruit of the investment in equipments, installations and technologies in response to the domestic market competition, along with its multiple business strategies focusing in developing new products, improving technologies, acquiring effective sales techniques, expanding the sales network and streamlining management techniques.

In December 1975, GoldStar established the Korean private company's first-ever central research laboratory. Back then, the Korean electronic industry was focused in labor-intensive manufacturing; the development of the technology was lagging behind. Owing to the challenging and pioneering spirits, GoldStar undertook the investment and incited the development of high-quality technologies. This event not only helped the company to grow; it was an historical turnaround for the nation's global competitiveness, too.

In 1977, GoldStar saw the production of its first color TV. At the time, it was unclear when the color TV broadcasting service would start. Nevertheless, the company spurred in the development and succeeded in introducing Korea's first domestic color TV, 10 years after its initial production of monochrome TVs.

From the establishment of production plants to the development of technologies, The company's strenuous efforts to build the 'Symbol of the technology, GoldStar' finally paid off in late 1970s. In 1977, the company was recording its historical sales of 100 billion wons; the next year, it had surpassed the 100 million dollars exportation. The 1973's oil crisis followed by the global economic depression, the rise in exchange rates, the economic emergency measures, GoldStar's achievement was more remarkable considering the political and economic turbulences the company had to overcome. Gradually, GoldStar was strengthening its position as Korea's best electronic company and stretching toward the world market.



**1973.03 KOREA'S FIRST CASSETTE RECORDER
(MODEL NAME: RE-501) PRODUCED**

Since the development of the radio, GoldStar pursued in accumusouth & Centralg the sound equipment technologies. In March 1973, based on the technologies it had earned, the company introduced Korea's first cassette recorder in the market. The model was designed to record not only music, but also sound data and news interviews. Building on this success, GoldStar developed a wide variety of models including all-in-one designs that combined radio, television and cassette tape recorder, maintaining its leading status in the cassette radio industry.



1975.06.21 GUMI PLANT ESTABLISHED

In June 21, 1975, GoldStar opened its Gumi plant after 9 months of construction. It was a comprehensive, independent production site dedicated to TV manufacturing from core components to the final assembly. The Gumi plant was established as part of the company's expansion toward the international era. The plant was equipped with conveyor systems for batch processing, and was exhibiting modern installations such as air conditioning, emergency equipments and sanitary facilities. Owing to the batch manufacturing process from initial components to the final product, GoldStar was able to not only increase the productivity but also gain considerable advantages in terms of manufacturing time and accuracy.



**1975.12.25 KOREAN PRIVATE COMPANY'S FIRST-
EVER CENTRAL RESEARCH LABORATORY
ESTABLISHED**

GoldStar was the first in the Korean private company to establish a central research laboratory, in December 25, 1975. The company was determined to develop and produce world-class products, and had concluded that the technology was the only key to the success. Hence, GoldStar's central

research laboratory was dedicated to technology enhancements such as new product development, quality improvement and factory automation. Later, the laboratory underwent a series of Restructurization and expansion, each change brining the laboratory up to a wider and higher level of its research capability. The laboratory was eventually recognized as a world-class corporate research center, paving the way for the Korean electronic industry's technology evolution.



1976.11.22 CHANGWON NO.1 PLANT ESTABLISHED

In November 22, 1976, GoldStar opened its Changwon no.1 plant(electronics electrical plant) and unveiled the era of the electronics electrical dedicated plant in its earnest. The establishment was part of GoldStar's '3-year advancement project' during which years the company focused in building dedicated facilities to prepare for the incoming

international era. Changwon no.1 plant was an ultra-modern facility equipped with a fully automated manufacturing process, from shaping, molding to assembling and product packaging. Later, the factory underwent a series of reconstruction and expansion, hence becoming the company's home appliance dedicated plant.



1977.08.26 COLOR TV(MODEL NAME: CT-808) PRODUCED

In August 1977, GoldStar started the production of its first color TV. It was an achievement the company made 10 years after its initial development of the monochrome TV. Yet, it was still unclear when the color TV broadcasting service would start. Hence the company concluded a technology agreement with RCA, USA, with the condition to export the whole manufactured lot. In August 1977, the first color TV came out of the assembly line. In 1980, the sales of the color TV in the Korean market were finally relieved. The color TV broadcasting service kicked off, positioning the color TV as GoldStar's leading product.



**1978.12.13 FIRST KOREAN HOME APPLIANCE COMPANY TO
SURPASS 100-MILLION DOLLAR EXPORTATION**

GoldStar was the first among the Korean home appliance companies to achieve the 100 million dollars exportation, 20 years after its foundation and 16 years after its first exportation. Since its initial exportation of the radio in 1962, the company received the Bronze Tower Order of Industrial Service Merit in 1976 and the Silver Tower Order of Industrial Service Merit in 1977; by recording the 100 million dollars exportation, GoldStar heralded the domestic industry's exploration of the global market.



INTERNATIONALIZATION

03 Korea's high growth period of the 1970s, the 'Miracle of the Han river' met the 1980s' new era of challenge among the much turmoil of the oil crisis. In the late 1970s, the Korean economy was suffering from negative growth caused by the second oil crisis; the worsened political situation was severely impacting the social stability, too. Despite the domestic and foreign situations, GoldStar did not relinquish. From the beginning of the 1980s, the company started securing overseas production sites to step toward becoming a global corporation. This was an essential period for the company to confront the fast-changing international trade order and evolve to a highly-developed company. GoldStar went on a fast-paced organization of international subsidiaries including its sales bases and branch offices. In 1982, the company was settling its outpost toward the global market in Huntsville, USA, by establishing the first-ever Korean foreign production site, GSAI(GoldStar America Inc.). Color TV, VCR, microwave oven... Boosted by the production of diverse home appliances, GSAI soon rose to truly represent the company's reputation, the 'International GoldStar'. The company's international

expansion was followed by the establishment of the West Germany subsidiary, GSE(GoldStar Europe GmbH), in 1987; in 1988, another subsidiary, V-GS(Vestel GoldStar Electronics Sanayi Ve Ticaret A.S.), was built in Turkey.

While focusing in the global expansion, GoldStar did not neglect the importance of keeping its technology up to date. The company established Korea's first comprehensive design research laboratory to put efforts in design advancement and in high quality product development, providing a higher level of international competency. In order to secure the highest quality standard, the company established Korea's first product testing laboratory in November 1984. The 1980s was also a period of intense competitions among the Korean electronic companies.

The construction of the technology-intensive Pyeongtaek industrial site was part of the company's ongoing effort to keep up with the competition and successfully penetrate the global market. The company's sales record achievement of 1 trillion won was particularly remarkable considering the economy's extreme depression. In 1984, the company's sales surpassed 1 trillion 295.6 billion won. Despite the worsening market condition, the company had built its success through rationalized management strategies. Aggressive technology development, diversification of the products, strengthening nation-wide supply chain, diversifying the exportation structure... the accomplishments the company made through rationalized management were countless, once again demonstrating GoldStar's capability and competency among world-leading companies.

In late 1980s, the pressure of the developed countries urging the Korean market to further open its door was at its highest peak, and eventually, Korea would inevitably face the whole-opening of its market. Problems also persisted internally. The labor-management dispute which started in 1987 had severely incapacitated the company. Owing to Korea's political situation in 1987, pro-democracy movements spread nation-wide. The labor-management dispute hit GoldStar in full blast, and quickly propagated to the affiliate companies. GoldStar sought its way through swift management innovation, upturning the crisis into opportunity. Gradually and steadily, the company was growing in its quantity as well as in its quality toward achieving its status as a world-leading company.



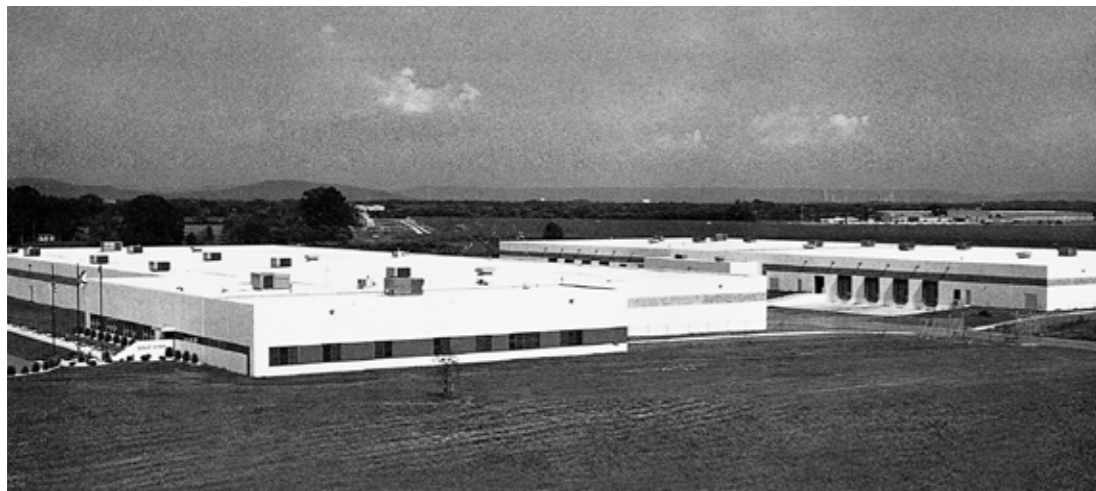
1981.05 KOREA'S FIRST ELECTRONIC VCR(MODEL NAME: GHV-8100) DEVELOPED

After the development of the first color TV in 1976, GoldStar concluded a cathode-ray tube technology agreement with Hitachi, Japan, and obtained the approval of the Economic Planning Board in April 1st 1978 with the condition to export the whole manufactured lot. The company started designing the CPT plant in June 1978. In July 1st 1980, the construction of the CPT plant was completed. Soon Gumi leveled with Changwon and Pyungtaek in its role and became the Mecca leading GoldStar toward its success.



1981.05 FIRST KOREAN COMPANY TO ESTABLISH A COMPREHENSIVE DESIGN RESEARCH LABORATORY

In 1983, GoldStar established Korea's first comprehensive design research laboratory. The comprehensive design research laboratory was established to meet customer aesthetics and taste through the development of comprehensive designs. By hosting Korea's first industrial design contest in 1983, the company was able to gain publicity, establish a cooperative industry-academia relationship, explore creative ideas and dig out hidden talent, thus promoting the development of the domestic design industry. In 1991, the company further expanded its industrial design contest global-wide, contributing to the growth of the international design industry.



1982.10.07 KOREA'S FIRST OVERSEAS PRODUCTION SUBSIDIARY, HUNTSVILLE COLOR TV PLANT ESTABLISHED

In the early 1980s, LG Electronics actively promoted the establishment of overseas local plants in response to the new protectionism thrust of industrialized nations. The company established Korea's first overseas local production subsidiary, GSAI(GoldStar America, Inc.), in May 31st 1981, hence laying

a firm ground toward local-based productions. In addition to securing the US market share, GoldStar also contributed in Korean-US cooperation by improving local employments. GoldStar's successful establishment in Huntsville greatly enhanced the company's overseas competitiveness. This event prompted other Korean companies to also launch an all-out advance overseas.



1983.08 KOREA'S FIRST CD PLAYER(MODEL NAME: GCD-600) DEVELOPED

In August 1983, GoldStar succeeded in the development of Korea's first CD player. The CD player, initially dubbed the 'Dream Audio', was able to play the compact disc by reading the digital signals stored in the disk with a laser beam and was considered as the most advanced electronic audio device. The successful development of the CD player led GoldStar to further pursue the development of the sound equipment technologies and introduce various models, hence leading the Korean sound equipment industry.



1984.02 KOREA'S FIRST MICROWAVE OVEN(MODEL NAME: ER-610HB) DEVELOPED

In February 1984, GoldStar introduced Korea's first microwave oven. The model introduced a heating function previously unavailable in existing microwave ovens, which enabled the cooking of meat. This feature was a significant functional development in the microwave technology. Its success provided a foundation for future expansion of the company's microwave oven business and for its emergence as a world-class microwave oven maker.

1985.09.26 PRODUCT TESTING LABORATORY ESTABLISHED

Based on the understanding that the quality assurance was as much important as developing high-technology products, GoldStar sought a way to ensure its products quality in late 1970s. Owing to this effort, the company established the 'Product testing laboratory' dedicated in testing



and researching the highest product quality, in September 1985. It was the first attempt among the Korean private companies. The establishment provided the momentum for GoldStar's attainment of the world-class product quality. In April 1989, the laboratory obtained the approval of the National Calibration and Test Organizations. In October of the same year, the laboratory earned certifications from the organizations of numerous countries including FCC(Federal Communications Commission) and UL(Underwriters Laboratories), hence becoming a world-class quality assurance center.



1987.11.25 GERMANY PLANT ESTABLISHED

GoldStar established its European production subsidiary, GSE, in Worms, Germany, in June 11 1986. In November 25 1987, the local production plant was completed, paving the way to the company's full market penetration of the European market. Soon GSE(GoldStar Europe GmbH) started running, increasing its competency through locally adapted products and bringing the GoldStar brand value into a remarkable relief. The company overcame the protectionism that EC had built around its market by supplying products through the GSDG(GoldStar Deutschland GmbH) sales subsidiary. Owing to the success, GoldStar became the model to other Korean companies seeking overseas expansions.

1989
1994



INNOVATION

04 1989 was one of the great watersheds of the Korean modern history. The situation in Korea was characterized by intense aspirations for liberty and democracy(6·10 Movement and 6·29 Declaration of 1988), provoking the Korean industry labor movements. The labor-management dispute hit GoldStar in 1987 and grew intensely. In 1989, the dispute was at its fullest, driving the company into a grave crisis. Developed countries were strengthening their protectionism; the pressure urging the Korean market to open its door was getting higher. The company's internationalization was reaching its limit. Facing to the biggest crisis since its inauguration, GoldStar had to devise overcome the situation.

GoldStar sought its way through swift management innovation, upturning the crisis into opportunity. In 1989, with the appointment of president Lee Hun-Jo(now LG Electronics advisor), the company initiated a far-reaching management innovation combined with a labor-management unity and human-oriented management policy, laying a firm ground toward its second leap. The company's enterprise-wide innovation efforts, namely the 'TPC(Total Productivity Control) campaign', was aimed at renovating the mind, stimulus & Centralg the organization, streamlining the office work, streamlining the logistics, renovating the quality, and other activities in terms of spiritual and organizational innovation.

In February 1990, LG Group officially announced its 'Management plan toward 21st century' principle based on the business and management structure innovation, management by culture unit, self-management and talent management. The group also set its customer-oriented management slogans such as 'Value creation for customer' and 'Human-oriented management', and established the 'Management constitution' providing underlying principles and ideas to the business management, bringing forth the innovation toward the successful achievement of the 21st century management plan.

To keep pace with the group, GoldStar initiated the management innovation and expanded its production infrastructure by establishing the Changwon no.2 plant and Gumi no.2 plant in 1991. The Changwon no.2 plant was aimed to meet the demand of common home appliances such as washing machine, microwave oven and refrigerator; the Gumi no.2 plant was the company's strategic base dedicated in the production of color TVs, which demand was expected to rise sharply during the 1990s. Along with the expansion of its production line, GoldStar introduced its new 'Globalization' plan, hence overcoming the limit imposed to the company's internationalization. Owing to the change, the company managed its business with a global-wide perspective, contributing to the improvement of the world's cultural life and actively promoting indigenization toward key local markets. Based on the new management principles, 'Value creation for customer' and 'Human-oriented management', the company doubled its activities and reinforced its commitment toward customer satisfaction. Through the innovation of the management, production, manufacturing, service and other business areas,

GoldStar gathered the strength to leap toward a more competitive, world-class company.

By establishing its production subsidiaries in various parts of Europe including the UK and Italy, GoldStar achieved a remarkable brand awareness improvement in this highly developed European market. Soon worldwide establishments of the company's production subsidiaries followed, in Asia and in Africa, namely in China and in Egypt, positioning 'GoldStar' as a world-renowned global brand. Further expansions to the former Soviet and East European market blazed the company's trail toward its globalization, cementing its reputation of a true world-class enterprise.

Once its position settled as the world-leading global company, GoldStar focused in the development of AI products incorporating the Fuzzy technology during the 1990s, once again pioneering the new era of the electronics electrical products. In 1993, the company succeeded in the development of world's first Chaos washing machine incorporating the Chaos theory, demonstrating its world-leading technology competency in the washing machine industry. The company's confidence in its products and technologies was well exhibited in its advertising copy: 'A moment of selection is worth 10 years'. Among the customers, The name 'GoldStar' had become the synonym of trust.



1989 UK AND THAILAND PRODUCTION SUBSIDIARIES ESTABLISHED

To counter the international bloc economy, GoldStar expanded its production subsidiaries to Thailand and UK. The joint establishment of the Thailand production subsidiary, GSM(GoldStar Mitr Co., Ltd.), in September, strengthened the company's expansion toward the Asian countries. In October, the company established the UK production subsidiary, GSEUK(GoldStar Electric U.K. Ltd.), dedicated to the manufacturing of microwave ovens. Owing to the company's investments and sales route forging, the plant's sales started improving in 1991 and soon stabilized afterward.



1991.03.18 IRELAND DESIGN RESEARCH LABORATORY ESTABLISHED

In March 1991, GoldStar established the Ireland design research laboratory, GSDT(GoldStar Design-Tech. Ltd.), in Dublin. GSDT was aimed at countering the European market's bloc tendency and developing product design worthy of the local market and its cultural life. GDST not only developed designs for GoldStar, but also worked to develop foreign companies' product designs, collaborating with foreign designers to become the company's advance base toward world-class design developments.



1994.05.06 'INDUSTRIAL PEACE TOWER' GOLD TOWER AWARDED

The government awarded GoldStar the 'Industrial Peace Tower' Gold Tower Prize on May 6, 1994 for its contribution to the industrial peace and its production enhancement through the stabilization of the labor-management relations. It was an official acknowledgement to the productive and creative labor-management relations the company established. The labor-management relations was GoldStar's primary task, in which the company put emphasis in establishing an exemplary relationship for other Korean companies to follow.

1994.08.02 GOLDSTAR COMMUNICATIONS MERGED AND ACQUIRED

In August 1994, GoldStar officially announced the merge and acquisition of the GoldStar Communications as part of the company's comprehensive management plan toward the 21st century. By merging and combining GoldStar Communication's dedicated technologies, the company gained force to accelerate its pace toward the high-technology media industry. GoldStar Communication owned core technologies such as the telecommunication technology for the PCS(Personal Communication Services) and the multi-layered PCB(Printed Circuit Board) technology, and was occupying the number one position in the communication device industry.

1995
1998



05 GLOBAL LEADER, LG ELECTRONICS

In 1995, WTO(World Trade Organization) was formed and the world's trade order underwent radical changes. The subsequent globalization threw the business environment into an endless competition. The influence of the bloc economy grew stronger. Competitions for new opportunities toward the Chinese and Indonesian market were fierce, and the race to the emerging businesses, including the new multimedia industry, was reckless.

LG Electronics responded actively to such changes, reformed its corporate mission and CI(Corporate Identity) and underwent a significant transformation into a more progressive, dynamic and future-oriented company. Henceforth in January 1st 1995, GoldStar

which led the Korean electronic industry for 37 years gave way to LG Electronics, face to the dawning of the new era. This was LG Electronics' second innovation, upon which the company was announcing its second giant step forward. For LG Electronics, it was the debut to the long stride toward becoming the true global enterprise by throwing away the authoritarianism and the irresponsibility that hindered the company and renovating the corporate culture down to every each of the employee and manager's mindsets.

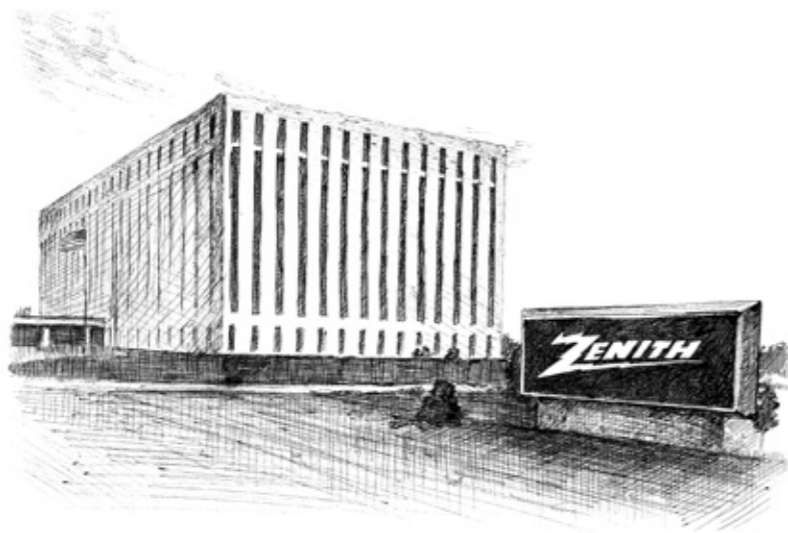
Meanwhile in the mid-1990s, with the emergence of NAFTA(North American Free Trade Agreement), EU(European Union), and the expansion of ASEAN(Association of South-East Asian Nations), the economy block was strengthening and the imports restriction was growing severe, urging the company to seek its way thought. To counter this situation and promote the growth toward the global enterprise, LG Electronics took over Zenith Electronics Corp., the largest US home appliance manufacturer.

In July 1st 1996, the company announced its 'Leap 2005' slogan. The vision of LG Electronics toward the 21st century was to 'Become the no.1 company both in quantity and in quality in 2005, build a brand image to emotionally appeal to the customer and establish a respectable workplace to leap toward the best global company'. To accomplish the goals the company set with its 'Leap 2005' declaration, LG Electronics announced numerous principles including Super A, TL2005, and Champion Spirit. The company summarized the vision to 'Champion management structure diagram', geared up for the leap and focused all his energy to realize the vision.

LG Electronics engaged in extensive investments in China, the emerging world's largest market, and in Indonesia, the prospective outpost to East Asia. In 1996, the company strengthened its penetration into the Chinese market by establishing a color cathode-ray tube production subsidiary in Changsa, China, as the company's no.1 international production site as well as a backup to the domestic market. To secure its position in Indonesia, the emerging strategic location toward the East Asian market, LG Electronics established a comprehensive electronic production subsidiary in July 1997, fostering the plant as the no.3 production site next to the the company's China subsidiary.

But in 1997, Korea faced the biggest economic downfall in its history when the IMF(International Monetary Fund), the foreign exchange crisis, hit the nation. Companies in every industry sought survivals with extreme reconstructions; exchange rates and interests soared, and the nation's economy froze. The electronic industry was not immune to the crisis. Hyundai Electronics, one of the biggest pillar of the Korean information home appliance industry, completely withdrew from the market; Daewoo Electronics' big deal stirred much anxiety and outrage. LG Group's semiconductor business was relinquished to Hyundai Electronics. LG Electronics suffered from extreme decrease in both the exportations and the domestic market. Financing was almost impossible; the high finance rate imposed severe burdens, too.

To counter this biggest crisis in the history of the Korean industry, LG Electronics reorganized the whole business activities on an emergency footing. The company restructured its workforce and its organization to strengthen its competitiveness, and focused on customer-oriented researches and developments. By setting the priority to the customer, the company labored in laying a foundation to gain confidence from its customers. As a result, LG Electronics positioned itself among the global top 3 air conditioning suppliers, providing a stepping stone toward the top brand of the air conditioning industry. LG Electronics, which had led the Korean electronic industry, was now boldly advancing toward the 'Global LG' enterprise.



1996.01 WORLD'S FIRST COMMERCIALIZATION OF CDMA

In January 1996, Korea initiated the world's first CDMA platform-based digital mobile service. It was a revolutionary turnover for the Korean analog mobile phone market, which was at the time exclusively occupied by foreign equipments. Not only it transformed the mobile phone into a data-oriented comprehensive multimedia terminal, it also provided a solid background for Korean companies including LG Electronics to play a leading role in the development of digital mobile phones. In February of the same year, LG Electronics entered the CDMA market with its new 'LDP-200' mobile phone.



1997.07.07 'TL2005' CAMPAIGN LAUNCHED

In July 1997, LG Electronics launched the 'TL2005' campaign and pronounced the company's long stride toward the global technology leadership. TL2005 comprised essential, long-term goals that LG Electronics endeavored to achieve the best global company status. The company had set a strategy to concentrate in fields potentially profitable and become the world champion company. The importance of technologies and R&D activities were well outlined, making it clear that technology leadership acquisition was LG Electronics' most important long-term goal. With the participation of all employees and management staffs, including those in direct relation with R&D, TL2005 soon became LG Electronics' steppingstone toward the worldwide competency.



1997.09 KOREA'S FIRST 40-INCH PDP DEVELOPED

LG developed Korea's first 40-inch plasma display panel(PDP) in September 1997, yet again demonstrating its own advanced digital technology. The PDP, considered as the 'semiconductor of the 21st century', was the key component of the next-generation wall-mount TVs. The development of the PDP was especially significant since LG Group had set the PDP as the next-generation competency and had been wholly dedicating extensive efforts. LG Electronics started producing its 40-inch PDP in late 1998, pioneering the next-generation display market.



1998.03 WORLD'S FIRST CLUTCHLESS TURBO DRUM WASHING MACHINE(MODEL NAME: WT-A100R) DEVELOPED

In 1998, LG Electronics developed and unveiled the world's first clutchless Turbo drum washing machine targeting the worldwide market. The Turbo drum washing machine was built with combined strong points of drum, bar and washing boards. The clutch was removed, and the washing board and wash tub were made of one part. The wash tub was installed vertically to allow large amounts of laundry; its washing performance was greatly improved, too. The product greatly reduced the noise, vibration, tangling and fabric damage, and thus made an epoch in the Korean washing machine industry.

1999
2003



DIGITAL MANAGEMENT

06

At the dawn of the year 2000, myriads of highly sophisticated digital products hit the shelves, heralding changes in the consumer lifestyles and in the society. In July 1999, face to the incoming 21st century, LG Electronics was the first company in Korea to announce its 'Digital Management' principle and unveil the new digital era, determined to secure its leading position as the new century's digital company and preoccupy opportunities one step ahead of others.

The digital management, with the 'Leading Force Toward Changes-Digital LG' slogan at the head, quickly gathered attentions with its freshness in business management, products, culture and other areas. The company spurred its pace toward the future-oriented, higher value-added businesses to shape its digital leadership.

Mobile handset, digital TV, PDP module... LG Electronics dedicated in fostering future-oriented new businesses, and restructured its

business to focus on higher value-added products. The company's performance was particularly brilliant in the digital TV field. Digital TV was much anticipated as the leading product of the emerging electronic industry, in which market GoldStar introduced the world's first 60-inch PLASMA TV. World's first development of the OLED(Organic Light Emitting Diodes) for the IMT-2000, world's first commercialization of the linear compressor, world's first development of synchronous/asynchronous IMT-2000 phone... the company's technology improvement was at the world's highest peak. In February 14 2001, one year prior to the official launch of the IMT-2000 service, the company succeeded in commercializing Korea's first asynchronous IMT-2000 system.

LG Electronics also endeavored in strengthening its competency by establishing joint ventures with global companies and combining its business structure. In November 1999, The Company established LG.Philips LCD, the LCD business joint venture with Philips; in July 2001, LG.Philips Display, the CRT business joint venture with Philips, was established. Through the joint ventures, the company gained the world's largest production capability and swept the number one position in the worldwide market share.

In September 1st 2000, two giants of the Korean electronic and communication industry, LG Electronics LG Information Communication, merged to form the newly unified corporate LG Electronics. The unified corporate LG Electronics doubled its competency through the combined leadership in home network and mobile network and built a firm base to leap toward the world leading company of the digital industry. In April 1st 2002, LG Electronics introduced a holding company system. LG Electronics divided the corporation to two companies, the business company, LG Electronics, and the holding company, LGEI. Later, LGEI merged with LGCI, the holding company of LG Chemicals, to form today's LG Co., Ltd.

Face to the digital era, LG Electronics renewed its corporation to 'Digital LG' to create values to the customer, to maximize rewards to the shareholder, and to foster visioning to the employee, thus providing confidence and satisfaction throughout the whole enterprise. It was the moment LG Electronics changed the shape of the world, the 'Leader of the Digital Era', the 'Digital LG', the true global company reaching far above the Korean industry.



1999.11.01 LCD BUSINESS JOINT VENTURE LG.PHILIPS LCD ESTABLISHED

LG Electronics and Philips joined hands to launch their joint venture, LG.Philips LCD(now LG Display), in November 1st 1999. With the establishment of LG.Philips LCD, LG Electronics was able to further reinforce its financial structure and secure necessary resources to invest on outpost business. The combined force of LG Electronics' advanced technology and production capability, and Philips' international

marketing network and underlying LCD technology created synergistic effects to both companies.

1999.11 'KOREA DESIGN MANAGEMENT PRIZE' AWARDED

From the topmost executives down to the entire corporation, LG Electronics recognized the importance of developing quality design and built a dedicated design management system and led the Korean industrial design by creating long-lasting products with designs emotionally appealing to the customers and reflecting their lifestyle. In November 1999, LG Electronics awarded the first 'Korea Design Management Prize' in the 'Industrial Design Promotional Contest'. It was an official recognition of the company's achievements to the domestic industrial design advancement through developed design technology and dedicated design management since its establishment of the comprehensive design research laboratory in April 1983.



2000.09.01 LG ELECTRONICS-LG INFORMATION & ZCOMMUNICATION MERGED

In November 1st 2000, two giants of the Korean electronic and communication industry, LG Electronics LG Information & Communication, officially merged to form the newly unified corporate LG Electronics. The company had renewed its business to a highly advanced electronic:communication

company to counter the electronic:communication industry's fast change. The merging was not only aimed to gain synergistic effect. Through this movement, the company had proclaimed its determination toward the world leader of this highly potential electronic:communication industry.

2001.02.14 ASYNCHRONOUS IMT-2000 SYSTEM COMMERCIALIZED

In February 14, 2001, one year prior to the official launch of the IMT-2000 service, LG Electronics succeeded in commercializing Korea's first asynchronous IMT-2000 system. At the time, only a couple of companies in the world were able to develop and commercialize the whole IMT-2000 service conforming to the international standard; by officially launching its IMT-2000 service, LG Electronics had demonstrated the world-leading competency of its asynchronous technology.

2001.07 WORLD'S FIRST LINEAR COMPRESSOR COMMERCIALIZED

Shortly after successfully commercializing the world's first linear compressor in July 2001, LG Electronics introduced its first linear compressor incorporated refrigerator. The linear compressor was a highly advanced, power-thrift compressor based on a totally new concept and was considered as the home appliance's next-generation core technology. Leading manufacturers of home appliance compressors,

including Matsushita in Japan and Embraco in Brazil, were also striving to develop the linear compressor; however, LG Electronics was the first in the world to commercialize this product. This event provided a decisive opportunity for the company to leap toward the world's best home appliance manufacturer.



2001.11 BUSINESS OPERATION AND INVESTMENT DIVISIONS SEPARATED

In November 2001, LG Electronics concluded its decision to divide the company into a holding company and a business company. By separating its business operation from its investment, the company aimed to provide transparent management and maximize the shareholder value. The newly established holding company bore the name LGEI(LG

Electronics Investment) Co., Ltd. whereas the business company continued to use LG Electronics Co., Ltd. to maintain its business continuity. The establishment of the holding company rationalized the investment structure and enabled transparent management by fundamentally blocking the transferring of assets between subsidiaries. Later, LGEI merged with LGCI, the holding company of LG Chemicals, to form today's LG Co., Ltd.

2004
2006

— GREAT COMPANY, GREAT PEOPLE!

07

In January 2004, LG Electronics set forth its new 'Global Top 3' vision and focused all its energy in creating first-quality products and technologies to become one of the world-leading top 3 companies. The technology was advancing in vertiginous speed, of which the business was more dependent than ever. Yet, the radical changes of the world's electronic industry had the door toward the future only to the world's best company. Vice chairman Kim Ssang-Soo(now LG Electronics advisor), appointed as the CEO of LG Electronics in October 2003, spurred the business innovation to elevate the company already leading the worldwide electronic industry to the much endeavored Great Company status.

During his inauguration speech, Kim Ssang-Soo demanded that the company should realize its global management through 'Value-creating labor-management relationship', 'Accelerated innovation'

and 'GCGP(Great Company, Great People). Accelerating the global management was mandatory for the company to achieve the Global Top 3 status in the electronic and communication industry. More than 80% of the business was already carried on in overseas markets. The company decided to concentrate in bringing up the 'LG' to a world-class premium brand. The company strengthened its cost competency and maximized its profitability through the '30% reduction in cost, 30% increase in sales' strategy, based on the reflection '5% is unachievable; 30% is achievable', the company engaged in full-stretched innovation and reinforced its business capability. Business reinforcement was especially focused in the R&D and marketing of the mobile handheld, display, multimedia and digital appliance industry.

With the booming of the world's electronic market, LG Electronics' business was growing smoothly. The market was particularly favorable for the mobile phone, PC and digital home appliance industry. Due to the fierce competition and excessive supply, however, the market price was falling sharply. Soon, maintaining profitability became crucial. The impact was biggest in the display industry, which product surplus led to a considerable drop in the market price.

LG Electronics countered the crisis by further relying on its technology. In 2004, the company succeeded in the development of the world's first single-scan 42-inch HD PDP; further in 2005 and in 2006, LG Electronics introduced the 50-inch and 60-inch HD PDPs incorporating the single-scan method, respectively. In November 2004, the company introduced the world's first 71-inch Plasma TV; Built-in DVR(Digital Video Recorder) equipped Time-Machine totally reshaped the contemporary concept of watching TV. The company's efforts paid off, and in March 2006, LG Electronics recorded a monumental cumulative sales of 200 million units.

Along with the digital TV, LG Electronics also sought to strengthen its mobile phone competency, which industry was considered as the strategic outpost for the 21st century. In December 2004, the company established the fifth overseas mobile phone R&D center in France(Paris, Villepinte). In February 2005, LG Electronics established the 'Integrated mobile handset research laboratory', Korea's biggest single mobile handset research laboratory; the unification of Seoul and Cheongju's mobile phone production sites unveiled the new

Pyeongtaek Digital Park era. LG Electronics' enhanced mobile phone business competency swept the market. In November 2005, its 'Chocolate Phone' was an immediate, worldwide sensation. The endless innovations and the world-leading technology had entirely reshaped the company into a tough champion.

In July 15, 2006, LG Electronics announced the beginning of its design management. It was the company's commitment to position the 'Design' in its center, from which strategy the company would realize its vision. LG Electronics' continuous endeavor toward the world's best design was well worth its efforts. In June 2006, the '2006 Reddot Design Award' gave its best design team prize, the 'Design Team of the Year', to LG Electronics while two of the company's products, the notebook and the wall-mount projector, won the 'Best of the Best' award. LG Electronics' two 'Best of the Best' awards within the same contest were particularly an unprecedented success. The company's 'Design Team of the Year' award was the second in Asia, with Sony occupying the first place, and the first in Korea.

LG Electronics' production plant in Russia(Ruza), established in 2006 for the first time among the Korean electronic companies, was the model of the company's tighter localization strategy. As worldwide companies were focusing in the acquisition of the global competency, LG Electronics was in the earnest need to strengthen its localization capability. The company's establishment was the fruit of its pioneering spirit, challenging and maximizing the emerging market on its faintest potential: customer and future. The Wroclaw production plant, Poland, which started running the same year, was also LG Electronics' strategic upfront toward the European market. The establishment of the European subsidiaries was aimed to counter the 'High won, low yen' crisis which was worsening the company's profitability, and to overcome the EU's customs restraints.

As such, LG Electronics was accelerating its global management toward the central company of the worldwide electronic industry. North America, Europe, Asia, South America, Oceania... binding the world together, the world's most acknowledged 'Global brand LG Electronics' was facing the dawn of a new era.



2004.07 LG ELECTRONICS' CDMA TERMINAL RECORDED NO.1 IN THE WORLD MARKET

In 2003, LG Electronics recorded no.1 in the world's CDMA terminal market. According to the research of the Strategy Analytics(SA), the US's leading market analysis organization, published in early 2004, LG Electronics supplied a total of 2130 terminals in the worldwide CDMA market in 2003, securing the no.1 position with its 21.6% of the market share. LG Electronics' product leadership, much endeavored through the development of advanced technologies, had finally paid off.



2005.02.24 INTEGRATED MOBILE HANDSET RESEARCH CENTER ESTABLISHED

In February 2005, LG Electronics established its integrated mobile handset research center in Gasan-Dong, Seoul. The key to the successful achievement of 'Global Top 3 in 2010' was in the reinforcement of the R&D's core competency. The integrated mobile handset research center was the shining example of the company's endeavor; it was also a strategic upfront toward the future. The establishment of the integrated mobile handset research center was particularly significant in the sense that it aggregated the previously dispersed R&D infrastructures into one location.



2005.11 CHOCOLATE PHONE PRODUCED

Shortly after completing its infrastructure to reinforce the competency of the mobile phone,

the company's outpost business, LG Electronics introduced its first 'Black Label' series nicknamed 'Chocolate Phone' in November 2005. The product recorded an immediate megahit in the worldwide mobile phone market. LG Electronics had foreseen that 'future digital-mobile appliances will appeal to customers more with simple and slim design, intuitive functionality rather than with diverse and complex functionalities' and threw away the contemporary product planning and R&D methods. Instead of designing the product from its functionalities, the company chose to integrate the functionality into the design; Chocolate Phone was developed owing to the company's innovative approach.



2006.03.30 CUMULATIVE PRODUCTION OF TV SURPASSED 200 MILLION UNITS

LG Electronics' cumulative TV production surpassed 200 million units. Since its production of Korea's first TV in Onchun-Dong plant, Pusan, in August 1966, LG Electronics surpassed its TV production of 100 million units during the early 1999. In March 20 2006, The company's 200 millionth TV, the 42-inch Time-Machine Plasma TV, came out of the assembly line.



2006.06.15 DESIGN MANAGEMENT PRONOUNCED

In July 15, 2006, LG Electronics held its 'Design Management Proclamation' ceremony in Yeoksam-Dong Design Management Center, Seoul. 700 participants attended the ceremony along with Kim Ssang-Soo vice chairman. The design management was the company's determination to develop all products and services on top of the underlying design, to provide an environment to incite creativity, to foster super-designers and eventually to position the design among the company's core competencies.

2007

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THE PEOPLE COMPANY

08

With the appointment of vice chairman Nam Yong as the new CEO of LG Electronics, the company underwent a radical Restructurization through a series of activity including Waste-Elimination aimed to eliminate every activity which didn't provide values to the customer, Best-Practice aimed at systematizing core work process and know-how, and Open-Communication aimed at building a community culture open to everyone. The year 2007 was especially focused in Waste-Elimination and Best-Practice activities. In order to optimize the work process, unnecessary activities in everyday life had to be reduced firsthand; the work process had to be systematized following the Best-Practice guidelines.

LG Electronics further gathered core strategies that were essential to each business unit and local unit, and focused on its implementation based on the newly established '6 Major Strategies' principle, achieving

remarkable results. The 6 Major Strategies were summarized as follows: First, conducting management based on both growth and ROIC. Second, setting management priority to the business portfolio. Third, establishing customized strategy based on distinct STP(Segmentation, Targeting, Positioning). Fourth, brand investment based on global perspective. Fifth, innovation on both technology and design. Sixth, establishing global organization optimized for the new environment's leadership. The principle soon began fueling fundamental changes to each dedicated business area, every bit of its activities leading the company toward a successful future.

Nam Yong expressed its vision to create 'The People Company', 'a company which consists of best employees, best teams, best output'. Following the vision, LG Electronics expanded its executive staff to cover the company's core areas, including CSO(Strategic), CFO(Finance), CTO(Technology), CMO(Marketing), CHO(Human Resources), CPO(Purchasing) and CSCO(Supply Chain Management). The newly appointed personnel were soon among the company's top executives, whilst at the other end, the recruitment of worldwide talented people was still in force. The company also deployed various strategies aimed at fostering 300 selected executive officers.

The company did not place technology advancement in second place. On January 2, 2007, LG Electronics introduced its next-generation DVD player, the 'Super Blue', which supported both the Blu-ray disc and the HD-DVD disc, once again demonstrating its competency. The LG Electronics 'Prada Phone' and 'Viewty Phone' attracted the immediate attention of netizens worldwide as soon as the company introduced them to the European and Asian markets, in 2006 and 2007 respectively. Shortly after their introduction to the world, the phones hit the Korean market to unveil the luxury mobile phone era. In October 17, 2007, LG Electronics established the company's new cradle for the R&D, the 'Gasam R&D Campus', in Gasam-Dong, Seoul. During the same period, the company introduced a large variety of design-oriented products to the market, including the home appliance's Art series, Quidam Full-HDTV, Champagne home theater, Black Picasso, Scarlet LCD TV and Bobos(PG60) Plasma TV.

Worldwide accomplishments were also remarkable. In July 2007, 'TROMM', the leading model of the drum-type washing machine, scored the top rank in the US market share four years after its

introduction to the country. The company had put an end to the 100-year reign of 'Whirlpool'. The market condition was turning favorable for the premium products, and it had scored 23% of the US market share based on its sales revenue. This was the most remarkable success LG Electronics had ever accomplished. At the Las Vegas CES 2007 exhibition, the company's 'Super Blue' was awarded the 'Best in Show' prize.

In 2007, LG Electronics strove in discovering customer insights from all its business units from manufacturing, marketing and R&D to staff constitutions. Throughout the activity, the company focused all its energy in systematizing customer analysis for each organization and in finding out methods to enhance values for customers. The efforts resulted in 'LG Brand Value Improvement'. LG Electronics is furthering its determination to become the 'True Creator of Customer Value', a company which doesn't merely follow the trend but which reads and recognizes the deepest customer insights, and which knows how to reflect these insights to the company's products and services. From 2007 to early 2008, LG Electronics had its time to reconsider what new change it faced, and what aspect it missed. Targeting the market with premium products, inciting changes from organizational and cultural activities, setting ground for customer insight discoveries... The DNA of LG Electronics is once again toward the growth, fostering evolution face to the dawning era.



2007.01 TOUCH SCREEN INCORPORATED LUXURY CONCEPT, 'PRADA PHONE BY LG' DEVELOPED

In January 2007, LG Electronics joined hands with the renowned luxury fashion brand, PRADA, to develop a phone, incorporating the touch screen technology. While the combination of luxury brand and mobile phone had previously been attempted by other companies, their purpose was by far to develop a 'designer's edition' of the existing model. In contrast, PRADA phone was a lot more significant in the sense that it was a result of tight cooperation between PRADA and LG Electronics, from the product design to sound and font implementation.

WIDE VARIETY OF DESIGN-ORIENTED PRODUCTS PRODUCED

LG Electronics' new products in 2007 largely consisted of premium quality; the role its design played in defining the product grew significantly. From the home appliance's Art series to Quidam Full-HDTV, Champagne home theater, Black Picasso, Scarlet LCD TV and Bobos Plasma TV, the design was now representing the company's core competency.



2007.07 TROMM RECORDS NO.1 IN THE USA'S DRUM-TYPE WASHING MACHINE MARKET

In July 2007, 'TROMM', the leading model of the drum-type washing machine, scored the top rank in the US market share four year after its introduction to the country. The company had put an end to the 100-year reign of 'Whirlpool'. The market condition was turning favorable for the premium products, and it had scored 23% of the US market share based on its sales revenue. This was the most remarkable success LG Electronics had ever accomplished.



2007.10.17 GASAN R&D CAMPUS ESTABLISHED

LG Electronics established its 'Gasan R&D Campus' in Gasan-Dong, Seoul. LG Electronics' new cradle for R&D was born. Soon the DA research center, the MC research center and the HomNet business team's R&D organization settled within the campus, providing an ideal research environment for 2000 researchers. Gasan R&D Campus was more significant in the sense that it extended the Seocho R&D Campus, Woomyun R&D Campus and Seoul University DTV Research Center, hence completing LG Electronics' 'Seoul R&D Belt'.



2007 VIEWTY UPLIFTS THE WORLD'S CAMERA PHONE STANDARD

This product with a touch of beauty in its name, 'Viewty(model name: LG-KU990)', was introduced simultaneously in 14 European countries initially targeting the high-performance camera phone market. The pet name, 'Viewty', insinuated the pleasure of the look as much as its ability to take fine-quality pictures. The Viewty phone incorporated the HSDPA(High-Speed Downlink Packet Access) technology supporting 3.6Mbps of transmission speed.



2008.03 NEW TV MODEL PRODUCED

In March 2008, LG Electronics introduced its new PLASMA TV model, 'Bobos(PG60)', and its new LCD TV model, 'Scarlet', targeting the flat-panel TV market. For the first time in the world, Bobos TV integrated a whole-panel glass filter bearing the appearance of a large glass, and was the sole product to win the 'Best of Best Innovation' award among the TV category, in the US's CES of January 2008.

PRODUCT LEADERSHIP

THE WORLD'S FIRST PRODUCTS

01 LG Electronics(LGE) has been a pioneer in Korea's electronics industry and at the center of changing and improving the people's daily living. Products that are remembered as the world's 'first' and 'best' were the fruits of LG Electronics' endeavor to fulfill the needs of the

time while striving toward the advancement of technology.

LGE has now become a global company that is on equal standing with world-leading corporations after ceaselessly venturing into new fields and breaking ground for fields yet to be explored. In 2000s, known as the Digital Era, it is striving to be No. 1 in the global market in four business areas - digital media, digital appliances, digital displays, and mobile communications - thanks to its cutting-edge digital technology and state-of-the-art products.

LGE's digital media technology has been in the spotlight, converged with a variety of digital appliances from home theater systems, set-top boxes and telematics to laptops and PDAs. From 1998 to 2007, LG Electronics has maintained the top spot in the field of CD-ROM/RW technology and expanded into the DVD and the 'Super Blue' dual-format high definition disc player. In addition, it has been developing new digital media products through converging technology into audio and video products such as digital optical storage and home theater systems and PC-related products. What's more, PDAs and DMB mobile devices, the 'Super Blue' dual-format high definition disc player and other ROM drives are leading the market as futuristic digital media products. With decades worth of world-renowned technology, innovative design and a wide-ranging product line, LGE's digital media products are the choice of customers all over the world. Meanwhile, LGE is creating a new global culture of home appliances with converged products based on countries' cultural heritage and living patterns. Its superior technology and artistic design sense are

enriching customers' lives and the convenience and excellence of their home appliances mean that their products attract customers from all over the world. In the air conditioning industry, a new-refrigerant-based, eco-friendly MPS Inverter system and Multi V Super and Clean Ventilation system have debuted, and in the allergy relief cleaning industry, a steam-drum washer with the world's largest capacity of 15 kg is at the forefront of premium markets following the world's first release of steam-drum washers. In addition, the world's first color replaceable panels, that cater for various tastes, have garnered huge response. In the premium refrigerators market, the side-by-side refrigerator line with 'modern flower' motif, which is recognized as kitchen artwork, has been the front-runner, introducing wine refrigerators and a variety of side-by-side refrigerators with such features as a built-in TV, a linear compressor, a French door, Swarovski crystals and Avatars.

LGE's digital display products are also set to achieve artwork recognition thanks to their deluxe designs. They are also set to be recognized for their size and resolution. With its own technology and design, LGE is leading the advanced display industry, producing a variety of display products that focus on the television market. By merging world-class cutting-edge technology with its own original technology, it has developed PLASMA and LCD TVs, as well as LCD monitors. It has also produced PDP modules, which are the key technology of PLASMA TVs, and OLED modules, the next generation in display. The world's first independent development and mass production of core display material and the subsequent production of wide-ranging optical media from flash memory cards and USB drives to DVD-RW have made LGE a global digital leader.

In the global mobile phone industry, LGE launched handsets with high-end features and unique designs in the CDMA, GSM and UMTS(WCDMA) sectors. These were the result of its unique technology and ensured that they lead the market. From base systems for mobile communications to state-of-the-art designer brand handsets, LGE's products, with their optimum technology and elegant design, are setting a new trend and attracting attention from around the world. From the Viewty phone with designer brand style, PRADA and Chocolate phones, Shine phone with stainless steel casing, video-enabled 3G phone to Mobile TV phone with unlimited

access regardless of time and place, LGE's handsets have become a fashion item, providing consumers with a means of expressing their own personalities as well as a means of communication. Meanwhile, LGE is leading the evolution of mobile technology through convergence with the world's first development of new mobile TV-related products including a DMB phone, a DVB-H phone and a Media FLO phone, and new products in response to WCDMA and HSDPA. LGE is also increasing its open market share in the world while promoting the exclusive growth of 3G and GSM projects and strengthening partnerships with major mobile carriers.

The goal behind LGE's many achievements was, however, its pursuit of becoming 'No. 1'. Its ambitious drive and spirit are what made the journey of untiring challenge and exploration possible. In other words, LGE had its sights set on becoming the world's best from the beginning and has paved the road to the top spot along the way. Every single product made to date reflects this spirit that began the challenging and groundbreaking journey to becoming No. 1.

DEVELOPMENT OF HD SET-TOP BOXES FOR DATA BROADCASTING

In June 2000, LGE developed, for the first time in the world, an Internet-enabled HD-class set-top box for bi-directional digital data broadcasting. Its strongest feature was the bi-directional data broadcasting implemented with simple Advanced Television Enhancement Forum(ATVEF) software without changing hardware of the existing digital reception devices. Content written in HTML, the most common web programming language on the Internet at the time, was made available to be used as data. With real-time data processing, a variety of font style and outline font adoption that allows efficient screen configuration, the product was praised for opening a new chapter in the HD-class digital TV broadcasting market. The bi-directional ATVEF data broadcast service was technology to be used in all kinds of data broadcasting including digital TVs, PCs, ground-wave broadcast, satellite broadcast and cable broadcast as well as for set-top boxes.



DEVELOPMENT OF 4G DEMODULATION CHIPSETS FOR DIGITAL TV RECEPTION

In February 2001, LGE succeeded in developing fourth-generation demodulation chipsets(VSB: Vestigial Side Band), tremendously improving performance of digital TV reception. Thus, an opportunity was achieved to ensure the growth of digital TV broadcasting in countries that adopted the U.S. Digital TV standard(ATSC).

Meanwhile, Full Digital Demodulation technology was implemented to resolve blind spots created amongst high-rise buildings in metropolitan areas and reduced reception caused by moving vehicles and people. It was an independently developed technology made in one chipset from multiple chips that provided not only existing ground-wave digital TV reception but also the world standard cable TV transmission, QAM. Therefore, countries that had yet to decide on a broadcasting standard for digital TV went on to adopt the U.S. digital TV standard, ATSC.

LAUNCH OF IMT-2000 CDMA COLOR PHONE WITH BUILT-IN CAMERA

In 2001, LGE launched, for the first time in the world, color mobile phones with a built-in camera for the IMT-2000 CDMA service(CDMA 2000 1x EV-DO). CDMA 2000 1x EV-DO was cutting-edge communications technology that implemented a data transfer rate of up to 2.4 mbps, enabling the World Wide Web and wide-ranging multimedia content on a mobile phone. With the release of the LG-KH5000, LGE established itself as the global leader in the third-generation mobile phone market. The LG-KH5000 had a built-in high-definition 0.11M pixel camera with such functionalities as photo transfers, adjustable resolution and image quality, thereby addressing the inconvenience of a detachable external camera phone. An LCD screen with 270-degree camcorder style rotation was included to make taking pictures easier. In addition, features such as Multimedia Message Service(MMS) and Long Message Service(LMS) were added to put the IMT-2000 CDMA service into practice.



DEVELOPMENT OF THE WORLD'S LARGEST 76" PDP

In October 2003, LGE developed a 76" PDP, the largest size in the world. It added 5 more inches to the 71" PDP, which was previously the largest size in July 2003, thus breaking the world record in just three months. LGE therefore proved itself to be a key player in PDP technology - surpassing Japan, the former champion in this field. The 76" PDP perfectly combined image quality, size and thickness. It also combined full HD image quality with 2.07M pixels and 1920 x 1080 ultra-high definition, and, being 83 mm thick, boasted an ultra-slim design. During the 76" PDP development process, LGE established a method of cutting three sheets of 42" PDP from a single sheet of mother glass. This was said to be an unprecedented achievement in manufacturing techniques that could improve enormously on cost and productivity.



LAUNCH OF THE WORLD'S LARGEST 55" ALL-IN-ONE LCD TV

The LCD TV 55LP10D was launched in September 2004 as the world's first 55" integrated LCD TV with a built-in set-top box for digital broadcasting reception. With this release, LGE gained the technical advantage in the global LCD TV market while taking a step toward becoming a leading company in the Flat Panel Display(FPD) field. The XD Engine of the 55LP10D addressed the issue of different signal strengths during transmission, greatly enhancing the brightness and contrast ratio. In addition, the limited viewing angle of the existing LCD TVs was addressed by adopting the S-IPS module. Furthermore, the interface was widened using a variety of I/O terminals such as a monitor/digital TV dedicated terminal. Automatic Volume Level(AVL) and SRS True-Surround were also implemented to deliver live and ambient sound.



T-DMB PHONES

On November 15, 2004, LGE developed the world's first mobile phone with terrestrial Digital Multimedia Broadcasting(DMB) reception and held a demonstration. The T-DMB phone had the terrestrial DMB-receiving System-on-Chip(SoC) developed by LGE in October 2004, making it possible to make a phone call and watch ground-wave broadcast at the same time. To receive terrestrial DMB broadcast in the VHF bandwidth, features of household TV antennas were implemented in a mobile phone. Besides terminal size and power consumption, the issues that the industry faced at the time were resolved for the most part by LGE's independent DMB technology.



LAUNCH OF TERRESTRIAL DMB LAPTOPS

LGE launched XNOTE Express LW40, the world's first Sonoma laptop with T-DMB reception. In fact, a DMB-equipped laptop had been showcased in domestic and foreign expos as a demo product, but not on the market by mass production. In the initial phase of development, the government's uncertain direction regarding DMB services caused a long delay in determining where to look for development, so attempts were made without knowing if the DMB service would ever take off or what would become of data broadcasting. When problems arose, they had to be solved one at a time through meetings with the Digital TV Research Laboratory and LG Electronics Institute of Technology or consultation with a DMB service developer. As a result of these efforts, LGE's DMB laptop, XNOTE Express LW40 was awarded 'May's Coolest Gadgets' in May 2005 by IT World, an IT professionals website run by IDG, the world's leading technology media and research company.



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T-DMB PDAS

DMB PDAs were one of the digital convergence products also showing promise as a terminal for DMB broadcasting. Released in late November 2005 for the first time in the world, the T-DMB PDA 'PM80' caused quite a stir with a variety of features and excellent portability. Also interesting was its first-ever attempt to combine a PDA, a DMB receiver, a navigation system and a MP3 player as All-In-One Entertainment. Thus, the PM80 broke the mold of a PDA and was a hit with customers. Another significant feature was its eco-friendliness. The fact that hazardous substances were eliminated from the initial phase of development struck a chord with eco-conscious customers, eventually winning them over.



SIMULTANEOUS DEVELOPMENT OF DVB-H & MEDIA FLO PHONES

At the same time, LGE developed the world's first DVB-H phone, based on 3G Mobile Communications, and the Media FLO phone with mobile broadcast reception. The DVB-H phone implemented QVGA-equivalent reception of DVB-H broadcasting on a GSM-, GPRS- and WCDMA-enabled handset. The Media FLO phone, on the other hand, succeeded in implementing 3G MobileComm-based Qualcomm's FLO technology, thereby bringing LGE's technical advantage in North America's CDMA market to the 3G MobileComm market. Mobile TV technology is mainly divided into 3 categories: Korea's T-DMB, Nokia's DVBH in Europe and Qualcomm's Media FLO in the U.S. With DVB-H and Media FLO phones, all three kinds of technology in MobileComm were employed regardless of which category would be adopted as a standard, thus giving its global marketing more flexibility to respond.



60" SINGLE SCAN PDP

In 2004, LGE succeeded, for the first time in the world, in developing a 40" HD-class(XGA-equivalent) PDP module featuring single scan driving, which is PDP technology that can lower the cost of a PDP module by 10% or more. Single scan driving featured in the HD-class PDP module was technology that could greatly lower the cost of a PDP module by halving the cost of a driver IC and a driver board, compared to the existing dual scan driving. In other words, with single scan, unlike dual scan, components were much less needed while performance increased sharply, thereby offering cost competitiveness and an advantageous position in the market competition. LG Electronics went on to develop its first single scan 50" HD-class PDP module in 2005. In 2006, the company succeeded in the development of a 60" single scan HD-class PDP module, once again demonstrating its world-leading technology.



SUPER BLUE

The 'Super Blue' player was showcased at CES 2007, held in January 2007 in Las Vegas, and awarded 'Best in Show' of the year. With this award, the 'Super Blue' made a strong impression on the world with LG Electronics' brand name. SB-related articles filled the front page of the first issue of CES Daily, a magazine published during the show, and other major media - the Financial Times, the Wall Street Journal, USA Today and CNN reported the world's first SB product with great interest. SB is a player that supports both Blu-ray Disc and HD-DVD, eliminating the need for customers to buy separate Blu-ray Disc and HD-DVD players. It has high resolution and sound quality, and can be easily installed with just one cable.

THE BEST LEADING TECHNOLOGY

02

LG Electronics(LGE) has a vision of achieving the Global Top 3 status in the Electronics, Information & Communications Technology industry by 2010. This will be possible only through new technology development and market creation based on customer-centric management. The R&D sector in particular plays an important role in ensuring technology that enriches customers' lives and provides comfort and enjoyment.

In order to develop innovative products that are aimed at raising customer value, LGE is conducting its mission with an emphasis on implementing customer feedback, stylish designs and intelligent, state-of-the-art functionalities. Implementing customer feedback will ensure that interfaces are smart, simple and user-friendly, and LGE's own unique, stylish designs will ensure customer satisfaction. In addition, LGE's differentiated technology is implemented with intelligent, state-of-the-art functionalities to create the best environment in which customers can use their products. In response to intensifying global warming issues, LGE is actively developing eco-friendly technology to reduce toxic material in products, and is also accelerating the development of reliable technology to actively protect user safety. New product development, including solar batteries and Health Care, is also under way to address the social issues, such as high oil prices and population aging.

In order to lead the ever-changing convergence of technology and products, and the digital trend, LGE is actively bringing in innovative and excellent external resources to overcome the problem of limited resources at LGE. In R&D, it is encouraged to have a resilient attitude and to take the initiative in discovering creative ideas and implementing these into products. 'Open Innovation' has also been initiated to utilize innovative external knowledge based on the core R&D skills inside LGE to provide products that meet customers' needs. This open, innovative R&D culture is strengthening LGE's technology leadership, and LGE's products, which have been developed by staff who are highly skilled and globally aware, are enriching customers' lives.

LGE is currently running the global R&D organization with a total of 30 research laboratories established across the world. Through the global organization of R&D, LGE is realizing its vision of becoming the world's best R&D with its independent technology, enhanced common core competence and an early discovery of a future growth engine.



PLASMA TV WITH BUILT-IN DVR

LGE launched the world's first TV featuring Digital Video Recorder(DVR) technology. Also known as 'Time Machine' TV, it is a new-concept TV that can rewind live broadcast with such features as broadcast recording & playback and a Dual HD System where you can record one HD broadcast while watching another. With seven global design awards including an 'iF Design Award', it seized the global top spot in the display field.



SINGLE SCAN TV

LGE developed, for the first time in the world, single scan technology that reduced the price of a HD-class PDP while implementing image quality equal to or better than that of the existing dual scan technology. Single scan technology was a feature of 42" HD PDPs in 2004, 50" HD PDPs in 2005 and 60" HD PDPs in 2006, and succeeded in halving the number of driver ICs. As a result, the product's cost could reduce by more than 20%, resulting in widespread use of PDPs. Single scan driving featured in the HD-class PDP module was technology that could greatly lower the cost of a PDP module by halving the cost of a driver IC and a driver board, compared to the existing dual scan driving.



FULL HD LCD TV

In 2006, LGE introduced Korea's first 2M-pixel Full HD LCD TV and welcomed an era of popularized Full HD TVs. With the release of 2M-pixel 37" & 42" LCD TVs that had image quality twice as good as existing HD TVs, LGE proved to the world its superior technology. Equipped with LGE's superior technical quality, Full HD LCD TVs are stepping onto the world stage as the best.



STAINLESS STEEL SHINE PHONE

The stainless steel Shine phone has a luxurious look and a durable casing, as well as a thickness of 14 mm despite the built-in features such as a 2M-pixel camera and an MP3 player. In addition, it has a mirror display when not used and a camera lens, authenticated by Germany's Schneider Optics, thereby raising design and performance to the next level. With the Shine phone, LG is continuing its string of global marketing mobile phone successes.



HSDPA 3G PHONE

In 2006, LGE released, for the first time on the U.S. market, a HSDPA handset that can perform high speed video transfer. It enabled high-speed multimedia services, for example AV Streaming including VOD and AOD, and served as the first attempt to break next-generation mobile phone market in North America. With convenient and wide-ranging features, the HSDPA phone was chosen as the 'Product of the Week' by TIME Online in July of that same year. HSDPA is technology that can transfer video and audio at a high speed. It was upgraded from third-generation WCDMA and had a data transfer rate five times that of WCDMA and, when compared to CDMA EVDO, the maximum speed was seven times faster.



SUPER BLUE

In 2007, LG Electronics launched the world's first next-generation dual format player, the 'Super Blue'. Playing Blu-ray Discs and HD DVDs as well as the existing DVDs, it attracted the world's attention, as it meant that customers would not have to choose between these two formats. In January 2007, it was chosen as CES's best product, proving its technical superiority. With the emergence of the 'Super Blue', consumers could avoid having to purchase a Blu-ray Disc and HD-DVD player. It has high resolution and sound quality, and can be easily installed with just one cable.



STEAM & DUAL SPRAY SYSTEM

LGE launched the world's first drum washer with a steam functionality, sparking a craze for steam washers. Featuring cutting-edge technology, including the world's first dual spray system, a Spiral DD motor that combines a power wash with a powerful spin and an Auto Leg feature, it significantly improved washing performance and energy efficiency. The core technology of a steam washer is a dual spray system that sprays steam and a condensed detergent when washing. When the wash begins, the system sprays a highly condensed detergent mixed with water and washing power that is just enough to soak laundry. Once the clothes are soaked with the detergent, steam is sprayed so as to quickly and evenly increase the clothing temperature. With the detergent inside, steam fills up the drum and penetrates clothing stains, creating the powerful effect of a boil wash.



3-IN-1 AIR CONDITIONER

LGE launched a 3-in-1 air conditioner that enables the use of three indoor units simultaneously with one outdoor unit. Designed to save space for outdoor equipment and create more space indoors, it featured the world's first color TFTLCD display, creating a stylish design and bi-directional communications. Connecting three indoor units to one outdoor unit for separate air-conditioning in each space, '3-in-1 Home' was a new-concept air conditioner, featuring cutting-edge technology with functions including Inverter, Automatic sterilization and drying, Twin Power Cooling system, 3D Air Purifier, Digital Remote Control and All Auto Door.

GLOBAL NO.1 PRODUCTS

03

Products created by LGE are cementing its reputation in the global market. In the four corners of the world where relentless competition is taking place, LGE is leading the market with wide-ranging suites of state-of-the-art digital products. Armed with supreme competitiveness, LGE is catching the consumer's eye with optical storage products that have been the world's best-selling for 10 consecutive years to air conditioners that topped the market for 8 consecutive years. LGE's products boast of world-proven technical prowess and quality, designs custom-tailored to the targeted markets and customized marketing that captivates cultures. These are the driving forces behind LGE's 'No. 1' products and you can see LGE's strength and vision through them. It is also seen as the world's best localized company in the global market. With a combination of world-class technology, superior product quality, tailor-made designs and marketing that relates to local people, its products are ahead of the competition. LGE's products have evolved from being 'durable without too many glitches' to being 'equipped with special features', from 'good-looking & well-built' to 'trendsetting with responsiveness', all in response to the ever-changing needs of the times. LGE is developing the world's no. 1 by seizing new business opportunities, and by forecasting and creating new future trends.



AIR CONDITIONERS

Starting out with a window air conditioner/wall unit air conditioner in 1968, LGE celebrated the 40th anniversary of its air conditioning business in 2008. Since it began in 1998, LGE has led the domestic and foreign markets by launching new technology-based and uniquely designed air conditioners beginning with Korea's first multi-type in 1988 to 3D cooling in 2000, a picture frame-type in 2001, a 2-in-1 in 2002, the world's first gallery-type in 2003, the world's first one-panel stand-type in 2004, Korea's first 3-in-1 in 2006, and an automatic-cleaning stand-type in 2007.

By the mid-1990s, the competition to seize the top spot in the international air conditioning market was driven by Japanese companies. With 25% of demand (7 million units) created by domestic consumers in Japan, the situation was in Japan's favor. So LGE's strategy was to increase sales by focusing on the US and Europe. LGE's strategy paid off, and it eventually reached the top spot in terms of global market share in 2000. In addition, the number of countries where it ranked first in air conditioning sales gradually increased. After coming first in global sales in 2000, its sales ranked first out of a total of 41 countries in 2001, and then out of 43 countries three years later. Despite the severe stagnation in the domestic market, it finally achieved success, proving its universal appeal to both foreign and Korean consumers.

The factors that contributed to its market dominance for eight consecutive years are as follows: First, it attained core technology before any other player in the market. By significantly improving component parts such as compressors and heat exchangers, and by designing an optimized cycle in air conditioning, it managed to achieve the world's highest level of COP. Moreover, by acquiring key technology for vibration, noise and fluid flow control, the product's noise level could be



minimized, gathering huge response from consumers around the world. Second, it adopted a policy of promoting a key components business. Independently producing key components for air conditioners, LGE initiated six sigma practices company-wide, and is now a reliable component provider. Components suppliers in partnership with LGE also actively took part in the six sigma program, thereby contributing to the smooth supply.

Third, it gained cost competitiveness by expanding international production sites. LGE currently produces air conditioners in Korea, China, Turkey, India, Thailand, Vietnam, Indonesia, Brazil, etc. Moreover, to strengthen the US market presence, it is considering opening a plant in Mexico. Therefore, a global production network is serving as the foundation for cost competitiveness. Fourth, it has a marketing strategy geared towards each region, which is proving to be effective. By conducting consumer and market environment surveys for each international market, LGE employed marketing that relates to local people. For example, product differentiation was used in the US, customer-focused marketing in the Middle East, special services and sports marketing in Mexico, and maintenance of regular, local clientele in South & Central America.

As a result, it ranked first in global sales from 2000 for eight years in a row and, in 2007, it achieved the biggest sales record of \$4.8 billion thanks to its high performance in both the domestic and foreign markets, reaffirming its strongest presence in the air conditioning industry. In 2008, LGE established a 'Life Conditioner' strategy to carry on its worldwide reputation through innovative changes, such as the ongoing creation of new customer value, brand marketing enhancement, business diversification into residential & commercial use, and energy solutions. Life conditioner is a new concept in air conditioners that has the added meaning of new life values and responsiveness. LGE has defined an air conditioner as a 'Life



Conditioner' that not only functions as an air conditioner, an air purifier and a dehumidifier, but also acts as a decorative accent piece in homes, providing comfortable and pleasant living.

MICROWAVE OVENS

LGE swept the world by ranking first in global sales for four years in a row from 2002 to 2005.

Out of the 52.63 million units of microwave ovens produced world-wide in 2002, it produced 12.10 million units, occupying a 23% market share in the world. Up until 2006, it maintained the top spot in sales for four consecutive years.

What made its predominance among the world's top players possible was its long-standing efforts. Since the first production of microwave ovens in a Changwon plant in 1981, LGE has established local production plants to increase sales in the UK in 1989, in China in 1995, and in Brazil in 1996. Bold investments in R&D and product development based on thorough market research also contributed to its successes. To explain this in more detail, first, there is core technology attained through active R&D projects. A typical analysis of an electromagnetic field inside a cavity and the development of circular wave generation led to the evenly distributed heating of food, and a speed cooking feature that used light and microwaves shortened the cooking time. A key component design of 'Magnetron' also helped to develop a high-quality microwave oven.

Second, an accurate analysis of the market and customer needs proved effective in product development. Different design preferences based on regional markets were reflected in the outlook, operation method and texture of a product. In addition, a one-touch cooking feature was added to cook regional dishes with ease. Third, cost competitiveness was achieved through cost price reduction. Cost reduction was achieved through steadfast innovation. In other words, the maximum production



efficiency was made possible with fewer production lines. Independent development of key components also helped raise cost competitiveness.

VACUUM CLEANERS

In the canister vacuum cleaner category that makes up half the global vacuum cleaner market, LGE ranked first in sales from 2003 to 2004. Of 30 million units produced in the canister vacuum cleaner market in 2003, it produced about 5 million units, comprising 15.8% of the total volume, thus climbing to the top spot. In particular, 90% of the sales were sold as the original brand, reducing Original Equipment Manufacturing(OEM).

The secret to its stellar sales record was product differentiation and high-quality premium products based on market characteristics. First, it approached global customers effectively by differentiating products according to the characteristics of each regional market. It sold products with colorful designs to South & Centralo consumers in North America and products with high durability to the CIS region. In Japan, products with compact designs and strong suction power appealed to the consumers. In short, product development based on regional market characteristics led to the satisfaction of local customers, boosting sales.

Second, premium products with enhanced hygiene and user-friendliness also contributed significantly to its success. In the case of Cyking, which is part of the Global One Brand strategy, sales are increasing 100% each year despite the costly price, which is 2-3 times the average product. This is one example that proves LGE's superior technical power in the vacuum cleaner field.



OPTICAL STORAGE

With its decade-old 'stronghold' status, optical storage is LGE's flagship product. Although the other industry players competed with their own launch of fast-speed products, LGE was always one step ahead. As a result, it proved its superior leadership by maintaining the world's best-selling record for 10 years in a row from 1998 to 2007. Without resting on its predominance in optical storage, LGE entered into the Blu-ray market to vie for the next generation DVD standard. Afterwards, it launched an all-in-one set-top box Blu-ray Disc recorder for the first time in Korea in September 2004. In August 2006, it released a writer that can write directly on a Blu-ray Disc and a desktop PC that has a built-in Blu-ray Disc drive, the 'Xpion X600', simultaneously in domestic & foreign markets. In particular, LG Electronics stunned the global home appliance industry in January 2007 by launching the world's first 'Super Blue' player that supports both standards of Blu-ray Discs and HD DVDs.

The biggest contributing factor to seizing the top spot in optical storage was its strategy of early development & launch. It was because optical storage was a typical product whose success revolves around the 'Time to Market' that development was required in terms of the time that a PC maker releases its new products. Recognizing these characteristics of optical storage, LGE employed the early development & launch strategy, emerging as the major supplier for the key PC makers such as Compaq, IBM, HP, Dell and Apple.

Secondly, it maintained product competitiveness by actively acquiring technology. LGE has independent technology of key components such as Optical Pick-up and a DSP Chip, and developed a DVD writer addressing dual standards based on its world-class level of development techniques. In addition, it continued its efforts for product competitiveness by obtaining



the patent of a standard for HD-class drives, the next-generation optical storage.

Thirdly, it maximized a synergy effect by establishing Hitachi-LG Data Storage, Inc.(HLDS), a joint enterprise with Japan's Hitachi, Ltd. In short, LGE responded actively to the fast-changing global market with upper-level technology and enhanced marketing competence.

Fourth, the strategy of wide variety & bulk production hit the mark. As opposed to competitors that focus on a limited variety & small quantity production, LGE supplied buyers around the world with a complete line of CD-ROM, CD-RW, DVD-ROM, DVD-COMBO and the world's first Super Multi DVD Writer. Moreover, it ran the manufacturing process with flexibility to respond appropriately to the changes of the PC market environment.

LGE is increasing the volume of a premium line including slim-size products for laptops, and enhancing the development of the next generation HD-class products in addition to its optical storage players and writers that hold the record for being the world's best sellers. In early 2008, Warner Brothers decided to go for Blu-ray; in February the same year, Toshiba withdrew from its HD DVD business, ending the format war with the Blu-ray integration. LG Electronics adjusted its development strategy respectively, focusing on Blu-ray drives, and now set its sights on dominating the market in HD-class ODD optical storage based on its previous DVD technology.

CDMA HANDSETS

LGE ranked first in the global CDMA handset market for two years in 2003 and 2005. According to Strategy Analytics, a mobile phone market analysis company with global authority, LGE supplied 21.3 million units of CDMA handsets, 21.6% of the total volume in 2003, outnumbering Samsung's 20.7% and Motorola's 18.0% and landing the top



spot. In 2005, it supplied a total of 30.4 million units, sweeping the global market with its 21% market share. Its market leadership extended into 2006 and 2007, when it achieved the record for the most sales in the CDMA mobile phone market for three consecutive years.

LGE was also awarded the 'Subscriber Technology Innovation Award' and the 'CDMA Industry Leadership Award' in the 2007 3G CDMA Industry Achievement Awards. The 3G CDMA Industry Achievement Award is awarded each year by the CDMA Development Group to companies and individuals who have made remarkable contributions to the development of CDMA technology, and LGE proved its leadership in the CDMA field by winning the grand prize for three consecutive years.

What is the driving force behind its top performance in CDMA handsets? First, it lies in successful partnership through selection and focus. LGE established successful partnerships with the world's key CDMA wireless carriers, such as Verizon, the biggest US CDMA operator and India's Reliance Group. In other words, it built trustworthy business relations by continually responding to the carriers' particular demands, and it developed tailor-made handsets because of its world-class technical prowess.

Second, LGE has a strategy that it can dominate the local market with its advanced technology. In July 2003, LGE launched the LG-VX6000 camera phone in the US market. With features such as a color screen, Multimedia Messaging Service(MMS), photo transfer and an excellent design, it grabbed the market. In India, it occupied more than 50% of the market share through joint development with a local company, employing large-scale development staff there, early stabilization of the service network and timely supplies of resources. In China, it targeted the new generations with young, sophisticated designs and top-end features. In Chile, it achieved 46% of the market share by



supplying SmartCom PCS with Wi-Fi PCS phones, sustaining its tremendous growth world-wide.

Third, Cost Innovation(CI) and Quality Assurance were the basis for its success. It concentrated on sales growth of premium products; CI activities through standardization/commonization; and Quality Assurance through productivity innovation, including a six sigma program. As a result, LGE's flip-type handset was chosen as the 'Best Buy' in Netherlands due to its high score on receive sensitivity, battery life, customer satisfaction, durability and price, and the LG-VX6000 was introduced as the best camera phone in BusinessWeek in the US. With outstanding performances in the US CDMA handset market, LGE is strengthening its premium brand marketing of CDMA & GSM handsets, and is accelerating the production of state-of-the-art camera phones.



CHAPTER 02

LG ELECTRONICS IN THE GLOBAL MARKET

LG ELECTRONICS,
A GLOBAL PIONEER



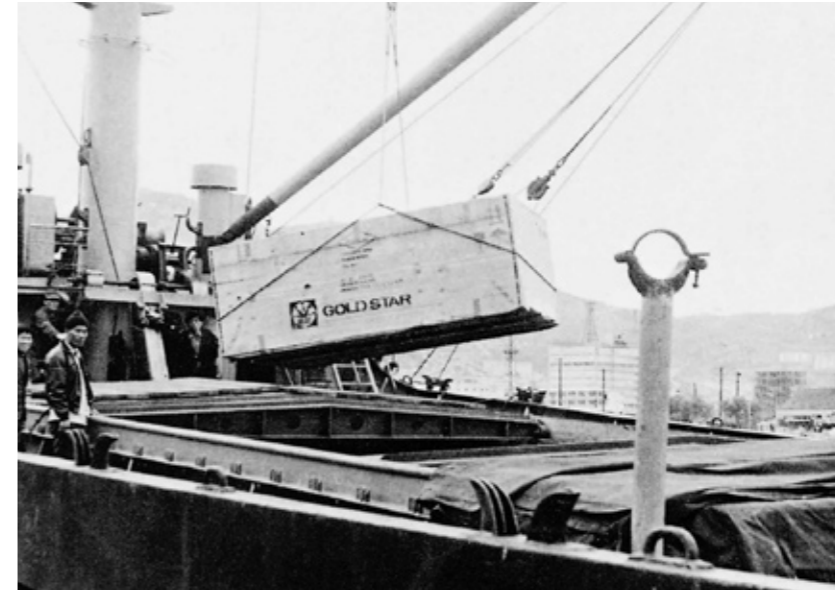
THE DREAM OF A GLOBAL LG ELECTRONICS

01 In March 1962, LG Electronics(formerly GoldStar) initiated its first global pioneering efforts by exporting 62 radios to the US, worth \$4,000. In 1970, the Korean government's export policies helped LG Electronics to make inroads mainly into the US and Western Europe, where there were huge markets.

As it entered the 1980s, LG Electronics decided that it was essential to have an overseas production base in order to meet the changes in the global trading market; it, therefore, established the first production corporation in Huntsville, US, in 1982. Soon after, it began to expand its global target by establishing production/sales corporations in South, Central and North America, and Europe, which would act as overseas bases. With its 83 oversea subsidiaries and 39 branch offices, LG Electronics became today's global enterprise commanding 122 worldwide marketing organizations.

LG Electronics underwent a pioneering period in the 1960s when it introduced the name 'GoldStar' to the world in an attempt to overcome its shortcomings in technology, production, sales, operations, and marketing. During the 1970s, it built up its sales networks by acquiring overseas bases and acquired a phenomenal exporting status. It established a production base in the 1980s, during which time it built up its reputation as a global corporation through aggressive international expansion. LG Electronics' endeavors to become a pioneer in the global market continued: it underwent a period of globalization in the 1990s when it achieved its vision as a leading global corporation whilst keeping up with the rapidly changing international economic situation. At the beginning of the 2000s, it initiated a global management period and currently dominates the global market through its high-tech digital technology and localized marketing.

LG Electronics focused on all corners of the world: from the rainforest in South America to the desert in Africa, from Times Square in the US to the Great Wall of China, and from Kameny Bridge in Russia to Piccadilly Square in England. It is marketing that grabs people's attention. LG Electronics found a way into people's minds from all over the world. This is LG Electronics' way to its customers. This was the start of its pioneering international marketing. It was



FIRST STEP TO ENTER THE GLOBAL MARKET

LG Electronics began to establish overseas subsidiaries and branches from the late 1960s, and laid a foundation for its expansion to the international market. In 1982, the company set up its outpost for the global market in Huntsville, the US, by establishing the first ever Korean overseas production base, GSAI(GoldStar America Inc.) that produced the CMA-2030 color TV.

the dream and hope of LG Electronics to bring a new life and a new world to the people.

Today, LG Electronics is making the dream of leading global corporation become a reality with the strong brand power of "LG" which has managed to capture the attention of people from all over the world, who are of different races, speak different languages, and have different thoughts. LG Electronics is currently competing on a global scale by employing global management and powerful marketing activities in many countries.

SUCCESSFUL LOCALIZATION STRATEGY

02 Localization strategy is a vital part of its pioneering global market history. Although the management system of LG Electronics was second to none in the world, a localization strategy geared towards the corporation management environment of each country was the key factor in its success. LG Electronics' localization strategy was to maximize management performance by establishing a strategy tailored to each country's specific circumstances and to execute this strategy. To achieve this goal, LG Electronics consistently carried out



KAMENY BRIDGE, THE SYMBOL OF MOSCOW

Kameny Bridge, now more widely known as 'LG Bridge', began to host LG's advertisements from 1995, and has become the symbol of Moscow and the face of LG.

its localization management strategies, which include production localization, R&D localization, product localization, human resources localization, and marketing localization. The goal of LG Electronics was to grow as a successful local corporation, and not as a foreign corporation that is successful on a local scale.

The start of LG Electronics' production localization can be traced back to 1981 when it established Korea's first overseas local production corporation, GSAI (GoldStar America, Inc. (now LGEAI)). The reason localization was first carried out in such an advanced country as the US was because it had become harder to retain or expand the export market in advanced countries due to their antidumping suits and importing restrictions. After 1988, as a result of the Korean currency revaluation, wage-push inflation, tougher trade laws in advanced countries, and market stagnation, LG Electronics actively started to target developing countries. This was necessary in order to avoid import barriers in advanced countries and to utilize the low wages of local human resources. After the mid-1990s, not only did it put its global competing up a gear by expanding its production and sales bases in socialist countries and South & Central America region, but it also penetrated major potential markets such as China, CIS, and

India. In the 2000s, LG Electronics established its status as a global corporation by acquiring production bases in Poland and Russia, which focused mainly on leading products such as air-conditioners, washing machines, monitors, digital TVs, and mobile phones.

LG Electronics also improved the competitiveness of its overseas production corporations by carrying out global R&D activities, which included strategic coalition and organized operation of R&D centers. Following the setup of the high-tech R&D outpost, UMI (United Microtek Incorporation) in Silicon Valley, which is the technology center of the high-tech electronics industry in the US, the European Research Center in Germany and the Design Research Center in Ireland were also successively established. It was an effective measure to enhance R&D activities by localizing technological development and to reflect the rapid high-tech development trend of new product development. In particular, in December 2004, LG Electronics established a mobile phone R&D center in Villepinte, Paris, in order to strengthen its mobile phone sector, LG's strategic core sector along with digital TV. By localizing core competencies, such as production planning, R&D, technical support, and sales, LG Electronics was able to focus more on targeting European WCDMA and GSM markets.

Today, LG Electronics operates a global R&D system with 30 research centers all over the world. With this global R&D system, LG Electronics can realize its vision of 'Top Global R&D Corporation' by acquiring independent technologies, strengthening common core competencies, and identifying future growth potential.

Gaining 'Product Leadership' also constituted a significant factor in bringing about LG's success in the global market. With 'Product Leadership', LG was able to develop locally-specific products based on R&D, to meet local needs. LG Electronics develops locally-specific products not only through localization of products based on their function - microwaves tailored to specific food from each country, healthcare air-conditioners designed for the local environment, refrigerators and washing machines that are specifically designed for a variety of housing types and lifestyles - but also through differentiation of designs that take into account consumption patterns, trends and customers' tastes.

In particular, as LG Electronics began to enter the overseas market, it

hired local people to carry out functions, such as product development and sales, marketing, and management. LG Electronics hired and trained skilled and high-flying local people. It also held training workshops at its headquarters for field-leaders. LG Electronics granted considerable powers to the local workers and established an evaluation system which was used for fair compensation. Each management system was centered on local workers. LG believed that the local people know the environment and local market trends better than foreigners. Today, LG Electronics is still encouraging its high-flying employees to exercise their talents. In 2007, for example, for the first time in the history of LG Electronics, LG elected 3 local people as directors in order to strengthen locally-focused marketing in the North American and European markets. Nationality was not a major factor for LG Electronics. By promoting local people to directors in line with the 'result-oriented principle' and 'global management strategy', LG proved its worth as a global corporation and laid the foundation for the development of global talent.

LG Electronics continued its intensive locally-focused, region-specific marketing. It accumulated local market experience through 'on-site promotion'; concentrated its resources on selected regions; and used a 'gradual market expanding strategy' in which successful experiences were implemented in other regions. In order to make more effective progress, LG Electronics formed a strategic alliance with local distributors. LG Electronics also increased its corporate brand image by deploying 'sports marketing' which utilizes soccer, cricket, and action sports; and 'cultural marketing' which utilizes karaoke machines, washbars, and commercial electronic display boards.

LG Electronics' localization strategy was tailored to each country in its approach; however, there was one absolute rule: to penetrate the minds of local people slowly and silently. The most effective ways of overcoming resistance from the local customers were to reinvest what had been earned; to understand the life and culture of the people; to think as they think; to engage in positive thinking and have endless trust. LG Electronics used these means to earn people's love and trust. 'Localization' was the slogan that Korean companies shouted while reaching out to the world. Easier said than done! LG Electronics was the only company to truly attain this goal. LG Electronics is achieving localization with all its heart, and with faith and trust.



LGEIL AND LOCAL EMPLOYEES

Indians know India the best. Through localization strategies, LG Electronics grew as the most successful local corporation in India.

LG ELECTRONICS' GLOBAL MANAGEMENT

03

Through its localization management strategy and marketing, LG's efforts are really paying off. LG Electronics is competing fiercely with brands from developed countries in growing markets, such as India, Brazil, Russia, CIS, The Middle East, and Africa. Even in developed markets, such as Europe and the US, LG Electronics is building a reputation as a premium brand through its world class technology and products and effective brand marketing.

For the last 50 years, LG Electronics has consistently strived to respond to the ever-changing global business environment and to lead the changes. It has also been the leader of the Korean electronics industry and has made a big contribution to the lives of customers all over the world. Today, as a true global corporation, LG Electronics is playing a leading role in realizing mankind's dream through the electronics/telecommunications industries.

As a world class corporation representing Korea, LG Electronics is focused on becoming one of the global top 3 by 2010. To do this it will continue to develop localization management strategies and global marketing programs in which everybody can learn and participate, as

the world is changing more and more rapidly. However, LG Electronics never stops developing new technologies and markets to outpace the world's rapid change and to seize the top spot in the global market. Furthermore, LG Electronics always tries to remain a 'true global company' and is heightening its business competitiveness by maintaining and improving the financial performance it has achieved. In June 2007, LG Electronics started to operate a global financial center which integrates the financial management of the overseas subsidiaries in each country, which had previously been managed independently. Through the global financial center, the financial team at the headquarters is effectively dealing with the rapidly changing world financial market and raw materials market, which involve exchange rates, interest rates, and oil prices. The global financial center links the local financial centers which are distributed throughout each continent. It enables effective management of funds that are transferred from continent to continent. Financial management has been optimized by interconnecting all the subsidiaries across the world. As a result, LG Electronics has been able to reduce financial cost and opportunity cost associated with financial loss.

Also in 2008, under the three principles of 'effective global system management', 'customer driven organization', and 'promotion of experts', LG Electronics redistributed three previously local directors, six local representatives, and one business system to eight regional headquarters. The purpose was to clarify the roles and responsibilities of each regional headquarters and to strengthen the performance management of the subsidiaries. The eight regional headquarters involved were the South & Central America regional headquarters that combined the representatives of Brazil and South & Central America, the Asia regional headquarters that combined the representatives of South East Asia and South West Asia, the North America regional headquarters, Europe regional headquarters, CIS regional headquarters, China regional headquarters, and Korea regional headquarters. The formation of eight regional headquarters was aimed at strengthening the system to achieve the global top 3 and to increase the strong driving force and management efficiency to help the business achieve its goal. Under each regional headquarters, LG Electronics established a corporate marketing system consisting

of marketing experts to support the marketing capability within each region. It also established business unit marketing to perform specialized product marketing suited to each region. By building a coherent global system to ensure core functionality between the main headquarters, the company, and regional headquarters, LG Electronics actually standardized the system structure in order to bring in immediate results by increasing work adaptability at a time when systems were being changed.

In 2008, LG Electronics announced that 30% of the overseas subsidiaries' CEOs will be local people in order to improve the setup of the overseas subsidiaries. The aim was to promote competitiveness in each region by replacing the Korean heads with local experts. It also changed the evaluation system for the performance of overseas subsidiaries. It decided to add return on invested capital(ROIC) to the evaluation system on top of the existing indices, such as sales and market share.

LG Electronics built training centers in major areas in each continent to train the managers of the overseas subsidiaries and the newly established global logistic teams, in charge of managing logistics to improve the export logistics process of the overseas subsidiaries. It also established enterprise resource planning(ERP) systems for all subsidiaries in order to reduce ocean freight costs.

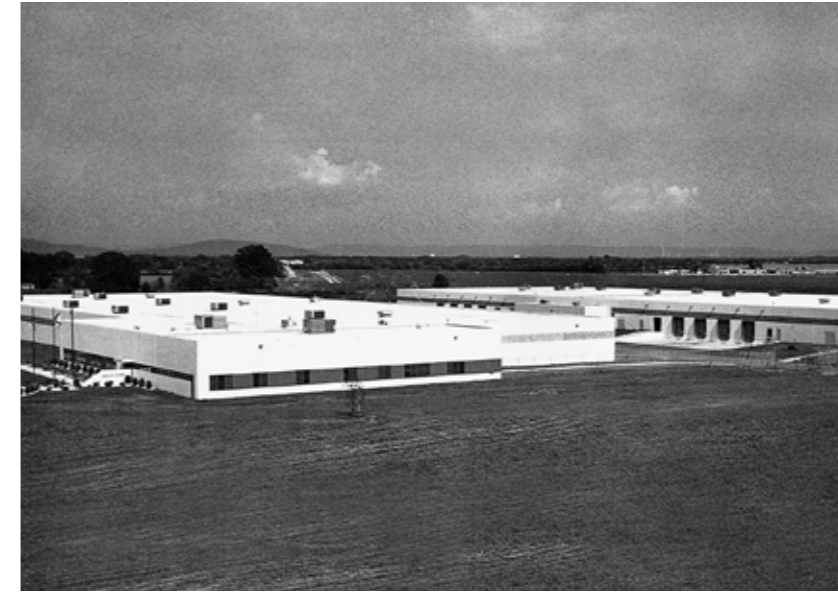
LG Electronics is becoming a true global corporation as a result of globalizing major business activities, such as education, finance, logistics, subsidiary operations, and human resources management, whilst reinforcing regional competitiveness across the world. However, this is only the beginning. LG Electronics never settles for short term results and changes. True global management is in progress as LG Electronics focuses on long-term growth and value creation.

LG ELECTRONICS, IN THE GLOBAL MARKET





NORTH AMERICA



KOREA'S FIRST OVERSEAS PRODUCTION SUBSIDIARY, GSAI

On 31 May, 1981, LG Electronics established the first overseas production subsidiary as a Korean company, GSAI (GoldStar America, Inc., now LGEAI), and began to produce color TVs in July.

MAKING PROGRESS IN THE NORTH AMERICAN MARKET

North America was where LG Electronics (formerly GoldStar) began its progression to the international market, which encompassed the US, Canada, and Mexico. In 1962, LG Electronics set foot on the North American market for the first time as it exported 62 units of the first Korean-developed radios (32 units of T-703 and 30 units of TP-603) to Eisenberg, New York. LG Electronics, which had been consistently pioneering in the international market for 45 years, set up a branch in Canada in February 1978, one in Toronto in May, and one in Los Angeles in December. In November 1980, as LG Electronics set up its Chicago branch, it was able to expand its sales network within the US.

In particular, on August 2, 1978, it established an overseas subsidiary, GSEI (GoldStar Electronics International Inc., now LGEUS), in New York, which opened a new door to the US market. GSEI was an incorporated subsidiary which was set up to create an independent sales network within the US. Entering the US market with the GoldStar brand was a major challenge. Nonetheless, it enjoyed business surplus with 20 million dollars in sales. With the momentum, LG Electronics progressed to the European market by establishing a subsidiary in Germany.

In the early 1980s, LG Electronics actively began to establish overseas production plants. It needed to respond more actively to the circumstances in which the protective trade system was being reinforced and the international trade environment was being exacerbated. LG Electronics, which began investment environment research in 1980 and decided on Huntsville in Alabama, the US, for the plant location in 1981, established Korea's first overseas production subsidiary GSAI(GoldStar America, Inc.(now LGEAI)). The decision was made based on the fact that it was a suitable location for energy and labor supplies and was near the large consumption market and part producing factories. The location was designated as a trade free zone where tariffs and quotas were exempt. Also, the Alabama state government provided long-term financial support.

In May the following year, GSAI completed the first plant and began to produce color TVs from July that year. As LG Electronics managed to cope with the color TV import volume restriction in the US, it finally prepared itself for its globalization strategy. However, during the first year of operation, LG Electronics faced difficulties in high defect rates and low production rates due to the capability of the local workers.

LG Electronics eventually overcame these difficulties, and it built the second plant in October 1984. It continued to expand its production base as it built the third plant for microwave production in January 1985, and the fourth plant for product storage in 1987. LG Electronics was highly successful as it enjoyed surplus for 5 years in a row from 1983 through 1987 with revenue of over \$120 million. The success of LG Electronics with the overseas production plants resulted in other Korean companies expanding overseas. Soon after, other Korean companies in the same industry started to build overseas production plants.

In the meantime, LG Electronics laid the foundation of overseas research by establishing a research subsidiary GS-Tech(GoldStar Technology Inc.) in San Jose, California. It continued its expansion in the North American market as it incorporated its Toronto branch and renamed it GSCL(now LGECL) in October 1986.

However, the success of GSAI did not last long. After the mid 1980s, the revenue growth rate of GSAI began to drop as the business situation in North America went downhill. In 1988, when GSAI faced a CPT(carriage paid to) anti-dumping suit by the US Government, coupled with the weakened international competitiveness, it had to find a way out.

In late 1980s, LG Electronics, after being up against a stream of unfavorable factors, established a production plant, GSMX(GoldStar Mexico, S.A. DE C.V.(now LGEMX)), in Mexicali, an industrial city in Mexico, as it saw the economic blocking of North America and the rise of the South & Central American market. In 1988, GSMX brought in the production line of GSAI and began to produce color TVs. Also, in 1990, it produced and supplied PCBs to North America. After the announcement of the North America Free Trade Agreement(NAFTA) in January 1994, GSMX became a veritable supply base for the North American market. As the North-American production site was moved to GSMX(now LGEMX), GSAI gradually lowered its capacity; in 1989, the plant stopped the production of its microwave oven. In contrast, it focused in maintaining its production functionality through the manufacturing of the videotapes, as well as reinforcing its position as the service and logistics center of the American region. Today, owing to the regional advantage, cumulative experience and the favorable local financial situation, LGEAI(GSAI at the time) has become a comprehensive service center providing supports to not only LG Electronics and Zenith, but to other companies as well. LGEAI is now a dedicated service subsidiary, bringing a whole new level of the service center standard.

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TAKING OVER ZENITH, THE LARGEST HOME ELECTRONICS MANUFACTURER IN THE US

In the mid 1990s, due to the stagnation and reduced demand of the OEM market and the increased market share of Japanese products, LG Electronics was having a difficult time in North America. To find its way out, LG Electronics formed a strategic alliance with US corporations and, after lengthy negotiations; it acquired Zenith Electronics Corporation, the major home electronics manufacturer in the US. The acquisition of Zenith was the largest ever in the history of Korea's M&A involving foreign corporations. Moreover, the fact that a Korean company took over the genuine American home electronics company in the world's biggest home electronics market surprised the whole world. However, after the acquisition, Zenith's business performance was not as expected and this resulted in the deficit of its parent company, LG Electronics. The main reason for the stagnant business performance of Zenith was its major sales slump as it had problems with market expansion. As the largest ever foreign investment hit a



TAKEOVER OF ZENITH, THE LARGEST HOME APPLIANCE COMPANY IN THE US

To promote the growth towards the global enterprise, LG Electronics took over Zenith Electronics Corporation, the largest US home appliance manufacturer, on 18 July, 1995.

snag, LG Electronics sold the Zenith plant through restructuring and re-established Zenith as a marketing and distribution, and R&D oriented company.

In November 1999, LG Electronics established Zenith as its 100% subsidiary company and let it act as an outpost for reinforcing business in North America. In 2000, by combining the service sector of Zenith with LGEAI in the US, it enabled Zenith to focus on effective global marketing and new product development.

Recently, Zenith is earning a huge profit from the special procurements of digital TV. The reason for such success is because Zenith has the innovative technology of VSB(Vestigial Side Band) which is essential for producing North American digital TV. TV manufacturers are paying Zenith \$5 royalty on each TV they produce for using this technology. During this time in North America, digital TV sales were rapidly increasing with the news of the mandatory digital broadcasting converting policy, which will take effect in 2009. This resulted in Zenith earning approximately \$25 million in 2006 and \$50 million in 2007 with almost no additional cost. The growth of Zenith is expected to continue for a while as the digital TV market in North America is expected to grow more than 30% in 2008 compared to 2007. In terms of equity,



GSMX(GoldStar MEXICO, S.A. DE C.V. (NOW LGEM XI))

In late 1980s, LG Electronics, after being up against a stream of unfavorable factors, established a production plant, GSMX(GoldStar Mexico, S.A. DE C.V. (now LGEM XI)), in Mexicali, an industrial city in Mexico, as it saw the economic blocking of North America and the rise of the South & Central American market.

Zenith's favorable result is also contributing to the performance of its parent company, LG Electronics.

MEXICO, THE PRODUCTION BASE TOWARD THE NORTH AMERICAN MARKET

The gigantic Mexican market with a population of over 100 million also had the geographical advantage of its connection between North America and South America. LG Electronics took its attention to the potential the Mexican market held. In 1993, the company established the LGEMS(LG Electronics Mexico S.A.DE C.V.) sales subsidiary in Mexico City, and launched its sales activity in full scale. However, when it was first set up, LGEMS faced a major problem: it suffered huge deficit due to the foreign exchange crisis in Mexico in the latter part of 1994. The cumulative deficit amounted to \$4 million since the situation in Mexico was further aggravated in 1995. There was even talk of LGEMS pulling out. In 1996 and 1997, LGEMS began carrying out innovative activities in the hope of sales growth. These involved setting up a pioneering distribution network, service differentiation, POP(point of purchase) advertising, and acquiring a promoter system.

LGEMS first signed a strategic alliance agreement with Electra, Mexico'

s no. 1 home electronics distributor which had 950 retail stores across the country. LGEMS enjoyed stable sales while supplying products as part of the GoldStar brand. Moreover, LGEMS started to get a warm response from customers as it provided them with a number of differentiated services after seeing the poor service environment in Mexico. It attracted customers with sales promotions through quality POP advertising and an active promotion system. Such extensive marketing activities soon led to sales growth. Sales grew 182% in 1996 compared to 1995, and 108% in 1997 compared to 1996. This result was achieved through actively engaging in a market environment.

In July 1998, LGEMS changed its brand name 'GoldStar' to 'LG'. The goal was to increase sales by improving its brand image. However, the sales growth rate in the first year did not meet expectations due to customers' low level of recognition of the new brand and their manifestation of uncertainty. The sales volume in 1998 was \$120 million but LG started to reap the rewards the following year. The sales volume was \$201 million in 1999, \$280 million in 2000, and \$420 million in 2001. LG Electronics went against the norm of sales dropping in the first few years after a change of brand name and achieved success in the Mexican market.

From 2001 onwards, LG Electronics rigorously began to implement its premium brand image strategy. As a first step, it launched internet home appliances, such as refrigerators, air-conditioners, and micro wave ovens. These products, which LGEMS first introduced to the Mexican market, were a testament to the quality of LG's products and raised its brand image.

As a result, LG Electronics not only captured the no. 1 spot in the premium home electronics sector, which includes Plasma TV, LCD TV, and DVD players, but it also overtook many other leading manufacturers, such as Sony, and dominated the Mexican market. Mexico is a perfect place for expanding business in North and South & Central America without major custom barriers. The key to the great success of LGEMS in the Mexican market was its marketing and localization strategies. The focus on marketing, localization strategies for sales, promotions, and services have all contributed to its success.

The sales volume of LGEMS reached \$650 million in 2004 and rapid growth continued with an average annual growth rate of 30%. In Mexico, LG Electronics was not your usual company just selling

products. It began to capture people's minds with fun sports marketing and impressive cultural marketing. At that time, the involvement of corporations in society was rare in Mexico.

Since soccer is such a popular sport in Mexico, LG Electronics has been sponsoring professional soccer teams since 2002. It has also been sponsoring the Mexico Olympic Committee and Taekwondo. The 'House of Girls' program, which has been sponsored by LG Electronics since 2000, has moved everyone in Mexico. This is a good example of LG Electronics' intention to grow with the local society. A friend that has touched the passionate and warm-hearted people of Mexico; a friend that shares in their happiness and sadness – LG Electronics. The future of LG Electronics in Mexico is certainly bright.

In the meantime, LG Electronics established production subsidiaries in Mexico in 2000, which targeted the North American market. In January 2000, LG Electronics established the production subsidiary, LGERS(LG Electronics Reynosa Inc.), in Reynosa, and in April it established the integrated production subsidiary, LGEMM(LG Electronics Mexico Monterrey, S.A. DE C.V.), in Monterrey city. Today, LGEMM produces drum washing machines, air-conditioners, digital TVs, refrigerators, etc. In 2004, it underwent a product reform as it acquired the production line for 2-door refrigerators and began to strengthen its move towards the North American market.

In 2004, LGERS established a global logistics infrastructure linking Asia-North America-Europe by opening a Dry Port, and continued its efforts in building competitiveness in the various markets. It initiated innovative moves in a number of sectors - continuing quality innovation, building digital TV production system, and supplying projection TV direct to North America. With the establishment of the large-scale digital TV production line with an annual production rate of 500,000 units, LG Electronics began to conquer North America, the biggest digital TV market in the world.

NO. 1 IN THE NORTH AMERICAN CDMA MARKET

As LG Electronics was successful in its commercialization of the world's first CDMA telecommunications system and in the establishment of the production lineup in 1995, it saw the need to enter the advanced US communications market in order to expand its business in the international market. Eventually on June 29, 1995, with the aim of locally



LG TV's AT CNN's HEAD OFFICE

The large LG monitor and TV in the lobby of CNN's Head Office in Atlanta, USA broadcast news real-time, representing the status of LG Electronics in North America.

producing the CDMA modem chip, LG Electronics established LGII(LG InfoComm U.S.A. Inc.) in San Diego.

At the time, Qualcomm Inc. held the source technology for CDMA, and many great telecommunications experts were located in San Diego. Furthermore, NextWave Wireless Inc., one of the promising cooperative investment potential companies, was also located in San Diego. San Diego was, therefore, an ideal location as it had many advantages in terms of business cooperation. Although it advanced entry into the US market, the startup of LGICUS(LG InfoComm U.S.A. Inc.) was not quite so smooth. While the US financial market was in turmoil, in 1996 LGICUS faced a lawsuit by its competitor during the process of acquiring a license from NextWave. To make matters worse, the situation deteriorated as Korea entered the IMF era in 1997. The handset plant hit a snag, and LGICUS had no choice but to re-examine the viability of production in the US; it finally decided to build the plant in Mexico. After many obstacles, in September 1999, LGICUS was re-launched as a handset sales subsidiary after it decided to focus on the handset business targeting the US. The systems and research data were transferred to the head office and the corporation was restructured as a pure CDMA handset sales corporation. After the restructuring, LGICUS



Sweeping over the North American Mobile Phone Market

After securing the No. 1 position in the North American CDMA market, LG Electronics is also leading the North American 3G handset market, selling over 2 million units.

became the sales channel in charge of CDMA terminal sales. After the initial turmoil, LGICUS has begun to grow since 1998 taking advantage of the imbalanced state of the US market. During this time, the CDMA market in the US was suffering supply shortage due to the rapid growth of market demand. In particular, since Sony quit the CDMA business, the next runner, LG Electronics, seized the golden opportunity.

LGICUS sought design differentiation by releasing the flip-type LGC-330W instead of less-competitive 300W bar-type. It also expanded its business opportunity as far as possible through a differentiated customer-selection approach. It sought economy of scale and increased production by focusing principally on its core product, the LGC-330W. It achieved great success by establishing a strategy of building a local infrastructure through local-oriented marketing. The LGC-330W set a sales record of over 1 million units for the first time in the history of handset export. Also, the CDMA market share, which was only about 3% in 1998, increased to 12% in 1999. However, the market competitiveness began to fall after 2000. LGICUS fought hard to overcome the difficult times with extensive market analysis and localized marketing. After taking into account its customers' dissatisfaction and preferences, LGICUS introduced new products that customers want and consistently

raised their customers' satisfaction through customer-oriented marketing: for example, the 'same day service' system.

In 2001, whilst it was hiring talented local people, and LGICUS began to reorganize its group culture on the basis of the core values 'Challenges, Innovation, and Partnership', LGICUS also sought changes in local business processes and developed local marketing intelligence. It pressed forward with localizing all areas of the business: logistics, IT, A/R, C/S, HR, group culture, etc. The move restructured the internal sales team, mainly made up of local people, and split the team into a Verizon team and a Sprint team, so it was better able to manage the two major clients. The effort paid off in 2001 as LGICUS became the top corporation in the US CDMA market.

Since 2001, LGICUS has continued to conquer the market by taking charge of new products and technologies based on its 'first-to-market' motto and building business infrastructure and local system competency. As a result, LGICUS attained the no. 1 spot in the North American CDMA market by achieving 27% of the market share.

Its successful voyage continued as it strengthened its business power by raising local R&D and production planning capabilities and building a complete local business infrastructure through acquiring high-class logistics and C/S capability. The next goal of LGICUS was capturing the no. 1 spot in the US mobile terminal market. In May 2005, LG Electronics released the 'Edge Phone' which utilized the next generation GSM-type, EDGE(enhanced data rates for GSM evolution) technology from Cingular Wireless Inc., the largest telecommunications corporation in North America. As the size of the EDGE phone market grew to 45 billion units in 2005, the EDGE market, along with the WCDMA market, has become the next generation market which will replace the existing GPRS market.

From 2003 to 2005, LG Electronics attained the no. 1 spot in the US CDMA mobile phone market for 3 years in a row. In the fourth quarter of 2004, it captured the no. 1 spot in the WCDMA market, and in the first quarter of 2005, it achieved the no. 2 spot for CDMA and GSM combined in the entire North American mobile phone market. In 2005, LG Electronics won first place for mobile phone customer satisfaction in the US mobile phone evaluation report.

In 2007, LG Electronics continued to lead the market while setting a record of over 2 million units in sales in the North American 3G mobile phone market. The cumulative sales volume of the 3 models of 3G

phones, including the LG-CU500 and LG-CU400, which were supplied to the North American mobile phone market through AT&T Wireless, surpassed 2 million units. In the asynchronous 3G mobile phone market in North America, LG Electronics was the first company to record a sales volume of over 2 million units. This was only one year and one month after AT&T began to provide the 3G service and released the first product, LG-CU320, in March 2006. According to the market research agency, Gartner, in 2006, LG Electronics seized the no. 1 spot and a 63% share in the North American 3G mobile phone market with the success of the LG-CU500. The first HSDPA phone in the US, the LG-CU500 set a record in the 3G market as the single most sold model, since it sold over 120 billion units in the US. On top of the LG-CU500 success, LG Electronics is leading the 3G market in the US by building up its 3G lineup with the LG-CU400, a WCDMA phone that supports the world's first PTT(Push-to-Talk) function.

DOMINATING THE NORTH AMERICAN HOME APPLIANCE MARKET

In May 2007, LG Electronics was selected as the top brand in the '2007 Bravo Award' held by Best Buy, the largest home appliance distributor in the US, in which Best Buy awarded the best brand for each product line. This proved that LG Electronics is the world's top home appliance manufacturer in terms of its competitiveness, partnership with distributors, and product differentiation. In particular, the TROMM Washing Machine, which was supplied to Best Buy for the first time in North America, gained a 45% market share in the premium grade drum washing machine market. The TROMM Washing Machine was supplied to the 'big 3' distributors in North America, Home Depot in 2005 and Sears in April 2007. LG Electronics is supplying white goods to Sears, the US's largest white goods distributor, as the OEM, and the volume is about 40%. The quality of the products was well recognized as Eddie Lampert, the CEO of Sears, claimed that 'LG Electronics is the company that enlightens the industry'.

The sales of LG's home appliances are continually rising in the US where two of the world's top home appliance manufacturers, Whirlpool and GE, are located. The TROMM Washing Machine, especially, is constantly no. 1 in the market share as it knocked the spots off Whirlpool in Home Depot and Best Buy. This was achieved by taking more than half of the market share in the top-end product market with



LG Electronics in the Top 3 Distributors' List in North America

LG Electronics is now supplying its products to the top 3 US distributors: Best Buy since 2003, Home Depot since 2005, Sears since 2007.

its allergy care and steam cleaning system.

In 2007, LG Electronics initially began to introduce the latest products to the US, such as luxury audio systems, digital TVs, and mobile devices. A luxury home theater, which was jointly developed with Mark Levinson, LG's next generation mobile TV technology, and a new digital TV, were first released in Las Vegas at CES 2008, the world's largest consumer electronics show. As LG Electronics introduced its unique products at

CES 2008, it announced that it was to take the leap to become a global top 3 flat TV supplier.

The two global target models of 2008 were the red color applied LCD TV and the front glass filter applied Plasma TV. The LCD TV LG60 series, which was awarded the CES 2008 Innovation Award, has a red frame rather than the previously black frame to give it a unique look, and the depth has been greatly reduced to 45 mm. LG Electronics came up with an attractive and smart TV by adding new functions with 'intelligent fashion icons'. With the high expectations of the flat TV market, LG Electronics had already achieved no. 1 in the North American market share in relation to drum washing machines and 3-door premium refrigerator in 2007. Mobile phones, air-conditioners, and Plasma TVs are also fighting over the top spot in North America.

The key to LG's home appliance success in the US market is the 'reverse concept'. The best examples are the black pearl refrigerator and washing machine which were released and gained popularity in 2004. LG Electronics broke the norm of white home appliances. The colorful home appliances have become the image of LG Electronics in North America.

NORTH AMERICA'S MARKETING DREAM TEAM

For LG Electronics to gain recognition from people as the premium brand in America in such a short period of time, it required plenty of hard work. LG Electronics established a plan to start brand marketing, and formed a dream team, the 'North America Brand Joint Committee', which consists of a group of experts. Like most good dream teams, those who were specialized in each field and who knew a lot about the local situation began to suggest great marketing strategies. First they replaced the previous advertisement board installed in New York's Times Square with the new LED advertisement board. Not only does it allow New Yorkers to transfer their messages of love from their mobile phones to the display board in real time but it also broadcasts major sports games live. The LG display board has become one of the main attractions in New York. LG Electronics also sponsored New York Fashion Week. The fact that LG Electronics sponsored this event proves that the premium image of LG products was not only recognized by the US market but also by the European market, which is the home of fashion. It is also carrying out cultural marketing activities, such as

sponsoring the 2004 Sundance Film Festival, which is well matched with LG's premium image.

After entering into a major sponsorship agreement with the US Action Sports Committee, which grants LG Electronics the right to hold the LG Action Sports Championships in countries across the world, LG Electronics won the hearts and minds of the people in its bid to become part of the society as it carried out a social contribution program in conjunction with the 2006 LG Action Sports Championships for children suffering from incurable diseases. The program was carried out in collaboration with the Make-A-Wish Foundation, the world's largest social welfare institution. It is also making contributions to the promotion of athletes and to the development of action sports as it has been sponsoring the LG Pro Tour Team involving renowned professional athletes from around the world. Furthermore, it is sponsoring the LG Skins Game and the Anaheim Mighty Ducks, which is one of North America's professional hockey teams.

The marketing strategy which incorporated a host of sporting and cultural events paid off from the start. The level of LG's brand reputation started to soar in terms of the luxury product line, such as digital TV. According to one research agency, LG Electronics is being recognized as a 'trendy, stylish and reliable' brand in the US. This increased brand reputation soon led to sales. LG air-conditioners and micro wave ovens are currently no. 1 in the US market with a 30% market share.

Such results can be seen in Best Buy, the largest home electronics distributor in US. The LG logo, which is visible on refrigerators and washing machines, can be seen in the front area of the stores before the US major brands, such as Whirlpool and GE. With this impetus, LG laid the foundation to lead the market in all areas of home appliances when in January 2005 it entered into an agreement with Home Depot, the world's largest housing product distributor.

LG Electronics did not stop there. In January 2007, LG Electronics began its specialization and reorganization of the local marketing system in order to develop a series of no. 1 products in North America. As the North American market became more important, LG Electronics began to focus more on an exclusive marketing strategy for North America. An example of this is the release of new products first in North America. Initially, LG Electronics restructured the local management team and increased their authority in order to come up with a more specialized



LG, the Face of the Future

A family at Times Square, an iconic cultural landmark of New York. The smile on their faces looks just like 'LG, the Face of the Future'.

They just purchased LG products.

North American marketing strategy. Subsequently, it established a corporate marketing team under the North American headquarters, made up of marketing specialists.

From 2008, LG Electronics decided that the Business Unit team, which is the specialized marketing team that LG planned to establish in each major region across the world, should not be located in North America. Since North America is the world's largest market, LG thought it was necessary to provide full support from the main headquarters rather than support from the business unit that performs region-specific product marketing.



EUROPE



THE ESTABLISHMENT OF THE GERMANY PLANT

GoldStar established its European production subsidiary, GSE(GoldStar Europe GmbH), on June 11, 1986. On November 25, 1987, the local production plant was completed, paving the way to the company's full market penetration of the European market.

PROGRESSING TO THE EUROPEAN MARKET

LG Electronics(formerly GoldStar) began to enter the European market in 1964. The first product exported to Europe was the transistor radio. After establishing a separate department for the European region, LG Electronics exported transistor radios to a number of European countries, such as Greece and Austria. In August 1969, it exported two types of models to Germany(formerly West Germany). LG Electronics began to build up its sales network in Europe by establishing a branch in Hamburg, West Germany, in 1974, and one in England in 1978. On November 26, 1980, as part of its progression into the European market, LG Electronics established its overseas subsidiary, GSE(GoldStar Electronics Europe GmbH), in Dusseldorf, West Germany.

In 1986, LG's advancement into the European market came to a head. It succeeded in acquiring its production base as it set up the production plant, GSDG(GoldStar Electronics Deutschland GmbH(now LGEDG)), in West Germany. In November 1988, LG Electronics began its microwave production after establishing its subsidiary, GSEUK(GoldStar Electronics United Kingdom Ltd.(now LGEUK)),



CHILDREN AT FULHAM FC STADIUM

Children at Fulham FC Stadium to watch a football game with their parents. The LG logo on children's uniforms is catching the eye.

in the UK. By building the overseas plants, GSDG and GSEUK, LG Electronics was finally able to expand its production base within the EC(now EU) region and to overcome the trade barriers. Progression to the Scandinavian market got under way as LG Electronics established a branch in Stockholm in 1987. It also expanded its sales bases by establishing branches in Paris, Milan, and Vienna.

As the 1990s' cold war era came to an end, LG Electronics actively began its European market expansion. The already stabilized GSDG strengthened its footing within the EC in terms of production size and content as it joined the Electronics Industry Association in Germany in 1990. Also, the performance of GSEUK, which had struggled at the beginning, started to pick up.

In January 1990, LG Electronics established GSIB(former production plant in Italy) after entering into a joint establishment agreement with IBERNA of Italy. In May 1992, it began producing refrigerators. It was a big deal for LG Electronics to have acquired another production base because at the time, the size of the EC market was increasing whilst export restrictions were being reinforced. Unfortunately, however, GSIB had to close down soon after.

In March 1991, LG Electronics established its overseas design



YOUNG SPIRITS AND ENTHUSIASM

The LG Action Sports event held by LG Electronics at Trocadero Square from where Eiffel Tower is seen gained tremendous popularity by youngsters of Paris.

research subsidiary, GSDT(GoldStar Design-Tech Ltd.), in Dublin, Ireland. GSDT was to operate as an outpost for region-specific product design development/globalization. LG Electronics continued to expand its sales network by establishing the sales subsidiary, GSFS(GoldStar Electronics France S.A.R.L.(now LGEFS)), in France in December 1990, and GSMK(GoldStar Electronics Magyar KFT.(now LGEMK)) in Hungary in 1992.

After the mid 1990s, while building its reputation as a major brand through extensive localization, it actively engaged in conquering the European market with a focus on high value-added products, such as monitors and semiconductors.

LG Electronics established LGEES(LG Electronics España, S.A.) in Spain in January 1996 and LGEIS(LG Electronics Italia S.P.A.) in Italy in May of the same year. LGEIS overcame the difficulties of being a late comer and soon established itself as the best brand in Italy. In the first year of its operation, it captured the no. 1 spot of the market share in both the monitor and CD-ROM sectors. Also, in the following year, it captured the no. 2 spot in the VCR market share in terms of volume. After constant growth, LGEES also captured the no. 1 spot in the Spanish market share in relation to the monitor, DVD, VCR, and air-



England's London Eye and the PRADA Phone by LG

Ever been on the London Eye? A massive tourist attraction at Thames between Westminster and Hungerford Bridge. A person is taking a photo with the PRADA phone by LG.

conditioner sectors.

In March 1999, LG Electronics advanced into Eastern Europe as it established its subsidiary, LGEMA (LG Electronics Mława Sp. Z o.o.), in Mława, Poland. In its attempt to realize the motto 'growing with the community', LGEMA, which had paved the way for a business consolidation as a TV supplier within the European market, started to operate a PDP module assembly plant set up near the second plant in July 2006. Since 2006, with the increased interest in digital TV after the World Cup, LGEMA was setting new records year-on-year, seizing the no. 1 spot in the Plasma TV market share in France, Italy, Germany, Poland, and Romania. LG Electronics was preparing to further expand its reputation as the top digital TV brand within the European market. Moreover, since there was a preference for high value-added products since more than 40% of the flat display products, such as the Plasma TV, were sold in Europe, LGEMA had no choice but to respond to the demand for digital TV. In 2007, LGEMA increased its production portion of high value-added digital TVs, such as PDP and LCD, up to 70%.

In 2007, LGEMA began its conquest of the European flat TV market with the operation of the LCD TV plant in Wrocław, Poland. LG

Electronics started its LCD TV production in September, 6 months earlier than originally planned because the European flat TV market was growing more rapidly than expected.

Taking into account the total flat TV production volume of 6 million units in 2007, which is the combined production volume of the Wrocław plant and Mława's first and second plants, production capability is expected to increase to 11 million units by 2010. Since the annual production volume of 11 million units is the largest in Europe, LGEMA will play a major role as the outpost for conquering the European flat TV market.

POLAND LCD CLUSTER

In April 2007, LG Electronics established LG's Poland Cluster. By promoting this area as the display product outpost, LG Electronics plans to dominate the European flat TV market where demand for LCD TV is expected to soar. LG's Poland LCD Cluster, near the city of Wrocław in the southern part of Poland, is 1,550,000 m² in size. This is the third largest LCD cluster after the Pajoo Cluster, which is 4,460,000 m² in size, and the China Nanjing Cluster, which is 2,050,000 m² in size. Since its investment agreement with the Polish Government in September 2005, LG Electronics has invested 400 million in LG's Poland LCD Cluster. It plans to invest an additional 400 million up to 2011. LG's Poland LCD Cluster is equipped with the LCD integrated production system with LG's LCD TV finished products, the LCD module assembly line of LG.Philips LCD (now LG Display), the polarizers of LG Chemical Ltd., and the inverter and power modules of LG Innotek Co. Ltd. and 3 other partners. LG's decision to establish an LCD Cluster in Wrocław was based on the fact that it is the ideal location for advancing into Eastern Europe due to its great transportation infrastructure.

BRAND MARKETING STRATEGY TARGETING EUROPE

The premium brand marketing which has continuously been employed in the European market is paying off in the UK. As well as the increased premium brand image through sports/cultural marketing, sales are also picking up.

At the end of 2005, LG made business ties with Harrods, the high-end luxury goods shopping mall in the UK, and opened a luxury product gallery in the mall. The LG i-Gallery exhibits high priced, high-tech

products, such as wall-mounted projectors and 71" Plasma TVs. It has become one of the major attractions with over 10,000 visitors a day. The fact that Mohamed Al-Fayed, the CEO of Harrods, had confidence in the LG Electronics product range has enabled LG Electronics to cultivate its premium marketing in Harrods.

One of London's famous attractions, Piccadilly. The centre of the metropolitan London, where cultural edifices and shopping districts congregate. It was in this Piccadilly Circus that LG Electronics' giant LED screen stood, in January 2007. Pedestrians who walk through the Piccadilly area can watch movie clips about LG Electronics' main products on the display board and can also get information about promotional events for newly released products and sponsored events. In the mean time, LG Electronics was also involved with the Premier League, the most popular sports league in the UK. LG Electronics has signed a 3-year official sponsor agreement, starting from 2007, with Fulham FC of the UK Premier League. LG Electronics is also sponsoring Korean players who are playing in the UK Premier League, such as Sul Ki Hyun of Fulham FC, Lee Young Pyo of Tottenham, and Park Ji Sung of Manchester United, in variety of ways: providing LG home electronics products, etc. Until 2006, Park Ji Sung was a model in the LG Time Machine TV commercial. The marketing effect is expected to increase as Sul Ki Hyun who used to play for Reading FC is now with Fulham FC.

As a result of LG's marketing effort, LG Electronics was selected as the 'Super Brand' by the UK Brand Selection Committee in March 2007. Only 85 brands are selected among thousands of brands from around the world to be a 'Super Brand' by evaluating the quality of product, service, credibility and uniqueness of the brand. .

Owing to the pronounced endeavors, LG Electronics' unaided brand awareness recorded 4.4% in 2004, 14.1% in 2005 and 21.2% in 2006, scoring the highest growth rate in Europe. In 2007, the rate rose up to 27.4%. As brand awareness is increasing, sales are also increasing. Just as the sales volume of premium products, such as mobile phones, flat TVs, and drum washing machines, has increased more than 30% each year, the sales volume of LGEUK in 2007 surpassed \$1 billion.

This achievement was a result of the premium brand image strategy and the best example of this was the 'Chocolate Phone'. The addition of a new functional design touch pad to the typical mobile phone design



'WASH BAR', A COMBINATION OF A LAUNDERETTE AND A BAR

The 'LG Wash Bar' opened in Paris where people can wash their clothes for free if they have a drink. It is also equipped with LG Plasma TVs and PCs that the customers can use just like at their home.

coupled with the increased awareness of the new LG GSM mobile phone both contributed to this success. The Chocolate Phone has yet to lose its popularity since sales in some countries are still at a high level. The 'Shine Phone' and the 'PRADA Phone by LG', which were released after the Chocolate Phone, also greatly raised the LG brand with their attractive and luxurious designs. Now, customers are waiting for the next LG phones. Most of all, LG's sense of duty to succeed in the European market where Nokia has dominated for years still continues and this brings a lot of hope and confidence to all of LG's businesses.

EUROPEAN GSM MOBILE PHONE R&D CENTER FULLY OPERATIONAL

With the foundation of world-class CDMA technology, LG Electronics began its R&D for the GSM mobile phone field. In March 2005, LG Electronics began operating its European mobile phone R&D center in Paris, France. The European R&D center consists of 200 local R&D experts and has branch offices in the UK(London), Germany(Dusseldorf), and Italy(Rome).

By increasing the functioning of the R&D center, LG Electronics has brought together demands from major European companies, such as Vodafone, Hutchison, T-mobile, and Orange, and is actively engaged



LG i Gallery at the Harrods

There is a luxurious pavilion called 'LG i Gallery' at the Harrods, the famous high-end luxury department store of London. It displays state-of-the-art products including wall-mounted projectors, LCD TVs, and Plasma TVs, and is visited by over 10,000 visitors a day.

in developing the next generation of mobile phones, ranging from third generation to fourth generation. In particular, LG Electronics took effective action in response to the second generation and next generation international telecommunication standards, such as the European Telecommunications Standards Institute, and 3GPP(Third Generation Partnership). In the meantime, it engaged in occupying the European WCDMA and GSM markets by localizing major core capabilities, such as product planning, R&D, technical support, and marketing. LG is also strengthening its mobile phone design development through the London Design Center, which moved from Italy to the UK in 2008. The London Design Center, which is composed of top class designers, is developing designs for high-tech mobile phones that suit local trends, such as the European style 3G phones.

In the meantime, LGEFS(LG Electronics France S.A.R.L.) deployed unique marketing techniques by opening the 'LG Washbar' in Paris, France. The term 'Washbar' refers to a unique space which combines the washing area and the bar. The goal of this unique strategy was aimed at young people in their 20's and 30's, the next major consumers in 10 years, selling them the idea that LG Electronics



LG TV Reborn as a Masterpiece

LG Electronics opened a digital gallery at Ritz in Paris, a world's top hotel, for the first time as an electronics company to display its products among other world's best brands.

washing machines not only offer fantastic washing capability but also offer a variety of high-tech experiences.

LGEFS raised its brand awareness in France not only through the unique marketing of the Washbar but also through sponsoring the Olymique Lyonnais professional soccer team in the 2005 Olympics. LGEFS also sponsored the racing cars that participated in the Andros Trophy, the popular car racing tournament in France. The goal was to publicize the LG brand to the crowd by linking the dynamic and powerful image of the car racing tournament with the LG brand image. At the start of its market entry, LGEFS's main marketing strategy was differentiation, i.e. offering unique products that are different to those of other companies. Now, the strategy has slightly changed: seeking product differentiation whilst maintaining LG's status as a premium brand. Good examples of this are the Washbar and the sports marketing.

NEW BUSINESS GROWING IN EUROPE

The flat display market in Europe was the market that LG had to secure. The size of the European LCD TV market was 27 million units in 2007. This is the world's largest market with 37% of the total global market size of 72 million units. At present, the LG flat TV is at

the stage where it could soon become a premium product, and its popularity is rapidly increasing.

Its growth in the European flat TV market is backed up by the production plant in Poland. The LG Poland LCD Cluster, which was established in April 2007, is acting as an outpost to conquer the European flat TV market. It plans to supply up to 10 million units to the major European markets by 2010. This would be a huge step up from the present production volume of 2.4 million units.

LG's flat TV holds a dominant position in the market with its large size TVs and the DVR(Digital Video Recorder) TV which is showcasing LG's unique image. With major European countries' shifting TV broadcasting from analogue to a digital-based network by 2010, LG Electronics plans to lead the market by releasing the digital receiver equipped TVs ahead of any other manufacturers.

Moreover, the European headquarters plans to dominate the widescreen monitor market by reorganizing its monitor sector with more focus on profitability. The fact that small sized TVs are still popular in the European market has given the market expansion of LG Electronics a boost since LG monitors are used as secondary TVs. Although mobile phones and flat TVs are the main products that LG Electronics focuses on in the European market, a lot of effort is also being made in new business sectors.

In particular, LG is focusing on the expansion of the commercial air-conditioner market with products such as the 'CAC' and the 'Multi V'. LG Electronics displayed a total of 40 air-conditioning models at 'Climatización', the largest international air-conditioning, heating, ventilation, and refrigeration exhibition, held in early March 2007, in Madrid, Spain. These include the Multi V which offers simultaneous heating and cooling, and the Artcool Gallery, the world's slimmest and super light air-conditioners with an elegant and artistic design. LG Electronics has displayed its capabilities in meeting the high demand for products in the European market, and in the management of heating, ventilation, and air-conditioning units. These products have attracted a lot of attention as what were once ordinary household objects have taken on an artistic form.

LGEFS is planning to increase its CAC business portion by up to 80% of the entire air-conditioning sector, and LGEES is also expanding the CAC business with its Multi V supply. In Germany, LG Electronics

is going after the advanced technology distribution channels with products such as the 'Super Multi'.

The reason for the greatly improved business performance of the European headquarters is that LG's premium brand strategy was successful in the major mobile phone and flat TV markets. Members from each subsidiary in Europe made outstanding efforts to contribute to this success. It would have not been possible without their ability to acquire distribution channels and their people skills.

LG Electronics is paying particular attention to the European headquarters since it is giving a great deal of authority to the local people, providing a number of training opportunities, and expanding the communication culture. In return, LG members are becoming more responsible and the result is showing in the field. The members are giving their all to strengthen LG's strategies and marketing. Their expectation for the future is increasing because they have confidence in the notion that 'it is worth trying'.



CHINA

LG ELECTRONICS TAKES ROOT IN CHINA

In 1990s, China was a mega-market that changed the direction of world industries. Already in 1980s, LGE recognized the vast potential that China possessed as an emerging market. Before and after the 1990s, China went through rapid reforms and opened doors to the world, and

LGE set about approaching the Chinese market.

Chosen as LGE's first foreign production site and second domestic market, China was an important business region for the company's future. Moving into China, however, was never easy. World-leading electronics brands that previously branched out as well as 200 local brands that occupied China's domestic market while the door was closed were already competing against one another for market leadership. In response to this, LGE planned a strategy for market entrance by thorough market research and preparation. It was a strategy of 'selection and concentration.'

LGE's effort to create market space in China took shape when it established LGEHK, a Hong Kong branch, in 1988. Having understood the local situation through business operations, it initiated a task to establish the first local production company in China. After the agreement of a joint enterprise with China's Chang-ling Water Supplies(Chang-ling, Ltd.) in 1991, LGE established GSCN(currently, LGEQH) the next year, a joint production enterprise for industrial pumps.

As the first step of the Chinese market approach, LGE strategically selected the South, the Middle and the North regions along the Chinese coast, furthering the joint enterprise operation with Chinese corporations. It was a plan to secure the business foundation earlier by combining the merits of a Chinese company as a local presence and LGE's technology and capital. First, LGE established LGEHZ in Huizhou in October 1993, the first official production company in China. In 1994, it made a joint investment of \$0.2 billion, the biggest record as a Korean home appliance company, setting about building local production companies extensively. Two of those were LPDSG in Changsha that annually produced a million units of color Cathode ray tubes, and LGESY in Xianyang that produced TVs. This completed the large-scale setup of the Chinese business foundation, allowing an opportunity to get into the Chinese market. LGE selected monitors,



SIDE-BY-SIDE AT CHANG'AN AVENUE IN BEIJING

An advertising sign of LG Side-by-Side refrigerator at a bus stop on Chang'an Avenue. LG Electronics built 'LG Beijing Tower' at Chang'an Avenue to use it as its 'headquarters' of operations in China.

electron tubes, microwave ovens and air-conditioners to promote as four key products and extended its domain into TVs, VCRs and refrigerators. It established two production sites in Changsha and Tianjin, and built an extensive production base through verticalization and composition of related products.

The increase of the production companies started from LGESH in Shanghai in 1995. LGE's penetration into the Chinese market accelerated with the successive establishment of LPDBJ in Beijing and LGETA around the same time. Up to 1997, it continued to build local autonomous production systems with LGETR in Taizhu, LGEPN in Nanjing for refrigerators, LGEQH in Qinhuangdao, and LGEND in Nanjing for monitors.

Particularly, the year 1995 served as a milestone of LGE's business operations in China. In that year, LGE's China Holding Company(LGECH), the 'command center' of its China business was established. Created with \$30 million capital investment by LGE, LGECH was the first holding company that was established by a Korean company. Its purpose was to participate in shareholding of the local companies and conduct bulk sales activities of manufactured goods. In addition, it would supervise the entire business process



LAUNCH OF THE SHINE PHONE IN CHINA

LG Electronics launched the 'Shine' phone(model number in China: LG-KG70) in April of 2007. The two stars of the Korean Wave, Kim Tae-Hee and Hyun Bin, starred in LG advertisements in China.

from product R&D, manufacturing, sales, customer service to HR development. Since its foundation, LGECH concentrated on making the mega-market of China the second domestic market while centrally managing the business.

Meanwhile, in 1999, LGE drew up a plan to enter into the Information industry, one of the major growth areas, based on its achievement in the home appliances market in China. Promoting the local production of LCDs, CD-RW and MP3 players was part of the plan, too. These efforts of business diversification came from the strategy to set up major production sites in China for the key future industries, expand the volume of production and the scope of business, and establish the local autonomous business structure. Building LGTOPS in Guangzhou in March 1999, LGECH got into new strategic fields of business, and accelerated the construction of global production sites.

In 2000s, the Chinese market of home appliances went through a rapid change. With price competition occurring frequently, there was an unprecedented brand war going on in the world's mega-market of home appliances. In this rough market situation, LGE succeeded in achieving its goal through steady globalization of production sites and localized marketing. A successful penetration into the IT market



SOWING SEEDS OF HOPE IN CHINA

LG's School of Hope' program supports backward elementary schools in remote areas of China. LG Electronics was awarded 'Guangming Public Good Award' by Guangming Daily for the program.

helped diversify manufactured goods, and every local company produced promising performance results. LGE's brand power in China also improved significantly.

Particularly, with China's entrance into WTO in 2001, the pace of development in the market and industry became rapid. Responding actively, LGE made a strong beginning in the second phase of China business. First, to accelerate the development of digital business operations, it launched LCDs, laptops, etc, in right time on the Chinese electronic appliances market based on its decades' worth of technology and marketing strategy. Second, it enhanced the cooperation between the existing business model and e-commerce, continuing with the both formats complementarily and strengthening the profit structure. Third, it maximized business competence in the entire fields. Fourth, it solidified its localization strategy. This was in line with the HR localization and aimed at improving the level of R&D independence within China.

Particularly, LGE added a number of milestones to strengthen the Digital LG foundation. It set up IT infrastructure, a key element of advanced management, in every company established in China and reinforced its competence, and it opened an online shopping mall to

get closer to the Chinese consumers. In addition, it established LGEYT in Langchao in 2001 for production of CDMA handsets and LGEQD in Qingdao in 2003 for production of GSM handsets, strengthening its presence in China's fast-growing MobilComm market. In December 2002, LGE built the China R&D Center in Beijing, enhancing its competitiveness as a global company.

Established in Beijing's central business district in October 2005, the LG Beijing Tower is serving as a prop for paving the future of its China business as a top global company.

LG ELECTRONICS SHINES AS GLOBAL COMPANY IN CHINA

In 1995, LGE decided to put in its entire competence to penetrate the Chinese market, building LGE China Holding Company(LGECH) in Beijing, the capital of China. It was the first holding company by a Korean corporation and a strategic move to make China the second domestic market after Korea. The business scope of LGECH was to manage LGE's entire business organizations in China. LGECH participated in the entire business process from shareholding & management, R&D and sales to Customer Service of ten LGE production companies that were in operation or construction in China at the time. It supervised sales and management by maximizing the merits of a holding company as well as employing uniform marketing strategies for LGE goods produced in China. In December 2002, LGE built the China R&D Center in Beijing, setting up an entire process from production and sales to R&D to be completed in China. This thorough 'localization' strategy was an attempt to distinguish itself from other foreign companies. In March 2005, LGE was chosen as one of the '10 Powerful Brands' in 2004. It was a result of LGECH's thorough localization effort. LGECH made a significant contribution to becoming the top brand in China within a short period and further reinforced its localization efforts.

Currently, LGE has 13 production plants, 1 R&D center and 5 branches as well as the country-wide network of home appliances distributor and mobile phones distributors. LGECH is ceaselessly growing as the top brand in China based on its autonomous system of local business operations.

LGE is enhancing its competitiveness of digital display business centering around LG Electronics Shenyang Inc.(LGESY), LG Tontru

Color Display System Co., Ltd.(LGEND) and LGE Nanjing Plasma Co., Ltd.(LGENP). Established as a TV production company in December 1994, LGESY set up five production lines of Color TVs, PDP TVs and MDF/LCD TVs, emerging as the key site of TV production in China. Established in 1997, LGEND set up a high-tech automatic production line and started its production in August 1998, growing to the top maker in China's monitor market. Afterwards, LGEND became the mainstay of LGE's global monitor business along with local companies in Gumi, Indonesia, Brazil and Britain. Established in March 2003, LGENP is a production company of PDP modules and NDP products to enhance its Plasma Display Panel(PDP) business in the China market. Playing the central role in the PDP mega-market of China, LGENP is serving as the strong foundation on which to build LGE's future toward the top spot in PDP modules.

In addition, there are other key local companies that are leading its digital media business, such as LG Electronics Huizhou Ltd.(LGEHZ) producing multifunction devices of CD-ROM, CD-RW, DVD-R and DVD, Shanghai LG Electronics Co., Ltd.(LGESH) operating thorough HR training and innovation activities as the hub of LGE's global DVD business, LGE Kunshan Computer Co., Ltd.(LGEKS) for locally producing laptops and LGE Hangzhou Nature Recording Media Co., Ltd.(LGEHN) producing Blu-ray Discs, the next generation optical storage. Furthermore, there are LG Electronics Tianjin Appliances Co., Ltd.(LGETA) driving the home appliance business, LGE Taizhou Refrigeration Co., Ltd.(LGETR) and Nanjing LG-Panda Appliances Co., Ltd.(LGEPN) producing air-conditioners, vacuum cleaners, microwave ovens, drum washers, etc.

Langchao LG Digital Mobile Communication Co., Ltd.(LGEYT) is a production company for CDMA handsets in line with LGE's plan to enter into China's communications equipment market. LGEYT strengthened its presence in the China market by steadily increasing the production capacity and volume. Particularly in 2003, it launched a premium 8280 product, occupying the dominant position in China's mobile phone market. Established in March 2003, Qingdao LG Digital Communication Co., Ltd.(LGEQD) is LGE's first production site for GSM handsets with a goal of extending the scope of its Digital business. Currently, LGEQD is planning to build a new plant in response to increased sales in China's fast-growing domestic market.



CHINA FLUTTERING WITH NEW HOPES

LG sign at the center of Wangfujing. This famous shopping street in Beijing is frequently used as a spot for rendezvous both for Chinese people and tourists.

FOUR STRATEGIES OF LOCALIZATION SUCCESS

Right after the treaty of amity between Korea and China, LGE got a footing on Chinese soil in 1993, establishing joint enterprises with the local companies, actively supporting organization of trade unions to conform to China's socio-economic environment, and growing to be a global company along with the local society.

China's home appliance market is a rough playing field where global top corporations and local companies are having a cutthroat competition. Color TVs(56 vendors), DVDs(104 vendors), refrigerators(52 vendors) and washing machines(50 vendors) are key items of home appliances in China that no competitor will ever give up.

With the four 'localization' strategies of production, marketing, HR and R&D, LGE maximized management performance by making the best use of the local management resources, and extended its business scope incrementally by strategically investing in IT & Information Communications terminals and later technologically advanced products.

It promoted the local companies as production sites of a global level and productivity by the 'selection and concentration' strategy and steady investments in terms of production, gained the competitive



SWEEPING OVER THE CHINESE CDMA MARKET

In 2003, LG Electronics launched the premium '8280' handset, which occupied a dominant position in China's mobile phone market.

advantage among the global and local companies, and acquired a complete know-how and cost competitiveness that could secure 95% local outsourcing of its component parts by increased investments in key components. Above all, LGE set up a system of entire production within China from key components and high-tech digital home appliances to mobile terminals.

In terms of marketing, it conducted active sales and differentiated marketing with pre-marketing and test marketing before the establishment of local production companies, and in 1998, it made '5 Strategic Plans for Marketing Initiative' for the purpose of successful marketing. Particularly, it organized a TF team made up of 20 marketing experts of Han ancestry, which was dedicated to targeting high-income households and professional workers to enhance local marketing fit for the Chinese culture. In August 2001, it organized a premium special sales team to sell high-priced goods produced in China, and actively developed business connections in airports, hotels, government agencies and construction companies rather than direct marketing for consumers. The premium special sales team has been producing a number of sales performance such as 200 PDP units to the Shenzhen Airport and 300 PDP units & 1000 LCD units to the

Nanjing Subway.

In terms of R&D, LGE opened a research lab for each local company since the start of the China business and operated research labs for each production company and a design lab, including Tianjin Research Lab for home appliance technology and Yantai Research Lab for CDMA handsets, Chinese user environments and value-added services. Particularly, the China R&D Center opened in December 2002 is maximizing the synergy effect by an organic combination with the existing research labs, and focusing on developing the next-generation Chinese-oriented digital appliances.

In terms of HR, it planned to utilize China's superior work force for management resources, and in 1996 when LGE's China business was early in development, it opened the Learning Center China for the local HR growth. In October 2006, it opened a business school in Beijing and Nanjing, accelerating the growth of HR with global competence. LGE established partnerships with prestigious universities of China, such as Tsinghua University and Peking University for annual scholarship awards to secure and localize competitive human resources.

In addition, LGE has a long-term goal of becoming a localized company through integration, not exclusion. When the fear of Severe Acute Respiratory Syndrome(SARS) was prevalent in 2003, LGE conducted 'I Love China' campaigns to fight SARS, and in 2004, it held 'I Love China' festivals, touring small- and medium-sized cities that had less opportunities for culture experiences than big cities. Moreover, it established LG Hope elementary schools in Xianyang, Nanjing and Tianjin, providing educational equipments including projection TVs and PCs, and particularly in Nanjing, it opened health clinics along with sponsorships for underprivileged children, providing free health services to needy infant patients with congenital cleft lips. LGE is continuing with these kinds of social contributions to win over the hearts of the Chinese people and become a corporate citizen of China. As a result, in October 2007, LGE was awarded 'Guangming Public Good Award' by Guangming Daily, one of the three newspapers run by the Chinese political party. The Guangming Public Good Award is awarded based on the comprehensive evaluation by Guangming Daily of foreign companies' public business, and seen as the most prestigious award in this field in China.

ACTION STRATEGIES FOR CHINA'S CHANGING MARKET

Currently, the local companies in China are rapidly extending their force based on cost competitiveness from low-end to premium markets. Particularly, the local companies' strategy to become global is drawing the world's attention. In 2004, China's Lenovo acquired IBM's PC unit of business and Haier, the largest home appliance company in China that produces 15,100 kinds of goods from 96 items through continuous M&A, is steadily playing its globalization strategy. Noteworthy is the enormous support of the local companies by the Chinese government. For example, the government is asking joint enterprises with foreign countries to use the Chinese brands, and the distributors are taking part in reviving the Chinese corporations by distributing products from the local companies, putting obstacles in the China market. The more fundamental reason to keep watch for the China market is because China is getting out of production-oriented investments and into active investments for technological independence.

Particularly in the electronics industry, Haier is formidably reinforcing its strength in technological development as well as in occupancy of the world standards. China has already secured two of International Standard Technology and is now attracting foreign companies after the home network technology developed with the Chinese companies was selected as the national standard. The reason behind BOE's acquisition of Hynix's LCD unit was based on a strategy to compensate for the lagged development of technology.

Hu Jintao, the Paramount Leader of PRC declared in the 2007 National Conference on Science and Technology, which was held in the Great People's Hall that China would set up a system of technologically independent industry within 15 years after nurturing the nation's autonomous ability to create technology. China has concrete plans to increase the ratio of R&D investment to GDP from 1.3% to 2.5% and reduce technological dependency from 50% to 30% by 2020. The Chinese government has also set up a fund to support semi-conductor companies, given tax benefits to LCD panel suppliers, and selected to promote a number of companies that export cars with their own brands.

In this situation, LGE made efforts to secure profitability through enhanced business reforms up to 2007, and in 2008, it is trying to

enter into the top tier in DTV terminals by 2010 through promotion of success experience. With the three keywords of specialization, concentration and localization for business operations in China, LGE is actively differentiating business models, ultimately securing a 'Blue Ocean' management strategy in the China market.

Specialization will be achieved through setting up special organizations for each business unit, and concentration will be conducted in markets with a competitive advantage as well as key channels. In addition, it plans to nurture a global corporate culture, localize HR according to its milestones, conduct CAC, 3G, DMB and HomNet business, and develop new business opportunities with the headquarters in response to Digital Convergence. Furthermore, there are plans to create successful campaigns of differentiated product hits for the purpose of enhancing the brands, and increase unaided awareness to more than 50% by making good use of the 2008 Beijing Olympic Games and the 2010 Shanghai Expo.

China is so vast with much difference among multitudes of regions that it is difficult to define what China and the Chinese people are like. Fortunately, there is certainly a way for a company to succeed in this complicated market of China. That is differentiation. Differentiation, however, should be based on product competitiveness, and premised on and aimed at improving the brand image. When differentiation and the brand image are complemented, creating a virtuous cycle, LGE's China business will lead to a bigger success.



ASIA

KICKOFF TOWARDS ASIAN MARKET

In early 1960's, the attempt of LG Electronics for international market advancement started in Asia. In March 1962, the East Asia trade mission was dispatched for the first time. At that time, LG Electronics had a business talk with Bano of Hong Kong regarding radio exportation. Although it did not lead to an actual exportation, it was a meaningful move as it was LG's first attempt towards its international market advancement.

In 1963, LG Electronics began to export its transistor radios to Thailand. It was LG's first tangible achievement made in Asian market. In 1967, LG Electronics concluded an export agreement with the Vietnamese government involving 26,000 units of watt-hour meters. This was a start for LG Electronics to diversify its exporting products when the radio had been the only one. In April 2971, LG Electronics established the Tokyo office in Japan which was utilized as a bridgehead for acquiring international market information and supplying raw materials.

LG Electronics expanded its sales/purchasing bases in Asia region by establishing international branches: New Delhi in 1986, Jakarta and Bangkok in 1978, Manila in 1988, and Kuala Lumpur and Karachi in 1989. Also from the late 1980's, LG Electronics expanded its production base acquiring strategy to the Asia region. In September 8, 1988, LG Electronics established a joint production plant GSM(GoldStar Mitr Co., Ltd) with BMC, one of the leading corporations in Thailand.

As it continued to grow steadily since its start, GSM had become able to effectively occupy the ASEAN region where the economic cooperation was being actively carried out. In June of the same year, LG Electronics expanded its sales base by establishing its sales subsidiary GST(GoldStar Electronics Thailand Co., Ltd) in Thailand. In December 1988, LG Electronics continued to its pioneering by establishing GSCP(now LGEPH) jointly with Colins of the Automatic Center Group which is the largest distributor in Philippine. In 1989, LG Electronics visited Vietnam and sought its expansion. At that time, Korea and Vietnam had not established the diplomatic relationship.

In the meantime, LG Electronics established the international purchasing office(IPO) in Singapore in October, 1989 for the first time in the Korean industry history. LG Electronics was able to purchase parts from the Singapore manufactures at lower cost and supplied to the plants of USA, Europe, and Korea. At the same time, it began to make its entry to Japan which was the leading market in electronics industry. Following the



THE DREAMS AND HOPES OF INDIAN CHILDREN

LG Electronics has become a company that Indian children are looking up to. Through vigorous localization strategies, it successfully penetrated Asian markets including India where it became one of the top companies of the country.

establishment of a production plant GSJ(now LGEJP) in 1987, LG Electronics established and operated a sales network in July 1990, which interconnects every part of Japan.

As it entered 1990's, it started to focus on the quality issue in conjunction with the management innovation. The Thailand and Philippine plants which had already been operating began to improve and the sales were also picking up. The first achievement in 1990's was the production plant GSA(now LGEIN) of Indonesia. The GSA which was jointly established with the Astra International of Indonesia in November 1990 had established itself as an outpost of East Asia region for production of the color TV and refrigerator. In 1993, LG Electronics concluded an agreement regarding production of pumps and establishment of production plant LGEDI(P.T. LG Electronics Display Devices Indonesia) in Indonesia. In March 1994, LG Electronics made the Declaration of Intent for large-scale color TV production plant. In 1995, LGEDI was established in Indonesia. LGEDI built the biggest plant among the electronics business enterprises in Indonesia and continued to grow as it exported 90% of the production.

Meanwhile in January 1, 2006, LGEDI and LGEIN merged to form a united corporation, LGEIN, Indonesia's largest electronics corporation.

After mid 1990's, the demand for electronics products in Asia began to increase rapidly and in response, LG Electronics actively engaged in occupying

the market. In 1996, LGSi was established targeting the software industry in India and in 1997, LGEIL(LG Electronics India Pvt. Ltd.) was established and started the construction of the integrated home appliance production complex. The LGEIL had grown to the second largest electronics enterprise in India as it aggressively engaged in localization and passed \$100 million mark in cumulative sales in 4 years since the establishment.

After year 2000, products of LG Electronics started to thrive in each Asian country. In the Indian market which is the second largest market next to the China's, LG Electronics captured no.1 spot in market share in 2003 in various products such as TV, PDP, light storage unit, washing machine, and microwave. Also in the same year, LG Electronics captured no.1 spot in Thailand market share in TV, monitor, and washing machine. LG Electronics showed rapid growth in air-conditioner, TV, and telecommunication field also in Vietnam by actively carrying out region-specific marketing. Particularly, it captured no.1 spot in Vietnamese exchanger market surging past many world-class communication device manufacturers. In September 2003, the subsidiary in Vietnam, LGEMH(LG-MECA Electronics Halphong Inc.) was awarded with 'Enterprise Award' from the Vietnamese government for its exceptional contribution to the economy and society. In September 1, 2005, LGEMH was merged to LGEVN(LG Electronics Vietnam Co., Ltd.), the TV-Monitor production subsidiary, to form a united corporation.

LOCALIZATION STRATEGY IN INDIA

The still-valid driving force for growth in Indian market can be classified into 5 factors. The first factor is the aggressive localization. The administrative personnel were put into the field to work more closely with the general labors. The products were developed in a way to suit the Indian people's preference and taste. LG Electronics carried out its management operation that is adequate for the local environment while transferring authorities and responsibilities to the local workers. It also made contribution to the local society by establishing medical centers near Noida plant and Pune plant to build a friendly relationship with the local residents.

While advancing into the Indian market, LGEIL has shared problems that the Indian citizens face in their lives. Those efforts are part of the reasons for LGEIL to have become the trustworthy enterprise. As for the medical centers that LGEIL is operating, it is giving poor people an opportunity to have free access to the health care and the LGEIL's workers are actively participating in the blood donation. Moreover, its big contribution to the national economic

growth is raising LGEIL's reputation as the biggest home electronics exporter. Most of all, the fact that LG Electronics is being recognized as the corporation that Indian people would love to work for is taking a big part in raising the reputation of LG Electronics. The Indian market where the job turn over rate is serious, LG Electronics recently recorded the lowest turn over rate. According to the analysis, the investments LG made on the human resource and the social welfare are the major factors to make LG Electronics a company people would like to work for. Those efforts have become the driving force to capture every citizen's mind in India.

The second factor is the effective sports marketing. Utilizing the fact that cricket is the favorite sports of Indian, LG Electronics added built-in cricket game to TVs and also sponsored the Cricket Worldcup Championship. In 2007, LG electronics sponsored the Cricket Worldcup Championship which was held in 8 countries in the West Indies. LG Electronics received a lot of recognition from both host and the participating countries. In those countries, LGEIL have become the national enterprise along with cricket.

The third factor was the strategy of targeting high-income consumers. LG Electronics have carried out the high-price strategy targeting the top 5% high-income class. Those consumers had the purchasing powers and their purchase of LG products provoked the newly-became high-incomers to want to have the LG products. Although the premium grade products still take up only small part of the Indian market, LG Electronics is actively carrying out its high quality strategy in the advertisement as it sees the potential of the Indian market which is showing high growth rate. Moreover, LGEIL newly released the built-in home electronics business in 2008 and plans to expand its sales of wine cellars, vacuum cleaners, 22-inch LCD TV, and 32-inch PDP TV. Also, sales of mobile devices in India are expected to grow up to 300% in 2008.

The fourth factor is the web distribution & service strategy. LG Electronics have concentrated on its distribution and service sector as it has established 18 branches in the major cities in its early period and 1800 distribution webs and 85 service centers. While other foreign companies were less focusing on the warranty services, LG Electronics put more weight on the service as it used almost half of its workers as customer service representatives. Also, LG Electronics adopted the "house-wife salesperson" system for the first time and utilized many available female workers. LG's house-wife salesperson system was the industry's first attempted system in India and it did contribute to the sales expansion targeting the female consumers who are the main purchasing class of the home appliances. In the future,



SERVICE STAFF AT EVERY CORNER OF INDIA

Maximizing the quality of customer services: with its elaborate service network across India, LG Electronics is conducting a campaign to repair a handset in less than an hour.

LG Electronics decided to further divide its business system for improve the region-specific marketing. LG Electronics plans to divide the team which presently is in charge of the southern part of India into two teams and have one of them to take charge of the Tamil region and another one to take charge of the Karnataka region. Also, it plans to have one new integrated team for the northern part of India.

Lastly, the fifth factor is the maximization of employee motivation through introducing a solid incentive system. LG Electronics is seeking variety of incentives to endow employees with responsibility. For instance, LG Electronics is offering employees different incentives ranging from 0% to 1700% based on their performance.

LGEIL(LG ELECTRONICS INDIA PVT. LTD.)

LG Electronics made a big advancement to the Indian market which is emerging as the second best growth market next to the Chinese by establishing LGEIL in New Delhi in January 1997. At that time, as the potential of the Indian market had been foreseen, the competition in Indian market was fierce as many major international enterprises had entered the market. In such environment, LG Electronics not only survived but also showed a tremendous growth and began to lead the digital home electronics market



LOCAL EMPLOYEES SHARING THE DREAMS WITH LG ELECTRONICS

LG Electronics' localization efforts have been the major force behind its successful establishment as the most trustworthy company in the vast land of India. It is now the country's biggest exporter of home appliances, contributing to raise India's standing in the world economy.

in India. Despite the extremely hot weather and many other unfavorable environmental factors, LGEIL put all its effort to establish its branches in every part of India. Also, as part of its localization strategies, it hired local people for all positions in the hard-established branches. The main factors for LGEIL to occupy the Indian market in short period of time include development of unique products that suit local people's taste, establishment of distribution base centering on large-scale home electronics stores, better service system than that of the competitors, and consistent and powerful advertisement and promotion strategies. The great localization effort of LGEIL made it possible to achieve the lowest absence and retirement rate among the enterprises in India and was selected as the best internet and the best multinational enterprise from various media.

At present, it is on no.1 spot in market share in TV, air-conditioner, light storage unit, washing machine, refrigerator, microwave, WLL terminal, WLL system. Particularly, the air-conditioners and the cookware occupy more than 30% of the market share which is far more than that of the competitors. LGEIL has already become the national enterprise and brand of India.

LGEAP, THE ORIGIN OF 'LIFE' S GOOD'

For the last few years, LGEAP(LG Electronics Australia Pty, Ltd.) has been

showing great performance in gaining market share and it has been selected as the Australia's best enterprise in electronics industry in 2005 and 2006. It has captured the top spot in 7 product lines- LCD TV, PDP TV, monitor, home theater, DVD recorder, DVD player, and microwave. As for the TV, it has been on the no.1 spot for 6 years in a row since 2001.

Behind such success, there was a peculiar strategy by LG Electronics. After entering the Australian market by obtaining approval for the sales subsidiary in 1994, LGEAP began planning of the winning strategy to conquer the Australian market. To win in the Australian market which is the stereotypical market that can be seen in developed countries, it was necessary for LG Electronics to create a unique strategy that is different from the ones used in China and East Asia region where LG Electronics had already achieved success.

The start of success in Australian market originated from the slogan 'Life's Good'. There were two meanings in LG's new slogan and they were good enough to capture Australian people. The first one is that 'Life's Good' contains the meaning of what consumers want from the company while most slogans of other companies have meanings of what the companies want from the consumers. The second one is that the slogan represents the Australian's philosophy of life: positive thinking. Because of such hidden meanings in the slogan, 'Life's Good' set a record of 85% in slogan awareness survey. It was an amazing record considering the fact that slogans of LG's competitors got only 11% and 3%. The slogan which well implemented the Australian's philosophy has become the LG Electronics' official slogan.

The LG's success in the Australian market has become more vivid as LG Electronics worked towards the publicizing its brand as well as the 'premium product strategy'. Since 2001, LGEAP has started to introduce a variety of internationally recognized digital products to the Australian market. Washing machines, refrigerators, and vacuum cleaners were introduced in 2001 and 2002. Since 2003, LGEAP has started to sell high-priced high-tech products such as various display products such as PDP TV, drum washing machines, and air-conditioners. As the sales structure has been shifted towards the high priced products, the price has been increased and thus the sales revenue has also been increased.

This sales increase has been creating the 'good circle' as it increased the image of LG brand. In the fierce field of competitions with hundreds of brands, the great performance of the LG premium products with new technologies has made the LG Electronics 'the most innovative enterprise'. The unique distribution strategy of LGEAP helped to greatly increase LG Electronics'

power. LG Electronics was able to maintain close relationships with its distribution channels by strengthening its collaborative system and by reflecting the ideas of the distribution channels. Those great efforts made by LG Electronics made it possible for LG Electronics to achieve great success in short period of time.

LG Electronics has carried out various marketing activities. It materialized the 'high-tech products meet culture and art' campaign by conducting various promotions such as sponsoring Hot House, the terrestrial broadcasting program in Australia, sponsoring the Opera House 30th Anniversary title, and operating the Sydney IMAX LED screen. Also, the LG brand was further familiarized by the Australian people as LG Electronics sponsored the Australian's most popular sports rugby and soccer team. Moreover, LG Electronics' involvement in medical voluntary service for treatment of cataract and harelip touched the Australian people. In the 2004 Athena Olympic, as an official sponsor, LG Electronics successfully carried out its 'ambush marketing'. The Australian media even announced that 'the true winner of the Athena Olympic is the LG Electronics'. This sports marketing along with the differentiation through premium product lines and extensive localization were the unique keys for LG Electronics' success.

REPUTATION OF LG ELECTRONICS IN ASIA

In late 2007, LG Electronics combined the India/South West Asia region representative and the Australia/South East Asia region into one Asia region headquarters. It was a strategic move to not only form a new Asia network through the experience in each regional market success but also occupy the Asian market through more aggressive localization strategies.

The major countries that the Asian headquarters is in charge of include Indonesia, Thailand, Vietnam, Singapore, Malaysia, Philippine, India, and Australia. The countries that Asian headquarters watches over not only include the developing countries but also include the already-developed country which is Australia. The Asian market is where culture, religion, situation of the politics and economics vary by the countries. Therefore successful strategy in one country does not necessarily guarantee another success in other countries. Also, it is the market where Japanese enterprises had already occupied from many years ago. Their dominance in the market had been hindering other enterprises from entering the market.

The Siam Paragon is the largest shopping center in Thailand, which is located in Bangkok. This is where you can see the present and future of the



SERVICE VEHICLES CROSSING THE HARBOR BRIDGE EVERYDAY

Customer service can be described as another product that creates and supports sales. LGEAP's 'Direct Service' staff visit customers at their home to immediately solve the problems in their product.

Thailand and the Asian market. Japanese products and many popular brands in specially discounted prices can be seen everywhere. However, you can also see the future of LG Electronics in the LG Electronics shops and their salespersons who are working hard. In fierce competition environment, LG Electronics has been showing the utmost efforts to be the best in Asian market. In some countries, it has grown as much as to become referred to as the national enterprise.

The best examples in LG's success can be seen in Vietnam, Indonesia, Australia, and India. The influence of LG Electronics can be seen in the advertisements of LG Electronics. They are everywhere in the urban centers in Vietnam. LG Electronics has been recognized by the Vietnamese government as the leading enterprise in contribution in society and economy, creation of employment, and faithful tax payment. LG Electronics even received the 'medal of the labor of honor' for the first time as a foreign enterprise in Vietnam. In 2006, LG Electronics was awarded by the Vietnamese president the 'Vietnam's Best Enterprise of the Year' and at the same time it was awarded the best quality management award. In Vietnam, LG Electronics has been maintaining its top spot for years in market share in digital TV and system air-conditioner as a result of the intensive region-specific marketing.

The LGEIN of Indonesia has rapidly grown centering on the management

strategy which reflected the local culture of Indonesia. In 2003, LG Electronics won the 'Zero Accident Award' awarded by the president of Indonesia. Also in 2007, the Indonesian government selected the foreign company, LG Electronics as the 'best exporter of the year' as the growth of LG Electronics alone makes a big contribution to the local economy. Now in Indonesia, LG is the top seller of its major products such as the TV, refrigerator, washing machine, computer, and monitor. Along with the economic activities, LG Electronics is building its reputation as the national brand by participating in social welfare programs such as the Indonesia disaster recovery support and the education programs for children of low income families.

LG's success in Australia is also impeccable. Unlike most other countries that are under the Asian headquarters, Australia is the advanced market, therefore the successful cases in this market often becomes the goal of the other Asian market. These successful experiences have become the driving force for LG Electronics to stand out in the Asian market.

India is the land of the Indus civilization, the country of yoga, and home of Gandhi. The wind of change has blown into India. As the 1.1 billion population market woke up to face the economic powers in IT world, tons of leading enterprises from around the world has poured into India. In the keen competition where numerous global enterprises reside, the leading enterprise is the LGEIL which is on top of the Indian home electronics market. While continuously developing products that suit Indian consumers, LG Electronics has been on top of the Indian home appliance market as it captured no.1 spot in market share in air-conditioner, vacuum cleaner, TV, and microwave. LG Electronics has become the no.1 home electronics brand in India through aggressive localization strategies and product development. Today, LG Electronics is also leading in mobile phone market and is reaching out to Middle Asia as a global brand.

With the creation of the Asian headquarters, localization has picked up its speed. LG Electronics which has succeeded in localizing 95% of LGEIL in India is expanding its success to the entire Asia region. Localization of both products and labor was important but it was more important to become the true local enterprise through labor localization. The level of LGETH's localization already reaches at 80% but considering only the labor number, the level is more than 95%. LG Electronics also hired many local people in key positions, who can have the decision making authority.

The brand power of LGETH in Thailand is a bit weaker than that of their Asia regions. However the best example of localization attempts can be seen in the



THE HOPE OF RAYONG PLANT

The Rayong plant in Thailand expanded LG Electronics' production capability of air conditioners to 10 million units a year, and built a foundation for entrance into the global market.

LGETH which hired local workers who manage the overall operation of the Rayong plant. As a result, the enthusiasm and devotion of the local workers have been further increased. Also, the effort of developing new products which reflect the local consumers' insight is consistently been made. The refrigerator which was developed for storing the Thai's favorite durians which are known for their rank smell is getting popular. In the second half of 2007, LG Electronics launched the drum washing machines which have the larger capacity compared to its competitors'. It was the product that reflected the wish of the consumers who want 'large drum washing machine'.

Like this, LG Electronics is becoming in the Asian market the enterprise loved by the nation and the enterprise that represent Asia. It will settle down as the enterprise citizen of the Asian market and the local brand of each country rather than the foreign enterprise. Back to the basics, the Asian headquarters is realizing the second takeoff in the Asia.



SOUTH & CENTRAL AMERICA

ADVANCING TO THE SOUTH & CENTRAL AMERICAN MARKET

LG Electronics first entered the South & Central American market in the late 1970s. LG Electronics established a base for advancing to the South & Central American market by establishing the Panama branch in 1978 and the Santiago branch in 1981. Since then, LG Electronics was actively involved in the South & Central American market until 1993 as it established 3 branches (Panama, Caracas, and Bogota) in the northern part of South America, 3 branches (Sao Paulo, Buenos Aires, and Santiago), and the overseas production plant GSPS (GoldStar Electronics Panama S.A. (now LGEPS)) in Panama.

By the mid 1990s, LG Electronics started to maintain its status as the top corporation in South & Central America. LG Electronics entered the Chilean market for the first time in 1992 by exporting washing machines. It dominated the Chilean market, which used to belong solely to US and Japanese companies, by introducing the 'AI' (Artificial Intelligence) washing machine in 1994, and the "Washing Punch" and "Three More" in the following year.

LG Electronics also achieved remarkable success in Brazil, the largest market in South & Central America. In response to the high customs duties, LG established the overseas production plant, LGEAZ (LG Electronics da Amazonia Ltda.), in Manaus in September 1995 and LGESP (LG Electronics de Sao Paulo Ltda.) in Taubate in April 1996.

LGEAZ built up its reputation as it seized the no. 1 spot in the DVD player market share and the no. 3 spot in the TV and VCR market shares in one quarter of 2001. Such achievement was a result of the 'local-complete' operation. LG Electronics was able to occupy the market through acquiring the cost competitiveness through the local operation of the whole process- the establishment of the local production base, parts supply, sales, marketing, and service. LGEAZ continued to pioneer the market by expanding the local distribution network and targeting the mid-to-high income consumers who have the purchasing power with the premium products. The LGEAZ which is leading the Brazil home appliance market is continuously growing as it ranks no.1 in market share in every product it produces.

Also, LGESP captured no.1 spot in Brazil monitor market share in March 1998 in one year after its first establishment in March 1997,



SAMBA PLAN IN BRAZIL

The Taubate plant wisely managed to overcome great difficulties that surrounded it at its early days of operation. Samba Plan, meaning to give all you've got just like the samba, the Brazil's traditional dance of passion.

leaving behind the powerful manufacturers such as Sony and Philips. The LGESP also started its mobile phone production in 1999 in Taubate plant and ranked no.2 in Brazil market share in the fourth quarter of 2001. The Taubate plant had the ground-breaking ceremony for its terminal production plant in November 2004. The plant was established as a long term strategy for preparing for supply increase and it has become the true South & Central American production base with the annual terminal production capacity of 6 million units.

PURSUING AGGRESSIVE MARKETING

In Brazil which is the largest market in South & Central America, the core strategy of LGESP's aggressive marketing was the soccer. It is not too much say that soccer is everything for Brazilian. The soccer stadium is always packed. The passion of the Brazilian people for soccer is directly related to the economical activities. Knowing this, LG Electronics began to pursue its aggressive 'soccer' marketing. The team that LG Electronics chose among many teams in Brazil was Sao Paulo FC. It was to target fans at their mid-to-prime ages, who had the purchasing power.

LG Electronics started to sponsor Sao Paulo FC in April 2001. Soccer



LG ELECTRONICS' SAO PAULO FC

LG Electronics jumped into football marketing when it found out about the Brazilian people's affection for football. The team LG Electronics chose among many in Brazil was Sao Paulo FC.

is at the Center of every news in Brazil, so LG started collecting the benefits immediately Sao Paulo FC started pick up the game and soon after they were on fire. As they were winning one game after another, the advertisement effect of the logo on their uniform was just magnificent. The effect was at its climax in 2005 when Sao Paulo FC won Sao Paulo Sate League(Paulista Cup), the Latin America League(Libertadores Cup), and the FIFA Club World Cup in Japan, all in a row.

As a result of such aggressive marketing and its wisdom to quickly capture the preference of the local people, LG Electronics was able to overcome the deficit and started to record surplus in 2003. Also, LG's strong ties with the local labor and its strong partnership with the clients have brought to recognition of 'company of the year'(by lato e-Dinheiro). LG Electronics has made great effort to maintain its strong partnership with the local clients.

While pursuing the marketing targeting the mid-to-high income customers through sports(e.g. golf) centering around the resort-packed cities such as Rio de Janeiro, LG Electronics is strengthening its partnership with the clients. As a result, LG Electronics offerd to Vivo(the largest telecommunication company in Brazil) to be the

joint sponsor of the number 1 golf tournament in South America: LG VIVO PGA Championship, happening annually since 2005. The effort of LG Electronics towards learning Brazilian consumers' taste and developing the products that suit their taste has helped to maintain its strong relationship with the clients.

The reason for success of LG Electronics in the Brazil market in spite of its late entry was because it was able to read the Brazilian people's mind. Aggressive marketing using the Brazilian's favorite sports soccer, strong partnership with the local clients and the local employees, product localization strategy, secure acquisition of the local distributors, and the 'premium' marketing strategy were the key factors for success of LG Electronics. LG Electronics has revived as a luxury brand through its 'premium' marketing.

Particularly in May 2004, LG Electronics went ahead with something new. It started to import 42-inch PDP completed products directly from Korean and sell them in the Brazil market. Despite the fact that the price was as high as the price of a car, 200 units were sold across the country in one month. It assured the potential of the Plasma TV in the premium product market in Brazil. The problem was the high price after the import duty and freight cost. The only solution was to build a local production plant for Plasma TV. LG Electronics prepared the 42-inch Plasma TV production line in its Manaus plant. In March 2005, local production of large Plasma TV has made been possible. The only way to avoid the high import duty, the local production has made been possible.

LG's Plasma TV was selling like hot cakes in home electronics stores. At that time, LG Electronics once again made it sure that it would preoccupy the market. LG Electronics created a sensational demand through price reduction at right timing and was able to take the lead in the price competition in Brazil Plasma TV market. In one year, the price of Plasma TV went down to one half of its initial price. The competitors of LG Electronics also joined the price competition soon after, however they were no match to LG Electronics as it was widening its gap with its competitors with dominant 75% market share. The sales volume had increased from 2,500 units in 2004 to 25,000 units in 2005. That was the increase by 10 times in only one year.

LG Electronics which had opened the door of the premium market with Plasma TV started to release other luxury home appliances such



FOOTBALL, CHILDREN'S HOPE IN BRAZIL.

Sao Paulo FC for children: Supporting Sao Paulo FC gave a boost in raising LG brand awareness.

as the double-door refrigerators, drum washing machines, and air-conditioners. Just like the case of Plasma TV in its early stage, those products (in completed condition) were also imported from Korea.

PIONEERING MOBILE PHONE MARKET OF SOUTH & CENTRAL AMERICA

In July 20, 2005, LGESP established Taubate mobile phone plant and started its full-scale mobile phone market pioneering. As a 'local-complete' plant equipped with mobile phone (CDMA & GSM) production and marketing/service system with annual production capability of 6 million units, it was ready to advance not only to the Brazil domestic market but also to the adjacent countries such as Argentina and Paraguay. Also, it has built a win-win model for both LG and the Brazilian society as it has made big contribution to the Brazilian economy and the social welfare. In the ceremony for the completion of the Taubate mobile phone plant, 300 people including the president of Brazil and government officials have participated, which proved the fame of the LGESP. In June 30, 2006, LG Electronics released the 'Chocolate Phone' in the Brazilian market. The luxurious-looking Chocolate Phone, with sensible color combination of black-



MOBILE PHONE PRODUCTION LINE IN THE TAUBATE PLANT OF BRAZIL

In response to the Brazilian market environment, in which the system is rapidly shifting from CDMA to GSM, LG Electronics achieved 90% of its mobile phone sales in the GSM system in 2007.

and-red and with touch keypad, was released in CDMA system. Then the Chocolight Phone in GSM system was released in Brazilian market and was developed in consideration of LG Electronics' localization strategy in its design and function. As one of the 'Black Label' series, it created a new trend in Brazil mobile phone market. The term 'Black Label' refers to the products whose materials are quality enhanced and have the 'limited edition' and the luxurious image. The Combination Chocolate & Chocolight Phone has provided a special experience to consumers with its innovative technology and design and has been recognized as the best hit product.

With the momentum, LG Electronics introduced its first 3G phone to the Brazilian market in October 2007. With the collaboration of Claro, the Brazil's leading 3G enterprise, LG Electronics released HSDPA phone. The weight of Brazil's 3G mobile phone market in 2007 was only 4% of the entire mobile phone market but it is expected to grow up to 17%(7.5 million units) in 2010. In response to the local market circumstances where the system is rapidly shifting from CDMA to GSM, LG Electronics achieved 90% of its mobile phone sales in GSM system in 2007.

PERFORMANCE OF SUBSIDIARIES

The South & Central American market which used to be the potential dark horse is recently emerging as the new global market centering around Brazil. The South & Central America is recognized as the market with limitless potential with 600 million population and abundant natural resources. Enterprises and investors around the world are paying attention to South & Central America due to the recent price increase of international raw materials and the expansion of the South & Central American domestic market. The South & Central America region that is firmly maintaining the open economy system started get attention as its society and economy became stabilized and its growth potential increased.

The brand power of LG Electronics was once again proved in 2006 as LG Electronics was awarded with the best enterprise award in 'Brazil's 500 Enterprises' in electronics/electricity/telecommunication field, selected by the 'Isto e Dinheiro' which is one of the biggest economics magazine in Brazil. LG Electronics won the award for 3 years in a row after 2004 and continued its fame that it is the 'top enterprise' in Brazil. Particularly, LGEAZ that produces TV, DVD, and white home appliance, and LGESP that produces monitors and mobile phones widened their gap with the competitors with more than 30 points and selected as no.1 and no.2 respectively.

In 2007, LG Electronics ranked no.1 in market share in 5 product lines(PDP TV, LCD TV, DVD recorder, home theater, and LCD monitor). All other product lines also ranked high and continued to take lead in the market. As the only enterprise that offers all electricity/electronics/telecommunication products to customers in Brazilian market, LG Electronics has grown as the Brazil's representative premium brand that displays high technology in the Brazilian market. In the meantime, LGECL(LG Electronics Inc. Chile Ltda.) located in the capital city of Chile made a supply agreement of system air-conditioner with the local construction company, Isidora 3000 in 2007. Under the agreement, LG Electronics will supply a total number of 1,000 units of large-scale system air-conditioners to the 32-story 'Territoria Multiplex' building which is under construction in Santiago, Chile. A hotel, offices, department stores, and convention center are going to occupy the building. The building is getting a lot of attention as a new signature building in Chile.

LG Electronics was able to get such advantageous opportunity as its products and service competitiveness were recognized in the Chilean market where commercial air-conditioners take up more than 70% of the entire air-conditioner market. The system air-conditioner that LG Electronics supplies is the 'Multi V Sync' that offers simultaneous operation of both heating and cooling. The release of this model in the South & Central American market is the second release after the European market. The indoor units that are connected to one outdoor unit can provide both heating and cooling. LGECL that is growing steadily with the growth of digital display products, washing machines, and system air-conditioners, is planning to pursue the mobile phone business in full-scale in 2008. The mobile phone business had been weak.

After sponsoring the 'Copa America 2003', the brand awareness of LGEPR(LE Electronics Peru S.A.) has increased to 56% and its main products rank no.1 in market share. It is putting all its effort to continue its growth in 2008. In July 26, 2007, LGEPR had a ceremony for installing LG's 71-inch gold-decorated PDP TV in the president palace. This event was held in request of the president Alan Garcia of Peru to have LG's premium products such as PDP TV and DVD player installed in the palace. The president praised that he was very impressed with Korean's high-tech digital products and that the LG products installed in the palace are the best in the world.

LGECL(LG Electronics Colombia Ltda.) gained a lot of credibility from its clients when it performed excellent risk management compared to its competitors at time of Venezuela foreign exchange crisis in 2002. It has been achieving explosive growth since 2004. With this pace, its sales are expected to reach \$400 million in 2007. However, it is working on risk management as there is a lot of unpredictability in the economy because of the president Chavez who moves towards socialism.

LGECL(LG Electronics Colombia Ltda.) also showing fast growth with 60% increase every year since its establishment in 2000. In 2007, it has prepared itself for possible problems that can occur in short-term fast growth. In the second half of 2007, it concentrated on stabilization of profitability rather than sales increasing activities.

LGEAR(LG Electronics Argentina S.A.) was established in July, 2000, however as Argentina faced the IMF foreign exchange crisis in 2001, it had to pause its sales operation in November 2002. Although LGEAR



2007 LAUNCH OF NEW PRODUCTS IN BRAZIL

On 22 March, 2007, at 'Digital Experience 2007', new products were exhibited, including home appliances, digital displays, mobile phones, and digital media products.

had to discontinue its sales by the exogenous factor, it remained as a SVC(Switched Virtual Connection) subsidiary to provide service care for SVC for the existing products. By concentrating on SVC care, it continuously built its credibility. In 2004, it started to develop its business centering on premium products such as monitors, digital storages, PDP, TVs, Audio-Video, ARTCOOL air-conditioners, micro wave ovens and refrigerators. In 2005, as the mobile phone market began to expand, the market started to recover. LGEAR is building its reputation as a luxury brand with premium products and top service in responding to the increasing demand of the consumers.

In the meantime, the Ecuador branch ranked no.2 in brand awareness survey in 2006. It set a sales record of \$150 million in one year and ranked no.1 in home electronics market share. Such great success by Ecuador branch was achieved in only 5 years after its establishment in January 2002. It was a result achieved by increasing the brand awareness and preference: Based on its confidence on the quality, LG Electronics introduced a free 3 year extended warranty for the first time in the industry and conducted a free tour service for low income families. Also, it released its new products ahead of its competitors and concentrated on informing customers about the products.



LG ELECTRONICS, THE BEST DISPLAY MAKER

LG Electronics' 'Digital Experience 2007' showed the world its superior technology once again as the best display product maker, presenting Full-HDTV, HDR Plasma TV with built-in hard disk, and ultra slim TVs.

Strengthening sales of premium/strategic products through acquiring LG's exclusive booths in 120 major strategic shops was another reason for success.

TOWARDS NO.1 OF SOUTH & CENTRAL AMERICA

In South & Central American market, LG Electronics is raising its fame along with the continuous business growth. However, the South & Central American headquarters is not conceited by this success. It is putting all its effort in the South & Central American market with more aggressive and advanced marketing. It is continuously developing region-adaptable products, increase the brand image with premium products, and closely manage clients by establishing branches in strategic areas. Also through aggressive marketing activities such as its unique tour service, LG Electronics has already taken the lead in South & Central American market.

Moreover, LG Electronics has received warm response from the local people as it put a lot of effort in sports marketing such as sponsoring the 'Sao Paulo FC' and the 'South & Central America Worldcup Preliminary Games'. Especially, the '2007 Copa America' that swept the entire American continent in 2007 was held for about 20 days in

9 major cities including Caracas in Venezuela, USA, Mexico, and 10 South American countries such as Brazil and Argentina participated in this game. LG Electronics, which was the official sponsor of this game in electronics/telecommunication field, utilized the emblem of the game in its marketing and raised the brand awareness.

Also, the 'Karaoke' marketing that LG Electronics conducted in 2007 was very effective. The 'traveling karaoke contest' which was held in Latin American countries such as Peru, Colombia and Ecuador in the early 2007 gained a lot of popularity. The LG karaoke contest was held in traveling stage in which all the audio equipments such as TV and DVD players were loaded in a large trailer truck. The event was very successful as it attracted thousands of people in one year. LG Electronics brand gained additional publicity during its tour as the contest was introduced in various media such as TV, radio, and newspapers.

The biggest issues of the South & Central American headquarters are to maintain the rapid sales growth and to reconstruct its portfolio as to increase its profitability. Turning the LG brand into the 'must-have brand' and increasing the profitability are also the issues LG Electronics has to solve. As part of the solutions, LG Electronics is building a foundation for mobile terminal business to become a 'top 3' supplier by expanding its lineup by strengthening R&D and improving its relationship with the partners. Also, LG Electronics is getting a synergy effect through the integrated marketing conducted by the regional business division rather than the marketing conducted by a single subsidiary. The examples are the systemization of discovering consumer insight and the integrated marketing strategy to acquire brand consistency. It is time for LG Electronics to exhibit its challenge and pioneer spirit in the South & Central American market once more.



MIDDLE EAST & AFRICA



ESTABLISHMENT OF GSEE PLANT

On 8 October, 1991, LG Electronics established the GSEE (GoldStar Electronics Egypt S.A.E) jointly with EAIU and began to operate its business in the Middle East and Africa in earnest.

VARIOUS PURSUITS IN THE MIDDLE EAST & AFRICA

The pioneering activities of LG Electronics in the Middle East & Africa began when the company established a branch in Kuwait in 1979 when oil prices were at a high. The early sales volume was less than \$100,000.

Although performance was very poor, LG Electronics had confidence in the market potential and continued to pioneer the market.

It established its Turkish branch in 1985, prepared for sales growth in the Middle Eastern market by opening branches in Dubai and Cairo in 1988 and Tehran and Jeddah in 1989. In September 1987, LG Electronics jointly established the local production subsidiary V-GS (Vestel-GoldStar) with Vestel of Turkey and built the production plant in the city of Manisa.

It was in 1989 that LG Electronics started advancing into the Middle Eastern & African market at full scale. At that time, LG's major strategy for expanding into international markets was setting up local production plants. Actively seeking any opportunities to construct production plants in the Middle East & Africa, the company finally agreed to build a production plant for TV components with the

collaboration of the Turkish government.

Accordingly, LG Electronics established the GSEE(GoldStar Electronics Egypt S.A.E., now LGEEG) jointly with EAIU and started production of the main components of color TVs. The GSEE served as a production base, as it not only produced parts for the Egyptian market but also exported parts to neighboring countries.

In October 1991, LG Electronics established the local service provider GSME(GoldStar Electronics Middle East Co., Ltd., now LGEME) in the United Arab Emirates. It made GSME the main base for logistics and services in the Middle East & Africa region. As it entered the 1990's, LG Electronics, which had been closely monitoring the potential of the African market, started to aggressively advance into it. Starting with the establishment of the Abidjan branch in Cote d'Ivoire in 1990, LG Electronics expanded its market to the entire Africa region by opening branches in Tunisia and South Africa.

It started its full-scale expansion in mid 1995 and aggressively began expanding its market as it developed hit products that suit the local environment and released premium products with perfect timing. It also actively engaged in marketing based on regional characteristics. People living in the Middle East and Africa region, who are predominantly Muslim, are not accustomed to the entertainment aspects of many products, often because of religious culture. On the other hand, they generally responded very enthusiastically to sports games, such as soccer. Keeping this in mind, LG Electronics focused on sports marketing, such as hosting soccer tournaments and sponsoring games. Also, LG Electronics got closer to the local citizens by sponsoring various events such as seminars addressing the role of women in society.

The local marketing strategy led to tangible results. The brand awareness of GoldStar in the Middle East and Africa region increased to 90%. TVs, cassette players, and air conditioners emerged as hit products in the Middle East. In late 1997, they took the No. 1 position for market share in Jordan, Bahrain, and Yemen. What's more, the karaoke TV is a sensation, achieving an 86% market share, and the sales volume of color TVs has greatly increased thanks to the influence of Golden Eye TV commercial and LG Cup Soccer Tournament.



LG ELECTRONICS RULING THE DESERTS OF DUBAI

LG Electronics promoted its sales and brand awareness by localization strategies adopting market-oriented approaches based on consumer insights. It now has the largest market share in the Middle East & Africa region.

SUCCESS IN THE MIDDLE EAST & AFRICAN MARKET

On June 8, 1996, LG Electronics changed its brand name from GoldStar to LG for the first time in the overseas markets. Starting with this change, it began rebuilding its brand image, different from that of GoldStar. The brand awareness of GoldStar in the Middle East & Africa was already high. The superior quality of GoldStar TVs, refrigerators, and air conditioners, LG's flagship products, was already recognized, and their reputation nearly matched Japanese brands. It, therefore,

required a great deal of risk taking to give up its already-popular brand name GoldStar and introduce the new LG moniker. Another reason to proceed carefully when changing the brand name was that competitors, including Japanese companies, were expanding their businesses in the Middle East & Africa region, as they also saw the region as a market with great potential.

Faced with this two-fold pressure, LG Electronics settled on its new brand name early, maintaining its market and simultaneously building its new, distinct brand image. With this decision, LG Electronics divided the Middle East & African market into four: the South African, North African, GCC(including Saudi Arabia and the U.A.E), and other Middle Eastern markets. On the basis of this categorization, LG Electronics conducted its brand change using a Big Bang strategy while taking into account the characteristics of each of the four markets. LG's Big Bang strategy refers to the company's all-or-nothing focus on the brand change to achieve the results in short period of time. Accordingly, it focused on sports events in the North Africa region where illiteracy is high. For the GCC region, where the infrastructure is solid and emphasis was placed on advertising the brand change, LG Electronics focused on product promotion, which directly led to increased sales. That is, LG carried out its brand change using a strategy that focused on product sales. To establish the new brand without losing market share, the company emphasized providing better quality products through the brand change, rather than just concentrating on the change itself.

As it entered the new millennium, LG Electronics started to lead the Middle East & African market as it kept abreast of other global top brands, such as Sony. LG's major products were digital home appliances, telecommunications devices, and display units. Among them, the company concentrated more on its premium products, including Plasma TVs, GSM handsets, and air conditioners. While targeting wealthy consumers with Noble Marketing, it sold gold-decorated Plasma TV units and antitheft VCR units. In 2001, LG Electronics carried out its Royal Marketing campaign, targeting the royal families of the United Arab Emirates and sold numerous 40-inch Plasma TV units.

In 2002, as a result of quality and marketing improvements, LG Electronics reached No. 1 in market share for white home appliances

and digital home appliances in South Africa, Saudi Arabia, Syria, and Qatar. Also, LG's Plasma TV ranked No. 1 in market share in the entire region.

LG Electronics also took the lead in the social contribution and services. Since 2002, in support of digital service, LG Electronics established the CIC(customer information center) in 12 countries and started operating digital service centers in 26 countries. It was a measure to prevent service delays by building an Internet network all across the Africa region. It also continued to carry out various social support activities, such as providing medical services and officially sponsoring environmental conferences. As a result, LG Electronics was able to realize 'service satisfaction No. 1' in major countries.

The brand awareness of LG Electronics is among the top in most of the countries of the Middle East & Africa region. With a combination of high-tech, high-quality products, localized marketing, and digital service, LG Electronics has captured customer loyalty.

Another reason LG Electronics was able to increase its name recognition in the vast Middle East & Africa region, with limited human resources, was localized marketing. The most notable activity was the LG Cup Championships, which attracted a great deal of attention. As one of the FIFA official soccer championships, powerful teams from Europe, Latin America, the Middle East, and Africa have participated since 1997. Also, the Africa Nations Cup, which LG began sponsoring in 2005 played a major role in improving the image of LG Electronics as it got the attention of the foreign media, which has a lot of interest in African soccer given the World Cup Championships ahead.

Soccer is not LG's only involvement in entertainment and sports. The LG Digital Music Festival is one of the major music festivals in the Middle East and Africa. The event is held in four different countries each year and is broadcasted to 26 countries through LBC channel of Pan-Media, which is a highly respected broadcasting company in the Middle East and North Africa. The event is getting a lot of recognition as a major festival involving extensive citizen participation. It is also playing a major role in creating favorable impressions of the LG brand. Moreover, the medical services, such as cataract and cleft lip surgeries, provided by LG in eight countries, including Jordan and Kenya, and the LG Golden Bell Quiz held in Morocco, are also spotlighting the image of LG Electronics as the company that shares

in both the hardship and joys of the citizens of the Middle East & Africa. Such efforts in culturally sensitive marketing have increased results. The best examples include deals to supply 4,500 homes in the athletes' village with major electronics products for the Qatar Asian Games, including 4,700 LCD TVs.

If you take a close look at the success cases in the Middle East & Africa region, you can find the undying spirit of LG Electronics: professionalism that continuously seeks markets and desires to understand consumers, diligence that 'thinks with the brain and runs with the feet,' and every LG member's unifying goal to become the best. That spirit is what creates the wisdom to make LG Electronics unique in the market, and that wisdom is what turns what could have been an ordinary story into a legendary one.

RISING TO PROMINENCE IN THE MIDDLE EAST & AFRICAN MARKET

In the Middle East & Africa region, there is a noticeable distinction between the rich and the poor, as the per-capita income is less than \$1000 in many regions, except for South Africa and the oil-producing countries of the Middle East and North Africa. Considering the unpredictable circumstances due to the religious and political unrest, adapting to the market is not easy. It has already been 28 years since LG Electronics first entered this unpredictable market when it established its branch in Kuwait in 1981. Its subsidiaries in the Middle East & Africa region are continuously leading the market and achieving remarkable success.

The market of the Republic of South Africa, known as the Cape of Good Hope of African economics, has great potential. In 1989, LG Electronics spurred the advancement of South African market by establishing a branch in Johannesburg. LG Electronics focused on the fact that success in South Africa could lead to success in the entire Africa region. In October 1996, LGESA (LG Electronics S.A. (Pty) Ltd.) was established. However, LG Electronics faced an obstacle created by the foreign exchange crisis (35% Rand devaluation and 5% increase in interest rate) of South Africa in June 1998. LGESA turned the crisis into an opportunity through cost reduction, building management infrastructure, and unique marketing. LGESA was reborn as the enterprise that contributes to the globalization of LG Electronics as it set a record annual average growth rate of 35%. LG has become the

best brand in South Africa for most of LG products, including TVs(20%), monitors(24%), washing machines(38%), air conditioners(28%), and audio equipment(25%), all with the No.1 market share. This was achieved by outshining the global brands of Japan and Europe, which have dominated the South African market for years.

LGEME (LG Electronics Middle East Co., Ltd.), established in 1991, has been offering quality services such as 'One call does it all' service, free check service, and international warranty service. After 2000, it achieved No. 1 customer satisfaction in major countries in the Middle East & Africa region.

At the same time, LG Electronics began its full-scale operations in West Africa with the establishment of LGEAF(Nigerian subsidiary) in 1997. At present, 10 years after its launch, LGEAF is getting excellent results for Plasma TVs(55%), air conditioners(40%), premium-grade refrigerators(43%), and home theaters(60%). This was a meaningful result considering that it was achieved under many restrictions on the operations of foreign enterprises, given unstable business and political circumstances.

In 1999, LG Electronics established an air conditioner production plant(annual production capacity of 300,000 units) in Turkey, targeting the Europe and the Middle East & African markets. Presently, LGEAT(LG Electronics Arcelik Turkey) has emerged as the absolute power in the air conditioner market in Turkey. It has consistently been No. 1 since 2004 (50% in 2005, 52% in 2006, and 53% in 2007). Approximately 70% of the air conditioner production is supplied to the domestic market in Turkey, and the remaining 30% is exported to 41 countries (11 countries in Europe, 14 countries in the Middle East, and 16 countries in Africa).

The Turkish branch office, which had been operating as the 'Istanbul sales branch', was reformed on April 1, 2008, hence inaugurating the 'Turkish subsidiary(LGETK)'. This will provide LGETK with the opportunity to focus on unified marketing activities with the aim of securing premium-brand awareness, rather than conducting short-term, product-oriented marketing that the clients occasionally launched. Earlier in March 2007, the company established LGESR, LG Electronics' new production front for the Middle Eastern air conditioning industry in Riyadh, Saudi Arabia. Meanwhile, in 2007, barely 8 years after its initial establishment in 1999, LGEMC(Morocco



LG ELECTRONICS AT IBN BATTUTA

At the Ibn Battuta Mall, the largest shopping mall in Dubai, you can witness the status of the LG Electronics that has become the best brand in the Middle East & Africa.

subsidiary) scored a phenomenal record of 83.8% in Moroccan home appliance market's unaided brand awareness, with 31.0% Top of Mind rate, outperforming Sony and Philips to secure the no.1 spot as the leading electronics company. In particular, LGEMC joined the '1 million club' for its handset sales in September 2007. That is, it broke the record of selling 1 million mobile phones for the first time in the Middle East & Africa region. Given that Moroccan mobile handset market had a capacity of no more than 4.2 million handsets, it was a significant achievement to sell more than 1 million handsets in such a small market. Despite its late entrance into the market, 3-4 years later than the competitors, LGEMC produced remarkable results in a short period of time.

Owing to the company's fast-paced entrance to the Iraqi market and its active marketing strategies based on differentiated products, LG Electronics is currently being considered as a national brand by Iraqi people. With a 40% market share in terms of electric appliances such as TVs, air conditioners, washing machines, monitors and ODD, LG Electronics has become Iraqis' most favored brand.

On the foundation of this success, LG Electronics is carrying out its strategy for market dominance in 78 countries in the Middle East &



LG ELECTRONICS UNDERSTANDS LOCAL PEOPLE

LG Electronics captured the minds of the Middle Eastern consumers by releasing allergy-preventive washing machines, air cleaners, and refrigerators that keep food fresh for a long time.

Africa region. The Middle East & Africa headquarters has broken down the 78 countries into six regions to conduct independent strategies: Oil-producing countries (GCC), Central Asia, North Africa, Western Middle East, South Africa, and Central Africa.

LG Electronics is currently endeavoring to secure its position as a premium brand, enhancing the quality of life in the Middle East & Africa region. Furthermore, the company is actively pioneering the newly emerging African market (Sub-Saharan Africa), preoccupying the local consumer and distribution networks.

Presently, LG Electronics is occupying first place in the Middle East & African home appliance market share. Not yet satisfied, the company is furthering its pace toward increasing its sales and brand awareness based on regional strategies through customer and market oriented marketing.

LOCALIZATION MARKETING STRATEGY OF LGEGF

In 2007, LGEGF (LG Electronics Gulf FZE) supplied approximately 10,000 units of home appliances to the Bavaria Hotel, the largest hotel chain in the Middle East, North Africa, and Europe, after supplying approximately 600 units of LCD TVs to the Burj Al Arab, the world's

only 7-star hotel, which has attracted the world's attention. It was an event that the hotel's vast 2,700 rooms were filled with 5,000 units of LG LCD TVs, 2,000 units of DVD players, and 2,000 units of DA products.

Considering the LCD TVs alone, more than 15,000 units were supplied to 23 hotels of Dubai's 37 major 5-star hotels. This gives international travelers to Dubai the impression that LG Electronics is a major company that captivates Dubai. Whenever new construction projects have begun in Dubai, attracting the world's attention, the project managers of LGEGF have spent a great deal of time at the construction sites searching for business opportunities. Their hard efforts are paying off. In particular, winning the Bavaria Hotel contract amidst fierce competition has special meaning since LG Electronics was able to obtain the project for a higher price than its competitors thanks to unique marketing (e.g., offering customized services).

One of the most notable things in Dubai's construction rage is the construction of large-scale village complexes. The majority of the village complexes, which are in very close proximity, in Dubai were built between 2003 and 2005. The fact that 80% of the air conditioners supplied to these complexes are LG products is one of the amazing records in LG's history. Behind this success, there was a special service LG offered: customized products. After carefully analyzing the structure of the village, it developed outdoor units that are invisible from the outside when adjusting the height. Also, they were designed in a way that protects them from sand storms. Those customized features were enough to attract clients and outdo competitors.

Another winning strategy in seizing opportunities in Dubai was the use of the government's policy for attracting tourists. The company maximized sales by conducting marketing that matches the seasonal promotions prepared by the government: The DSF (Dubai Shopping Festival), which is Dubai's biggest shopping festival held for one month every January; the DSS (Dubai Summer Surprise), which is designed to offer entertainment to the foreigners living in Dubai and European tourists on vacation between June and August; the Ramadan Promotion, which is held during Ramadan, a traditional Arab cultural period lasting for one month every September.

The success of LG Electronics in Dubai continued through the strategies and marketing that seized opportunities in the local

community. However, the situation in the mobile phone market was not the same. In early 2002, not long after LG Electronics launched its mobile business, consumers began to draw a line between LG's mobile phone brands and its other electronic products. They concluded that LG mobile phones were not worth purchasing. The product quality and the vast investment in marketing by the leading company, which had more than 50% in market share in the Middle East region, was widening its gap with LG Electronics. In order for LG Electronics to sell one product, it had to invest more time than what the leading company had to invest to sell a number of its products. If any problem was found in LG's mobile phones, it was not uncommon for people to ask for a refund and perhaps even berate sales representatives. These hard times lasted longer than expected, and the situation wasn't improving.

What turned things around was the Chocolate Phone. Creating the Chocolate Phone sensation across the world through its global marketing strategy was the main reason for changes in the Dubai market. Customers started buying the Chocolate Phone one after one another. However, LG Electronics had to face another obstacle: Mobile phone dealers were reluctant to purchase the Chocolate Phone because of its high price. The first issue LG had to solve was to eliminate the perception that the high-priced Chocolate Phone is hard to sell.

Firstly, LG Electronics supplied the Chocolate Phones to the dealers on a consignment basis. As their burden was removed, the dealers began to stock a number of Chocolate Phones in their shops. Also, LG Electronics provided a special support to the dealers: it visited each shop at a scheduled time every day to check the stock status and supply necessary items on the very same day. These efforts continued for a month, turning around the situation. As the perception that the Chocolate Phone is selling quickly spread, dealers started ordering the product on a regular basis rather on consignment and started cooperating with LG Electronics. The sales representatives of LG Electronics who visited the shops even acquired the nickname 'Chocolate Man' because of the chocolates they used to give out. As such positive reactions spread out to every shop, the inquiries about the Shine phone poured in even before its release in early 2007. That foreshadowed another success myth to come in Dubai. Notably, the 'Shine' phone and the 'Viewty' phone ranked 2nd and 6th respectively



INDOOR BUS STOP PROJECT

LG Electronics supplies, installs, and maintains air conditioners at all bus stops in Dubai. The world's first air-conditioned indoor bus stops attracted the world's attention.

in the 'Hot Buy Model' selected by the Middle Eastern magazine in February 2008.

NO. 1 BRAND ENHANCING LIFESTYLE

Looking at the results that LG Electronics achieved in the Middle East & Africa region, the DA product line, which includes air conditioners and refrigerators, ranks No. 1 in 54 of 78 countries, the DD product line, which includes LCD TVs, Plasma TVs, and monitors ranks No. 1 in 39 countries, and the DM product line has reached No. 1 in 28 countries. Also, LG Electronics continues to thrive in the mobile phone market in spite of its late entry into the market.

Since many governments in the Middle East & Africa region do not allow foreign companies to establish their sales subsidiaries in their countries, success or failure in the market depends on how the companies, centered on their branches, maintain their relationship with their local clients. The reason that LG Electronics stands out among others in the Middle East & Africa region in recent years is because it successfully restructured its client network through strict criteria such as continuous growth, professionalism, and loyalty to LG. In addition, the continuous training of the top decision-makers of its



LG ELECTRONICS' EMPLOYEES CHANGING THE MIDDLE EAST & AFRICA

LG Electronics is pursuing the dream of 'No.1 Lifestyle Enhancing Brand' in the Middle East & Africa.

clients is another reason for such success, since their performance directly affects sales performance.

The Middle East & Africa headquarters is not only conducting marketing that targets clients, in order to establish itself in the market, but it is also using its unique marketing that focuses on consumers. One marketing campaign of note is that dedicated to women. LG Electronics realized that the trend is shifting in terms of the rising social position and voice of women in the societies of the Middle East & Africa region, where total male dominance was the norm.

The best example is publicizing premium-grade products targeting high-class women through various women-oriented activities: hosting speeches by prominent women figures on topics related to health and well-being, which are the main interests of women, and operation of the basic medical treatment and examination programs. Also, after learning that there are no resting places exclusively for women in the region, LG Electronics provided the LG Digital Center just for women, which received warm responses. The effect multiplied as it attracted social and media attention.

The unique marketing strategy of LG Electronics can be also clearly



People at LG Boutique.

The secret of success can be found in the earnest staff at LG Boutique who is explaining LG products. What made LG Electronics the champion of the Middle East & Africa region is its tireless professionalism in continuous search of markets and understanding customers.

seen in the successful execution of the Burj Al Arab project. It was a great advantage to LG Electronics to supply its products to the world's best hotel. It had a greater meaning than just sales. It symbolized that LG products were recognized as the best. For this reason, the competition to take over the project was very strong. LG Electronics pursued its "premium" strategy approach that LG will provide the finest products and will receive a reasonable price in return as opposed to the low-price approach of its competitors. LG's confidence that its products suit the world's best hotel was the key to its success. LG Electronics had no other advantages over its competitors. It was the differentiated strategies that LG Electronics pursued with success: LG Electronics will provide products that reflect customers' tastes and needs; provide better customer service; the high-price policy.

Moreover, the 'noble' marketing in the Middle East region centering on the 71-inch gold-decorated Plasma TV was another example of LG's unique marketing capability. After considering the characteristics of the region where people have a special relationship with gold, LG Electronics was able to capture the minds and hearts of consumers by introducing the gold-decorated series of the world's largest 71-inch plasma TV and home theater, in a limited edition comprising

only 1000 units around the world. LG Electronics conducted one-on-one marketing after selecting upper-class customers, such as the royal families, entrepreneurs, upper-class women, and high officials of government. As a result, LG Electronics was able to give the impression that LG's products are world-class luxury products.

Now, the Middle East & Africa headquarters is pursuing active marketing activities after choosing the 'car infotainment' business as its strategic business of 2008. Recently, the demand for automobile telematics and navigation systems is greatly increasing, and the car infotainment market is growing twice as fast as other markets in the Middle East region.

The Middle East & Africa headquarters, which released a navigation system in Arab in 2006, sponsored the Autocar Awards on September 12, 2007. The Autocar Awards is regarded as the Academy Awards of the Middle Eastern automobile industry. This helped increase the publicity of LG Electronics as the manufacturer of car infotainment equipment for the Middle Eastern automobile industry. LG Electronics is getting a lot of recognition in Middle Eastern market with its innovative products and effective marketing activities.

Now, the Middle East & Africa headquarters is going after a higher goal. It is the achievement of 'No. 1 Brand Enhancing Lifestyle.' LG Electronics is becoming the No. 1 brand that improves the lifestyle of the Middle East & Africa region, not just the No. 1 brand on the market.



CIS, OPPORTUNITY IN RUSSIA'S MARKET OPENING

LG Electronics(LGE) started to operate its Moscow branch in March 1990 in order to advance to the Russian market which has started to open up. In October 30 of the same year, for the first time in Korean history, LG Electronics made an agreement with Kirghiz Republic for establishing \$250 million worth of color TV plant and exporting the parts. Subsequently, it made an agreement with the central government authorities(department of electronics, department of defense, and department of radio) for production facilities and exporting products and parts of VCR, microwaves, motors for washing machines.

In March 22, 1991, LG Electronics began to invite and train the customer service staffs from the former Soviet Union for the first time in the history of Korean enterprise. In order to support its market entry to CIS region and to increase the work efficiency, LG Electronics increased/improved the human resources in its Moscow branch and established the 'CSI region department' in its head office.

In 1994, LG Electronics made its CIS market advancement more attainable by establishing its Almaty branch in Kazakhstan which is referred to as no.2 market of CIS after Russia. In 1995, LG Electronics chose Kazakhstan as its strategic market. That is, Kazakhstan had become the main supply base of CIS and the bridgehead for advancing to the Central Asia. As a result of such aggressive marketing strategies, the sales volume of CIS region in 1996 reached at \$57 million.

In 1996, LG Electronics began to make every endeavor in various ways: setting up the 'Customer Quality Evaluation Team' for the first time in the history of international home appliance industry of this region; holding a business fair through dealer convention; strengthening the service. Particularly, LG Electronics selected its color TV and monitors as its main focusing products and held the 'Monitor Dealer Convention and Home Electronics Fair'. Also, LG Electronics prepared itself to provide better service by establishing the SDST(Sales Display Support Team) which provide support in displaying LG products.

In 1997, LG Electronics began its aggressive culture marketing to publicize the 'LG' brand in CIS region. It sponsored the local broadcasting station after obtaining the copyrights of popular Korean serial dramas and created sensation by holding the 'Korea Russia Culture Festival' in the heart of Russia, Kremlin Palace. The culture



LG SONG HEARD ALL ACROSS RUSSIA FESTIVAL RUSSIA

The 'LG Festival', which began in 1999, has been held over 180 cities of Russia, and has proved a driving force behind LG Electronics' success.

marketing of LG Electronics was a very good attempt targeting the consumers in CIS region where people had negative perception about the foreign companies and capitalism. It greatly improved the impression and reliability of LG Electronics.

In October 17, 1997, LG Electronics further strengthened its footing on the Central Asian market by establishing its subsidiary LGEAK(LG Electronics Almaty Kazakhstan) for production and sales of color TV in Kazakhstan. In June 1, 1998, the president of Kazakhstan participated in the ceremony for the completion of the Almaty TV production plant. LG Electronics has succeeded in building its friendly image to the citizens as it held the 'LG Festival' in the Palace of the People's Republic of Kazakhstan in commemoration of the plant completion.

LGEAK achieved the sales volume of \$22 million in 1998. In the same year, LG Electronics captured no.1 spot in Kazakhstan market shares in TV(29%), VCR(30%), and vacuum cleaners(30%). LG Electronics ranked no.2 in brand preference after Sony and set record of 97% in brand awareness in the brand survey conducted jointly with the Korea Gallup in 1998. LG Electronics has become the top brand in Kazakhstan in only one year of its entry. LG Electronics gradually expanded its business by establishing the service subsidiary LGEUR(LG Electronics Ukraine



UKRAINE, A NEW LAND OF OPPORTUNITY

LG Electronics is about to create another legend in Ukraine, a country with abundant business opportunities.

Inc.) in Kiev in addition to its Moscow service subsidiary LGERI(LG Alina Electronics) and further establishing 11 branches in 1998.

After 2000, LG Electronics raised its brand awareness through region-focused culture marketing and continued to dominate the market with the region-specialized products such as the air-conditioners for both heating and cooling and digital karaoke. The result was very successful. In 2000, LG Electronics ranked no.1 in Russian market share in sales of air-conditioner.

In the same year, LG held the 'Russia LG Baduk(Korean checkers) Tournament', creating a sensation for the game and improving the image of both LG and Korea. This tournament has become the Russia's first official Baduk tournament. As a result, Russia is using 'Baduk' as its standard term rather than Japanese 'Go' which is used globally.

In 2003, LG Electronics ranked no.1 in 7 product lines(vacuum cleaners, microwaves, audio systems, TV, air-conditioners, video/DVD players, and light recording media(CD-ROM, etc)) in Russia. LG's washing machines, monitors, and GSM phones also achieved great result. Especially, the vacuum cleaners and microwaves of LG Electronics were selected as the Russia's official 'national brand'. The 'national brand' refers to the no.1 product in each product line, selected by the Russian citizens

every 2 years. Having selected by the 'national brand' proves that LG Electronics is on top of the CIS market.

LG ELECTRONICS RISES TO THE TOP IN UKRAINE

Ukraine is a country where selling products is easier thanks to its concentrated population. It also has almost the same economic potential as Brazil, Russia, India and China(BRIC) due to its vast expanse of land and population. This huge market potential was what started foreign investment in Ukraine. It has the number of population just below that of France after Germany and the urban concentration is much higher, which creates more business opportunities.

With this in consideration, LG Electronics invested strategically in its brand value. Particularly, the brand marketing strategy that was conducted for a year paid off significantly. While previous TV commercials were all static or based on humor, there was none that created emotional attachment. Commercials that palatably expressed brand characteristics were non-existent. In other words, there were commercials that could say 'LGE is here,' but none that could indirectly express 'LGE is here, and in fact, it's pretty cool and chic.' With this message outline, LGE tried to match its brand value with an emotional attachment that 'LGE is pretty good.' In addition, with sales focusing on high-end products through store sellers, LGE's brand value has recently been boosted with a suggested association of 'chic, high society and technology.'

As a result, in 2007, LGE established an oligopolistic position in the Ukraine market, occupying the largest market share in DVDs and White Home Appliances, such as air-conditioners, refrigerators and washing machines, and it achieved market leadership in PDP & LCD TVs through aggressive business activities, leading to increased sales growth by 30% compared to the previous year.

Particularly, Ukrainian customers' unaided awareness of LGE is quite high at 60%. Moreover, this favorable situation is reinforced by the local consumers trusting LGE's technical superiority through repeat purchase for the past ten years. With enhanced business by globally popular brands, however, the steep curve of sales growth is expected to slow down inevitably within years. LGE is accordingly planning to maximize its profitability by increasing the volume of high-end, premium products once the market share threshold is reached. In the Ukraine

market, it is attempting to increase the number of home appliances that rank first in market share while concentrating on the top 10% consumers. By addressing the upper middle class, the export volume so far increased 50% annually.

In the future, LGE is inevitable to compete for the topmost consumers with Japanese products in the midst of a marketing war. So LGE extended 'Studio LG', a general education program for customers that opened in downtown Kiev in October 2006 to seven more cities country-wide while increasing the number of shops country-wide, such as 'King's Garden' that displays and sells LGE's high-end products to enhance its brand value. In addition, it decided to increase local customer management organizations that collect opinions of the consumers and clientele from eight major cities to fifteen cities in 2007. LGE is currently focusing all its strategies on realizing its vision in products, distribution and promotion. While basically maintaining the win-win relationship with distribution, it is steadily employing unidirectional advertising that involves a message of 'chicness, high society and technology' to move to a premium brand. Furthermore, LGE is reestablishing its brand that garners consumers' trust through continuous CRM as well as steadily reinforcing the bond with shop managers.

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LG ELECTRONICS, THE BEST COMPANY IN KAZAKHSTAN

LG Electronics officially established LGEAK(LG Electronics Almaty Kazakhstan) in Kazakhstan in 1997, and continued its success based on aggressive culture marketing and local production.

LGEAK overcame the devastating 1999 foreign exchange crisis head-on through 'Digital LG Declaration' building trust in Kazakhstan's citizens in doing so, and kept improving LG's brand image with successful marketing achieved around the world. Its major marketing activities included the 'Kazakh Karaoke Festival' and public-education campaigns. Especially the 'observe traffic signals' campaign made a sensation in the Kazakh society, a country where traffic accidents claimed over 10,000 lives a year.

As a result, unaided awareness of the LG brand reached 92%, and LGEAK firmly established itself as the national enterprise in Kazakhstan. LG Electronics is now upgrading itself from a national brand to a premium brand. For this purpose, LGEAK deployed three

business strategies. The first approach consisted of establishing competitiveness in premium products, such as Plasma TVs, LCD TVs, and other digital TVs, and enhanced marketing was conducted targeting premium customers. The second strategic task was to create more profits by the 'selection and concentration' strategy, and involved focusing on products with higher profitability. And thirdly, the business structure would continue to become more streamlined.

On this foundation, LGEAK is maintaining a leading position in the Central Asian home appliances market: TV(35%), monitors(45%), air conditioners(50%), washing machines(35%), microwave ovens(50%), and karaoke(60%).

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HIDDEN GEMS, THE BALTIC COUNTRIES

The three Baltic countries, Latvia, Lithuania, and Estonia, in North Europe, are emerging as a new market. In 2006 LG Electronics established a sales subsidiary, LGELV, in Riga that has been declared a UNESCO World Heritage Site for its extensive Art Nouveau architecture, and entered the market in earnest by displaying high-end TVs and mobile phones in its downtown retail outlet with LG advertisements. With the strategically located Wroclaw and Mlawa TV plants in nearby Poland, LG Electronics has an optimized environment to supply flat TVs in the Baltic countries.

It is now leading the IT market in the Baltic countries with its LCD TVs and premium home appliances, and is strengthening its marketing drive aiming at a 20% of market share in home appliances. The popularity of LG washing machines, refrigerators, and mobile phones is already soaring rapidly. Most notably, LG Electronics is planning to continue the success of the 'Shine' phone with the PRADA phone by LG.

'DIFFERENTIATION' MARKETING STRATEGY

In 1997, LGE launched its brand in Russia, but it was not easy to secure additional investment capital in the midst of Korea's financial crisis. The CIS region was already seen as strategically important in 1997, but LGE was unexpectedly struck with the financial strain. Selling did not decrease, but actual sales were on the decline due to depreciation. Moreover, the LG brand was considered new in Russia at the time.

LGE set its top priority to establish the local distribution network given that 80% of purchases were made in localities although the Russian



LG ELECTRONICS' COMPETITIVENESS IS RUSSIA'S COMPETITIVENESS

Russian people are using LG notebook computers at the Moscow National Library. The Russian people's affection for LG Electronics is increasing as Russia's national competitiveness increases at the same time.

economic environment and distribution market were centered around Moscow. After the moratorium in 1998, it got into business operations in local provinces with thorough market research.

LGE employees set to figure out the details on the regions of the vast Russian territory and the population there, and established strategic points centering around areas with a million people or more as a priority. The reason behind this localization strategy was that it should be first to have consumers voluntarily look for LGE's products by attaching its brand emotionally to them. To establish the solid sales foundation in the local provinces, it divided the Russian territory into 5 regions as the Far East, Siberia, Moscow vicinities, Saint Petersburg, Volga and the North West in 1998, and initiated the Big Bang campaign that could address the regional characteristics. Later on, this campaign was followed by the 'LG festival' that would take place in 180 places in Russia.

In addition, to win over the hearts of the Russian people, the LGE employees visited local orphanages and donated needed electronic appliances to them as a marketing strategy that would secure prospective customers. LGE went further to sponsor Russia's national soccer team from 2002 to 2006, given the fact that soccer is the most favorite sport for Russians, establishing a brand status that represented

a nation. Through this sports marketing employed in professional ice hockey, marathon, figure skating, etc, LGE started emerging as a premium brand. There's more. To make a strong impression of LGE's superior Information Technology on Russians, LGE opened the LG Digital Library in the National Library of Russia in Moscow in July 2005 that allowed users to experience LGE's technology. LGE built trust on its brand along with its clean corporate image that it gave back the profit to the society.

In the Volga region, the entire resident employees went out with their briefcases on every Friday for the local marketing. On weekends, they made a checklist to figure out every detail of how to approach, and on Mondays when target shops were chosen through a discussion, they would go out again on the next Friday to persuade the shops to specialize LGE's brands. With this step-by-step approach, 330 brand shops for LGE have been established in the CIS region. In addition to this personal strategy, LGE started 'Big Bang' campaigns to cater to Russians' interest in cultural events.

This culture marketing helped establish the notion that LGE is a company that invites people to enjoy things that it provides instead of selling products. The LG festival, which started in 1999, spreading to 180 cities in Russia, became the important driving force that turned it into LGE's success in those particular localities. Particularly, the festival was not merely a local festival in that LGE used it as an opportunity to sponsor welfare facilities within the regions and build a network that could strengthen the relationships with the opinion leaders, including governors and mayors.

LGE's marketing activities led to a variety of events, such as music concerts featuring popular singers, Miss LG Beauty contest, LG Karaoke contests, LG Scholarship Award Quiz, and sponsorships of Go competitions. When the LG festival was held, 150,000 people would gather around the plaza, creating an exciting festive atmosphere. At the end of the concert, local residents would sing along with the Russian singer to the LG song, which was translated into Russian and later became one of the most popular songs in the nation. The hearts of Russians could emotionally attach to LGE by singing together this touching song. With this differentiated 'culture' marketing, LGE solidified its footing in Russia and the Russians' minds, and now serves as a good example of successful culture marketing.

RUZA PLANT SERVES AS SPRINGBOARD TO BECOMING GLOBAL LEADER

Ranking second in the global market share of home appliances, LGE is seen as the best brand of home appliances in Russia and the CIS region. LGE has already become a national brand in Russia and nine out of ten people are aware of the LG brand.

There is a bridge named 'Bolshoi Kamenny Bridge' that runs past the Kremlin, the heart of Moscow. LGE started its brand advertising in 1995 on the bridge and succeeded in significantly exposing its LGE brand. Now the bridge is called 'LG bridge' rather than 'Kamenny.' In addition to Moscow, it is trying to create a 'LGE boom' by installing a number of billboards on bridges that run into downtowns, such as Vladivostok in Russia and Nairobi in Kenya. After driving two hours westward off Moscow past the LG Bridge, the Ruza plant, LGE's local production plant in Russia, comes into view. Inside this building, Russians are busy assembling LGE's TVs, washing machines, refrigerators, etc. That's the Ruza plant of the LG Electronics. Before any other global vendor that supplies electrical and electronic products, LGE established a local production plant in September 2006 for the first time that could produce the entire product.

The Ruza plant is producing a variety of products from digital appliances, such as PDP & LCD TVs, Audio(home theater systems), washing machines to refrigerators. It has now become a strategic base that will lead LGE's legend of success for the previous ten years. This new production plant in Ruza will help gain a first-mover advantage in Russia where top global corporations compete against one another. Building a Russian production plant was a great interest both to LGE and Russia. It was because, with the prospects that the competition among the global companies would stiffen in the near future after Russia's entrance into WTO, the first mover would get the upper hand in the market. By establishing local production sites in Russia, LGE can expect to have not only the first-mover advantage, but also the solid business foundation.

Currently, the Ruza plant estimates an annual production of 1 million LCD·PDP TVs, 600 thousand washing machines, 250 thousand refrigerators and 250 thousand home theatre units by 2008. After the stabilization of its production line, as early as 2010, the plant will provide an annual capacity of 4 million units including 2.2 million TVs and 1



THE RUZA PLANT LEADING A LEGENDARY SUCCESS STORY

The production plant in Ruza, built in September 2006, enabled LG Electronics to seize the market ahead of others in Russia which turned into a battle field of global companies.

million washing machines

Products made in the Ruza plant will be supplied to Russia and the CIS countries, including Belorussia, Ukraine, Kazakhstan and Uzbekistan, and without tariffs within the regions. By getting out of the previous export method before the local production plant was built, tariffs and physical distribution cost could be reduced, boosting cost competitiveness.

NEW STRATEGIES IN CIS MARKET

The Russian market is becoming more transparent as the Putin administration is trying to set up a customs system and increase deregulation while preparing for the WTO.

With the changing of Russian market and the normal operation of the Ruza plant, LGE started to expand market space by combining the national brand status and the suites of premium products. Accordingly, the CIS headquarters is going through a new reform in the sectors of products, marketing and services as well as R&D.

Particularly, it decided that marketing activities focusing on the enhancement of the existing brand power wouldn't do much good. This was because 90% of people in Russia were already familiar with LGE as

their national brand and the main streets of Moscow were already lined with multitudes of LGE signs and logos. So, the focus has moved from increasing the brand power to customer insight that can be used to build trust in customers. In addition, as the Russian economy is bustling with activity, LGE is seeing the government's Housing Environment Improvement project as an opportunity for another market. When new housing goes into construction, new demand is extensively created in response. In fact, the upper middle class market that LGE now is focusing on has become a 'red ocean' market where global home appliances companies competitively tried their luck. As a consequence, LGE plans to focus on launching products that will spur new growth in the premium, high-class market in the future.

The CIS headquarters established the LGE Mobile Handset Research Lab in the Engineering School of Saint Petersburg University to secure the local advanced R&D staff based on Russia's world-class level of fundamental technology. Moreover, it is adding concrete details on the strategy of premium mobile phones along with the volume increase in premium home appliances. As the demand for premium mobile phones in the Russian market increases due to the economic growth, preference for the 'black label' series including Shine and Chocolate phones is on the rise. LGE is planning to employ premium marketing with products that have necessary features and great designs to satisfy the Russian customers, thereby emerging as a major player in the Russian market.

As part of the plan, it set up a Shine Zone in its exhibition hall, displaying Shine Bar, Shine Slide and Shine Folder launched in April 2007 to boost the brand image of premium designs focusing on the black label series. In addition, the Chocolate phone (Black, White, Pink, Red and Wine) that sold ten million units, and phones (Gold, Platinum and Folder) in the same lineup as the Chocolate phone were also displayed, boasting of its chic design. Furthermore, LGE showcased all kinds of mobile TV phones available world-wide from 3D Touch DMB phone (LG-LB6300), DVB-H phone (LG-U960) to Media FLO phone (LG-VX9400), highlighting its topnotch mobile TV technology.

With all these endeavors, the CIS headquarters is aspiring to become the global top through premium products and differentiated marketing for each region. Differentiated features and designs are getting closer to creating customer value.



KOREA

THE BEGINNING & VOLUME GROWTH OF LG ELECTRONICS KOREA

LG Electronics Korea has maintained its continuous growth by establishing the foundations for competitiveness under stiff competition and the rapidly-changing market environment. Its volume growth started with the period of pioneering and initial growth in the 1970s, followed by competition in the 1980s through a volume-driven approach and external expansion. It was further extended into the early 1990s of quality-based competition through the diversification of distribution channels, followed by the late 1990s of distribution restructuring, and the 2000s of growth recovery through its premium products.

LG Electronics' first attempt at marketing began in July 1963 when sales, previously conducted by the management department, were taken over by the newly organized sales department, due to the expansion of its business operations. In January 1965, a sales department and a service center were established in the Seoul office, accelerating business activities in Seoul. Meanwhile, the sales network broadened through local agencies, with the number of business connections increasing from 35 in late 1962 to 96 in 1966.

However, the number of electronics companies jumped from 27 in 1963 to 145 in 1969, making it necessary to plan a sales strategy to prepare for stiff competition. As a result, the GoldStar sales company was established on January 5, 1968, taking charge of advertising and the sale of its home appliances, previously conducted by the marketing department of the Home Appliances division of GoldStar in connection with local liaison offices and service centers. Unfortunately, GoldStar closed down in 1972 due to issues regarding taxation and internal management, despite its potential and active operations. In 1973, the functions of GoldStar were taken over by the head office and sales operations were integrated into its organization. This led to the company-wide movement to train every employee as a sales representative through marketing education and distributing product catalogs. The relocation of the head office to Seoul in October 1974 provided an opportunity in 1977 to broaden the scope of the sales organization to that of a headquarters.

However, the second oil crisis of late 1978 put a damper on the domestic and international economy while the Hyundai Group entered

the electronics industry after the revision of the Electronics Industry Promotion Act in 1981, and the Daewoo Group sought to rearrange the industry map by acquiring the electronics unit of Taihan Electric Wire Co. GoldStar responded by reinforcing its sales strength to increase sales growth, and on March 25, 1981, it opened the nation's first customer service center to listen to and resolve customers' complaints. It also put in much effort to provide quick services by introducing a return policy for defects in the sales division. In addition, a means of producing service manuals for new products was introduced in order to provide quick services after the products were launched. In December 1981, GoldStar Factoring Corporation was established to increase consumer convenience as well as the secured profit of special agents. The reason behind GoldStar's factoring plan, the first of its kind in the country, was to promote sales amid the recession due to the second oil crisis as well as to strengthen its sales-based competitiveness under ever-stiffening competition. GoldStar managed to increase sales through the factoring plan with customers' credit as security.

In 1983, a service academy opened within the Gumi Training Institute to develop and educate staff as all-round service representatives, and initiate efficient and prompt service activities. Furthermore, GoldStar declared 1984 'The Year of the Customer' in a convention held in Jamshil Gymnasium in Seoul on January 7, 1984. This declaration by GoldStar was the first in the country, made to boldly implement consumer-oriented business policies and actively conduct consumer protection activities. GoldStar carried out active customer service activities with the slogan of 'offering service wholeheartedly' in 1987 and 'faith in consumer protection' in 1989, striving for improved customer service.

CUSTOMER-BASED QUALITY GROWTH

In 1991, the government revised the existing Consumer Protection Law to further protect the rights of consumers. GoldStar accordingly carried out a number of innovations by creating the slogan 'fast, friendly and convenient service', conducting a 3-fold reform of 'technology, service and image', improving service quality, enhancing early alerts of market quality etc.

Beginning in 1992, every office, including the headquarters, held a ceremony to declare April 'Month of the Customer' and conduct

customer service campaigns simultaneously. In particular, a GoldStar Global Service System(GSGS) was set up to provide GoldStar customers throughout the world with fast and accurate services anytime, anywhere, thus maximizing customer satisfaction. A country-specific service network was established with the new policy of an international guarantee service where customers can have products purchased abroad repaired in their home country. In addition, it attempted to professionalize service representatives by training local technicians on services and inviting them over to Korea.

In 1993, it first introduced a Sales Stimulation Program(SSP) into home appliance sales in the country. At a time when the ratio of sales through agencies was 80%, SSP helped spread customer care techniques to agencies where customer care was unheard of. In 1994, 'road shows' began, which were adopted as 'open marketing' that could increase actual sales by discovering and inspiring customers, as well as a new strategy to overcome market opening and the economic recession.

In January, 1995, the international business environment took a turn for the worse with the launch of the WTO and the acceleration of bloc economies. While the overall market gradually entered limitless competition, GoldStar was at risk, uncertain of its survival in the Korean market where multinational corporations entered with their goods manufactured abroad. The advent of this global competition made it necessary to rearrange the market map where domestic companies jostled with one another for market leadership, in line with the government's policy to actively promote the electronics industry.

In April 1995, LG Electronics opened its first 'Hi Plaza' store in Ilsan and increased the number of stores to 14 by 1997, preparing for the opening of the distribution market. The establishment of Hi Plaza stores was a response to the market situation in the mid-1990s when the volume of discount stores increased amid strong performances by the two big merchandise stores, Hi Mart and ET Land. LG Electronics was able to maintain the upper hand in the distribution market by keeping the balance between varied merchandise sales and exclusive sales. Hi Plaza served as an opportunity to use market opening to enhance its competitiveness and to secure market leadership, and it functioned as a general merchandise store of Hi-Culture, Hi-Media and Hi-Living goods.

In particular, the Total Operation Program For Store(TOP'S) helped



WHISEN, the World No.1 Air Conditioner

In January 2007, LG Electronics launched a product that came to light by 'WHISEN DreamAir Project' on the 40th anniversary of air conditioner production.

enhance the competitiveness of agencies. As a program that would enable an agency to make its own objectives and then prepare and carry out steps to achieve the objectives, TOP'S was to introduce 'management planning techniques' into agencies. As a result of the innovative TOP'S program, agencies that participated achieved a 15% increase in growth whereas the ratio of actual sales increase achieved by agencies maintained the status quo due to the recessive domestic market of home appliances in 1996.

In 1997, however, the IMF financial crisis caused massive industry-wide restructuring, and the national economy spiraled downward due to high exchange and interest rates. With a sharp decrease in the exports and the stagnant domestic performance, LG Electronics was not an exception in these difficult times. Financing was strained and the high financial costs were burdensome.

In May 1998, LG Electronics attempted to improve productivity in the sales division by changing existing sales offices in small market areas into marketing centers. Marketing centers were key to market management, targeted for large market areas, by effectively applying the marketing mix of products, distribution and promotion, and served as the foundation to use the best strategies fit for market



DIOS IN GALLERY

LG Electronics opened DIOS in Gallery, Korea's first outlet dedicated to a full line of kitchen appliances, and formed partnership with major kitchen furniture makers to enhance its competitiveness in the B2B built-in appliances market.

characteristics defined by the strategic consideration. This was to respond to market changes such as varied merchandise sales and the trend of market opening, and sales representatives transformed themselves from merely employees conducting general management tasks in the existing agencies into marketing professionals performing a specialized function. In addition, a campaign to visit 100,000 households was launched to help recover from the financial crisis, providing huge support to overcome the hardship.

In October of that same year, www.lgnara.com opened as an online store for electric and electronic goods. It employed a pioneering sales strategy for the Internet era by providing detailed product information as well as selling goods to customers. In addition, every agency and service center in the country changed their signs in April 2000, from the existing 'LG Electronics Plaza' to 'Digital LG' to operate as digital shops. It was an action taken to improve corporate image and be in tune with the digital era of online business and the emergence of digital goods. As 'digital' became a topic of interest in the early 2000s, the stores changed their interior design to a more luxurious look. Around this time, Daekyung Distribution, a company founded in 1997 and operating around metropolitan regions, and Daenam Distribution

that had business operations in local regions became a subsidiary of LG Electronics in 2002, named 'Hi Plaza Corp'.

In 2005, marketing organizations of each division were integrated into Korea Marketing, emerging as a new organization that took charge of both sales and marketing. The customer service division was included in the Korea marketing organization in each region based on the idea that services, by nature, are not to be managed as a separate marketing tool, which was proposed by Vice Chairman Nam Yong, the newly appointed CEO in January 2007.

Above all, in 2007, LG Electronics strengthened foundations for a customer insight discovery to improve customer value. As part of the effort, a new Insight Marketing team was organized, and a department was created in each organization, establishing a company-wide base for a customer insight discovery. In addition, measures were taken for insight discovery in every sector including production, marketing, R&D and HR. In this way, the customer research activities of each organization were systemized and this provided an opportunity to discover methods to provide value to customers, achieving an improvement of the LG brand image along the way. LG Electronics will further its determination to become a company that creates true customer value by recognizing customers' needs and mirroring them in its products and services, rather than just following the trend.

GROWTH TO WORLD-CLASS: LG ELECTRONICS KOREA

LG Electronics considers the year 2008 to be a turning point for global business. In January 2008, in order to strengthen market competitiveness throughout the global network, LG Electronics redistributed three previously local directors(North America, Europe, China), six local representatives(South East Asia, South West Asia, CIS, Latin America, Brazil, Middle East & Africa), and one business system(Korea Marketing) to eight regional headquarters. Following this, the Korean Marketing sector was officially launched with LG Electronics Korea at the same level as other overseas subsidiaries.

Since then, the Korean Marketing Office has been considered the "Head office in Korea", but it changed its name in January 2008 to LGEKR(LG Electronics Korea). In other words, LG Electronics Korea is not simply a body of the Korean Head office but a regional business operation that manages the Korean market, a core market

for LG Electronics, just like other overseas regional headquarters. This is a very important notion for LG Electronics to push ahead with globalization without borders. The Korean market is not only a global market but a crucial and strategic market for LG Electronics as well. To this end, LG Electronics Korea not only plays a pivotal role in increasing profitability, but also sets the standard for nurturing marketing experts and developing implementation regulations.

LG Electronics Korea already integrated marketing role and responsibility that were separated between the Korean Marketing Sector(the predecessor to LG Electronics Korea) and the Companies: in 2007, LG Electronics Korea combined the Korean Service sector; in 2008, the logistics sector(HiLogistics, Co., Ltd.) was acquired, integrating all interfaces in Korea. LG Electronics Korea is pushing innovation not only in marketing and sales but also for customer values at each customer interface.

First of all, in respect to marketing and sales, LG Electronics Korea set the vision of growing into a 'No.1 Marketing Company' within the Korean market in 2006. To achieve this, LG Electronics Korea has come with the mission to create a premium brand and plus, present a global standard for market-oriented product development and sales through differentiated marketing skills. Also, the company set 'Most Valuable, Most Advanced, Most Competent' as its top three values. This signifies that LG Electronics Korea will lead the work involved in balancing, adjusting, and structuring 'segmentation, targeting, and positioning' as well as 'marketing 4P' from the phase of product development to before and after the point of consumer purchase. On the other hand, it signifies that LG Electronics Korea will build an advanced management system in which it raises marketing experts based on each distribution channel that exists in the Korean market, and reward them strictly based on their performance on the principles of fair competition and transparent evaluation. Moreover, from the people's point of view, LG Electronics Korea will be an able leader and marketer with creative thinking and agility.

For value-innovation of the customer interface, from 2007, LG Electronics Korea has been evaluating the values from the point of view of the customer, based not on traditional customer satisfaction but on recommendation opinions through the newly-adopted NPS survey system. In addition, the company is carrying out a follow-up



Revealing Cutting-Edge Technology at KES 2007

At Korea Electronics Show 2007, LG Electronics presented the entire state-of-the-art display line including 102-inch Plasma TV, Wood Plasma 'Gallery', Broadway, and Black Picasso. The company also received the Presidential Award for the Super Blu Player Optical Pickup & Loader at the 12th Electronic Components and Technology Awards.

until the customer's points of discontent are resolved. From 2008 where all interfaces were integrated from service to logistics, LG Electronics Korea took a step forward and combined the capacities of all interfaces and pushed ahead with creating synergy in the customer's perspective.

Lastly, LG Electronics Korea keeps strengthening the capacities of all employees including field workers at the customer interface. All employees have come up with and are currently operating a disciplined rearing project dependent on their own capacities and career path plan. In respect to field workers who are in charge of delivery, installing and service, the company is making an environment in which no resources go to waste voluntarily and where employees can catch up with their colleagues with superb capacities and expertise.

STRATEGIES OF LG ELECTRONICS KOREA TO BECOME NO.1

LG Electronics Korea has been responsible for producing operating profits at a corporate-wide level, and development of advanced marketing methods and their distribution, and also acts as a global test bed. LG Electronics Korea therefore is performing such fundamental roles while at the same time developing LG Electronics



'Best Shop' with Customer Satisfaction at the Top of the List

LG Electronics changed the name of its existing Hi Plaza to Best Shop to be closer to customers from the perspective of MOT and strengthen customer relations infrastructure.

into the top brand in the Korean market.

Interestingly enough, the world's top brands find it hard to exert their power in the Korean market. It was not long ago that Japanese manufacturers, GE, and other global companies occupied the premium home appliance market in Korea. Korean electronics companies never found themselves to be a major player in the Korean premium home appliance market. It was commonplace that wealthy households had a GE refrigerator, a Sony TV, and other high-end Japanese electronics goods. But what about now? GE or Japanese electronics companies are not at the forefront of the current premium market in Korea. That is because LG Electronics and other Korean brands are dominating the premium market. It is not common for a nation's local companies to dominate 90% of the nation's entire home appliance market. This is what LG Electronics Korea has achieved so far.

In the wake of the credit crisis in 2003, the Korean market is expected to enter a period of stagnation. Despite the contraction of the market, digital TVs, refrigerators, air conditioners, and drum washers are showing the potential for further growth in profitability. So it is a task for LG Electronics Korea to ensure leadership in the market for these products in the future.

Although it is expected that the current distribution structure will increase cross-brand sales, LG Electronics can rely more on its own attractive distribution channels, i.e. Hi Plaza and other discount retailers, so the prospect is quite bright. However, it would also have to utilize less attractive channels such as general merchandise stores and home shopping retail. Especially as customers are responding increasingly to design features, it is considered more important to gain customer insight with respect to consumer sensitivities.

Over 90% of the electronics market is dominated by LG Electronics and Samsung Electronics, except the PC and small appliances sector, and given that there is no significant influence from external factors, it is expected that the market will continue to be led by the two companies for the time being. Over the past three years, LG Electronics and its competitors have been focusing on enhancing their internal structure and on value games. But recently, the competitors are increasing their approach based on competitive pricing with lower-spec products.

Air conditioners and drum washers, which are positioned right at the center of this conflict, are maintaining their superiority, while PCs are overcoming their difficulties. However LG can never be complacent, as its flagship digital TVs and refrigerators are struggling, as well as the 'stylist segment' which is expected to increase its weight in the future. Therefore, in order to secure a competitive edge and increase brand awareness, LG Electronics Korea is pushing ahead with 'marketing mix' differentiation and all-round CS(customer satisfaction) activities based on STP(Segment, Target, Positioning). LG Electronics Korea also came up with a strategic challenge to boost profitability in harmony with all channels through marketing differentiation for each channel.

Accordingly, B2B(Business to Business) strategy is expected to relatively accelerate compared to B2C(Business to Consumer), and the CAC market has the most growth potential. LG Electronics Korea has been maintaining its competitive edge through sales-oriented competition in the B2B market, but in the future, LG Electronics Korea will have to compete with other global companies that are more competitive than LG Electronics. Therefore, LG Electronics Korea is improving product ability, brand, and infrastructure, and is strengthening 'spec-in' capacities along with the customer service infrastructure in the customer interface. Furthermore, LG Electronics Korea is preventing damage in management performance and brand

image by bolstering, beforehand, risk management.

LG Electronics Korea, based on the market growth of the last 3 consecutive years, reduced the supply cost and total cost. Through this, ROIC has greatly improved. Profitability is expected to be worse due to a slowdown in market growth and the price competitiveness of rivals. To prepare for this, LG Electronics Korea set a mid-long term goal to achieve stable profitability through product mix improvement, all-round CS(customer satisfaction), strengthening cost competitiveness. By exerting such efforts, LG Electronics Korea plans to contribute to creating shareholder value by achieving total sales of 5.3 trillion and an operating profit of 605 billion by 2010.



CHAPTER 03

GLOBAL NO. 1, FUTURE OF LG ELECTRONICS

CREATING VALUES FOR GLOBAL MANAGEMENT



VALUE-CREATING MANAGEMENT

01 Since its foundation, LG Electronics has ceaselessly moved forward while fiercely competing with leading electronic and IT companies in the global market. Having repeated highly intensive innovations, LG Electronics has always aimed to ultimately become the 'Global No. 1 LG.' Now that it is the 21st century, the vision of 'Global No. 1 LG' has become the company's pledge and will to provide its worldwide customers with enriched lifestyles through innovative digital products and to start anew as more powerful LG Electronics.

In 2007, the new CEO and Vice Chairman Nam Yong declared, 'Let's build a genuine, global organization that passionately obsesses over creating values,' to achieve the company's 'Global Top 3' goal. He also emphasized that the company would have to focus on creating shareholder values, customer values and employee values. He also emphasized that the company would have to focus on creating shareholder values, customer values and employee values. This also stressed management valuing customers and markets, and growth based on profits while the company had been leading the global electronics industry as a global company beyond the Korean market. It was a great ambition to solidify the company's position as a global leader living up to its reputation through such efforts, and to take the leadership in the future and world.

'Creating customer values' means giving undivided attention to

offering customers differentiated and unique values; 'creating shareholder values' corresponds to consistently aligning clear strategies that drastically boost shareholder values with practical activities of each organization; and 'creating employee values' corresponds to encouraging employees to find, learn and exercise the ways to do their job best on their own, and allowing them to create specific values as a result and contribute to the organization.

CREATION OF CUSTOMER VALUES

- 1) Apprehend true needs of customers and reflect them on products and services
- 2) Carry out marketing and investments to capture the hearts of customers
- 3) Devise and conduct region-specialized marketing strategies

CREATION OF SHAREHOLDER VALUES

- 1) Establish alignment of clear strategies to create values with the organization's executing power
- 2) Need to fundamentally understand the source of value creation instead of seeking to save costs
- 3) Build the globally leading level of competencies to create values

CREATION OF EMPLOYEE VALUES

- 1) Provide breakthrough opportunities of self-development and global experiences at the corporate level
- 2) Increase personal competencies by learning how to work better
- 3) Conduct personal evaluation through actual and specific contribution to the organization

FOR THE PEOPLE COMPANY

02 CEO and Vice Chairman Yong Nam proposed a vision of 'the People Company' to cultivate a 'company that has the best talents produce the best results with the best teamwork.' To do so, he decided to boldly hire globally competitive outside talents regardless of nationality and gender, and establish a leadership development center to train 300 management-level key employees. In addition, he made it clear that he would relocate the management and employees on demand to quickly counteract changes in the environment.

Therefore, 'the People Company' is a talent-based company with three characteristics. 'The People Company' is the company that leading talents in the world want to work for, the one that grows talents faster than any other companies, and the one that has many talents wanted by other global companies. To make such a company, LG Electronics must offer innumerable new chances to passionately challenge, and requires a carefully designed cultivation system. Moreover, a company that actually recognizes results and provides differentiated rewards

is also 'the People Company.' This means that employees must be the top priority for corporate management, and that the company should select and cultivate talents demanded by each project to let them be the main force of the management. It can be a shortcut to becoming a great company beyond a good company.

Consequently, for the first time in its history, in 2007 LG Electronics internally selected 3 local individuals as executives in order to strengthen local close-up marketing in the strategic markets such as North America and Europe. Rather than discriminating against nationality, the company showed off its competencies as a global company and created the foundation of global talent cultivation by promoting local staffs as the management based on the 'strict performance-based evaluation' and 'global management competencies.' Furthermore, LG Electronics opened up a 'highest level' position for each sector such as CMO(marketing), CHO(human resources), CPO(purchasing) and CSCO(supply chain management), aside from CSO(strategies), CFO(finance) and CTO(technology), in order to ensure the best management. To establish a lineup of a truly global company, the company had decided to become the first Korean conglomerate to organize the best management with the highest-level manager of each sector.

Additionally, the company systematically proceeded with cultivating internal human resources of globally leading talents. In August 2007, the company newly constructed an evaluation system that focused on how employees created values and contributed to the organization rather than evaluating individuals for their position or activities only. Accordingly, the company decided to change the personal competency evaluator to the C-level(Chief Officer level) from the team level. This was to take care of the future manager candidate pool at the corporate level, letting CTO evaluate competencies of engineers and CFO personally handle competency evaluation of the finance team employees.

The leadership evaluation system was also revised. Previously, leadership evaluation had mainly concerned invisible attitudes such as righteous management, taking the initiatives, and creative activities, but the revised leadership evaluation system added new criteria directly relating to businesses, including performance management and executing power. Particularly, the leadership evaluation now applied the multi-lateral evaluation system to incorporate strict

assessment by colleagues.

LG Electronics not only improved the evaluation system, but also systematically shored up the entire executives and employees so that they could grow as global talents. First of all, the company cut down the maximum stay period of overseas resident employees to 4 years in order to allow as many employees as possible to build overseas working experiences. The company also raised the minimum bar of the second language requirements for promotion to Level 4(having a vocabulary for simple conversations and speaking in the accent that natives can understand) from Level 3(being able to make a brief self-introduction and short expressions).

New employees have also boosted their global competencies. To hire individuals that fit the company's talent model - the 'right people,' who are namely the ones that are enthusiastic about creating values based on their will power to win and passion - LG Electronics has extensively interviewed inside and outside talents. Moreover, the company completely changed its training system. Above all, the training period has been extended from 2 months to 1 year. In the past, new employees had trained for a total of approximately 2 months at LG Academy, LG Electronics Training Center, and training programs for each headquarter before going into the actual operating divisions, which has been largely extended.

Such changes in the human resources cultivation system manifested the company's intention to become one of the 'top 10 global companies that people want to work for' until 2010 by making the best 'ways to work' in the world. In the long run, the company plans to cultivate multiplayers who can understand the big picture of its operations.

SIX MANAGEMENT STRATEGIES FOR GLOBAL TOP 3

PROMOTION OF 6 MANAGEMENT STRATEGIES

01

LG Electronics' conviction on value creation has been implemented as each management strategies, giving a starting point to bring out changes to become one of the Global Top 3. In addition, core elements of the strategies have been organized as the '6 management strategic tasks,' which each business and local headquarter has taken the initiative to carry out and accomplished eye-opening progress for. This means that the '6 management strategic tasks' have produced actual progress through their practice at each sector without remaining as the words in a document, and that LG Electronics has undergone many fundamental changes leading to a success in the future.

The first of the 6 strategic tasks is to focus on ROIC improvement rather than simple growth. In particular, achieving ROIC of 15 % or more by boosting the profitability and effectively utilizing assets means that the overall corporate management is based on ROIC(return on investment capital) and aims at simple external growth. LG Electronics targets to increase ROIC to 15%(20% before tax) by 2010. To do so, the company plans to improve gross margin, and cut down indirect costs and capital employed. To improve gross margin, the company will advance purchasing, streamline low-return SKUs(stock keeping unit), and switch to high-profit products.

The second strategic task is to optimize the portfolio by establishing a clear process of reviewing the portfolio and actively managing it. To review the portfolio, the company comprehensively examines all of product and component projects, considers the future mega trends of the industry, changes in the competitors, and changes in the consumers' purchasing patterns in integrated ways, and ultimately adjusts the portfolio in the direction to maximize the future growth vitality. In addition, the company has reinforced the portfolio to prepare for the future by utilizing all of organic and inorganic methods.

Specifically, organic methods correspond to the existing methods where the entire processes from R&D to the product launching are exclusively handled at the inside of LG Electronics whereas inorganic methods mean using external resources, not internal, through M&As, alliances and strategic relations to expand businesses and discover growth engines. To optimize the portfolio, the company has strengthened its profitability and brand in the advanced markets, and secured its stable growth foundation based on profits in the growing markets.

The third strategic task is to develop products based on the customer insight for each segment by developing and exercising STP-based strategies. For the customer segmentation, the company has to gain a footing in the customer needs and even understand potential needs of the target segment. By doing so, the company has developed and defined product properties customized for the target segment, and positioned products and brands. Accordingly, the company has organized the exclusive insight marketing team, and improved the NPI process. To develop and carry out STP-based strategies, the company must set up effective channel-account strategies, and boost its executing power at the frontline(operating line that contacts customers). Based on the profitability analysis of major clients, this may maximize the company's performance by driving sales resources into the core clients and managing the 'moment of truth' on the basis of the customer insight.

The fourth one is to reinforce the global brand, and the company has been repositioning its brand and restructuring its communication strategies. Recently, the LG brand has largely improved worldwide in terms of the brand awareness and preference. However, it has to actually grow further in comparison with other global top brands. In order to overcome this situation, the company has proceeded to reestablish the brand identity by reorganizing brand communication strategies, and promoting a marketing ROI tool development to effectively distribute marketing resources.

The fifth one is the technology innovation and design differentiation, for which the company has focused on securing differentiation technologies and solutions to offer customers values based on the customer insight. Consequently, the company has reviewed R&D resource distribution from the STP perspective, taken the mid/long-term balance(such as growth, profitability and future preparation) into

account, promoted optimization of the R&D portfolio in connection with its business strategies. Furthermore, in terms of R&D processes, the company has built a development system based on the customer insight so that R&D staffs can participate in the market research and product planning activities, and promoted a quantitative evaluation on R&D projects by using ROI(return on investment). In addition, the company has implemented decision-making methods to have a gate for each R&D process, and established disciplines for R&D performance management by strengthening risk management. Lastly, the company has developed technology, product and business models and boosted the time-to-market through the 'connect & develop' which broadly utilizes external resources besides the in-house R&D. Accordingly, the company has secured and cultivated design specialists such as 'Super Designer,' and expedited competition among the design houses, overseas design branch offices, and outsourced designers. Particularly, to establish design processes, the company has strengthened the lifestyle research to discover potential esthetic needs of the target customer segment, and examine the dropped designs by holding the 'technology sessions.' Moreover, all of the design decisions have been made by design specialists.

The sixth one is to reinforce structure and competencies of the global organization, meaning that the company utilizes all of internal and external resources for the organizational competencies. To do so, the company has built the globally leading level of the organizational competencies in each sector(such as marketing, strategy, HR, innovation, SCM, purchasing and production sectors), and hired the best global talents to create the best human resources pool in the world. The main office has played the role of a 'center of excellence' to discover and share the best practice. Additionally, the company has strengthened the 'open communication' and interview evaluation with the immediate boss to stimulate development of each staff's competencies. Furthermore, in order to cultivate business leaders, the company has set up the PBL(product business leader) and corporate leader cultivation system to develop competencies and boost leadership, not only expanding the business leader pool, but also focusing ROIC to develop strategies, developing STP-based product and market strategies, and heightening conformity between the business headquarters and local strategies with respect to performance management.

6 CORE STRATEGY TASKS

| VISION | GLOBAL TOP 3 IN ELECTRONIC & IT INDUSTRIES |
|-----------------------|--|
| Three Values | <ul style="list-style-type: none"> - Creating customer values through innovations and differentiated designs - Maximizing shareholder values - Building an organization worth benchmarking |
| Six Strategies | <ul style="list-style-type: none"> - Focusing on boosting ROIC instead of simple growth - Optimizing the portfolio - Countermeasuring the market bipolarization - Technology innovation and design differentiation - Strengthening brand investments - Reinforcing global competencies |

GLOBAL TOP 3, LG ELECTRONICS

02 LG Electronics' six management strategies aim to make the company one of the global top 3 in terms of the shareholder return, profitability, growth, sales and market share, and one of the top 10 companies most desired by workers in the world. Ultimately, LG Electronics intends to take off as a company that enhances life of the entire consumers in the world through products of its innovative technologies and differentiated designs.

The company will keep its portfolio focused on consumer appliances while expanding businesses to high-value-added sectors, and managing the aggressive portfolio that utilizes both internal and external competencies.

From the 'organizational culture' perspective, the authorities will be actually transferred, the culture of acknowledging and rewarding risk-taking and meaningful failures will settle down, and so will the 'value-obsessed' winner's mindset(the mindset to avoid copying or settling for No. 2 and to determine to become a market leader as a unique innovator).

In terms of the 'organizational competencies,' the company will secure the best competencies in the world, become the center of marketing, and carry out the 'moment-of-truth' management. Lastly, the company intends to accomplish profit-oriented growth, manage profitabilities for each product and client, and settle down the exceptional management process.

Nevertheless, LG Electronics still has a long way to go. Although its corporate value(such as sales growth, profit expansion and share price rise) has climbed, and its organizational competencies have

strengthened thanks to employment of outside talents and cultivation of core talents so far, the company shall not settle for such results and changes. This is merely a start, and the company must pay more undivided attention to value-creating activities. To become one of the global top 3 in the electronic and IT industries by 2010, the company has to transform itself to an 'organization passionately obsessing over creating shareholder value, customer value and employee value.'

Hence, LG Electronics has put all of its competencies into boosting powerful driving force to carry out future projects and efficiency of operations in 2008. Under the three principles - effective operation of the global organization, customer-driven organization, and increase in professional competencies - the company has changed the current business headquarters as the product business headquarters, reorganized the each local general and representative groups such as the Korean marketing division as part of the local business headquarters, and adjusted the structure and functions of each headquarter. In addition, the company strengthened marketing competencies of the local business headquarters and each business division, and boosted the professional competencies of the staff organization to increase efficiency of the organizational operations.

Moreover, the company has strengthened its faith, 'customers are the starting point and destination of our management, 'that has been stubbornly kept up since the company's foundation, even further and exercised management truly for customers. Cultivating new markets and developing new technologies have ultimately been a part of creating customer values to make customers' life convenient and happy. Particularly, under its business principle that 'the center of our entire work is our customers,' the company has figured out what customers really want or what they desperately desire, but cannot express right rather than what is technologically feasible when developing new products, and reflected such features and values on the products and services. In addition, the company has created inspirational and appealing brands that bring out a profound emotional tie in customers, conquering the global market through devising and conducting specialized marketing strategies for each region in the world.

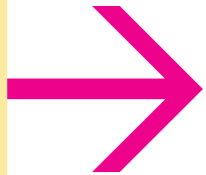
For the past half a century, LG Electronics has continuously evolved through sustainable management based on its shining performance



ANNOUNCING A NEW BI AT 2008 GMM

LG Electronics announced a new BI at the GMM(Global Managers Melt-in) event on 21 January, 2008. The new BI pursues the following three core values: stylish design, smart technology, and the perfect harmony with life.

in Korea and the rest of the world. Now, LG Electronics is preparing a full-scaled transformation for the following 50-year. Not only has the company cemented its reputation as a global company, but it also has employed talents regardless of race and nationality in up to 83 overseas subsidiaries, and come to life again as an advanced corporation. The company is also transforming into a general multimedia IT company from a simple electronic product maker. With its mobile phones and display products, the company has already been conquering the global market, and expanding its business areas into IT multimedia and new renewable energy. Based on such efforts, LG Electronics has moved one step ahead as a great company that survives beyond 100 years through 'endlessly creating values for customers.'



APPENDIX

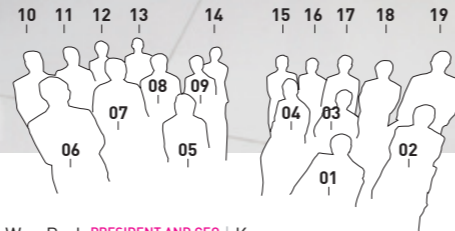
EXECUTIVES

ORGANIZATION

LG AFFILIATES

GLOBAL NETWORK

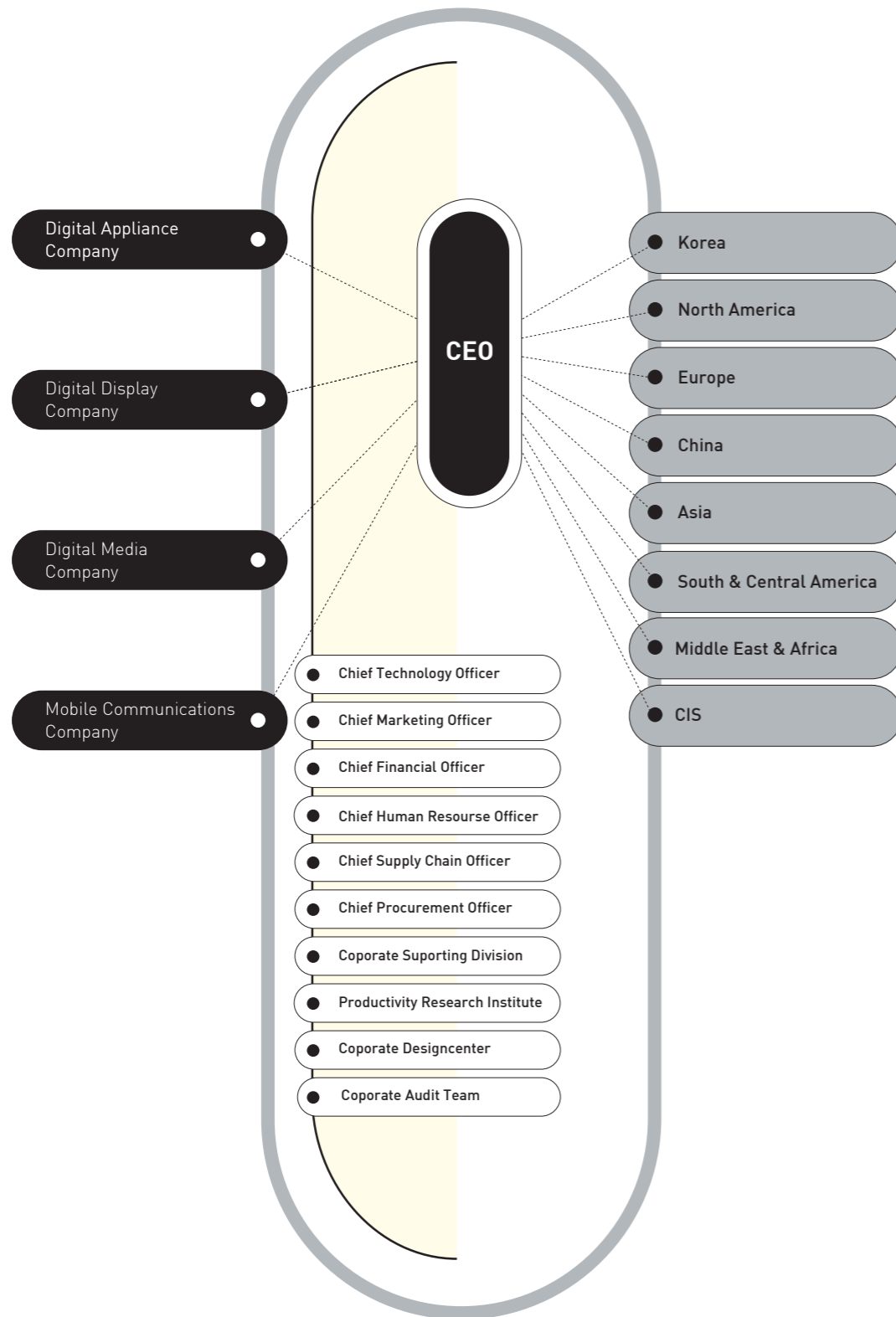
MILESTONES



- | | |
|---|--|
| 01 Yong Nam VICE CHAIRMAN AND CEO LG Electronics | 11 Seog Won Park PRESIDENT AND CEO Korea |
| 02 Young-Ha Lee PRESIDENT AND CEO Digital Appliance Company | 12 Thomas K. Linton CHIEF PROCUREMENT OFFICER |
| 03 Simon Kang PRESIDENT AND CEO Digital Display Company | 13 Didier Chenneveau CHIEF SUPPLY CHAIN OFFICER |
| 04 B. B. Hwang PRESIDENT AND CEO Digital Media Company | 14 Young Kee Kim CHIEF HUMAN RESOURCE OFFICER |
| 05 Skott Ahn PRESIDENT AND CEO Mobile Communications Company | 15 David Jung CHIEF FINANCIAL OFFICER |
| 06 Michael Ahn PRESIDENT AND CEO North America | 16 Young Chan Kim PRESIDENT AND CEO CIS |
| 07 Woo Hyun Paik CHIEF TECHNOLOGY OFFICER | 17 Young Woo Nam PRESIDENT AND CEO Asia |
| 08 Nam K. Woo PRESIDENT AND CEO China | 18 James Kim PRESIDENT AND CEO Europe |
| 09 Kyung Hoon Byun PRESIDENT AND CEO South & Central America | 19 Dermot J. M. Boden CHIEF MARKETING OFFICER |
| 10 Ki Wan Kim PRESIDENT AND CEO Middle East & Africa | |

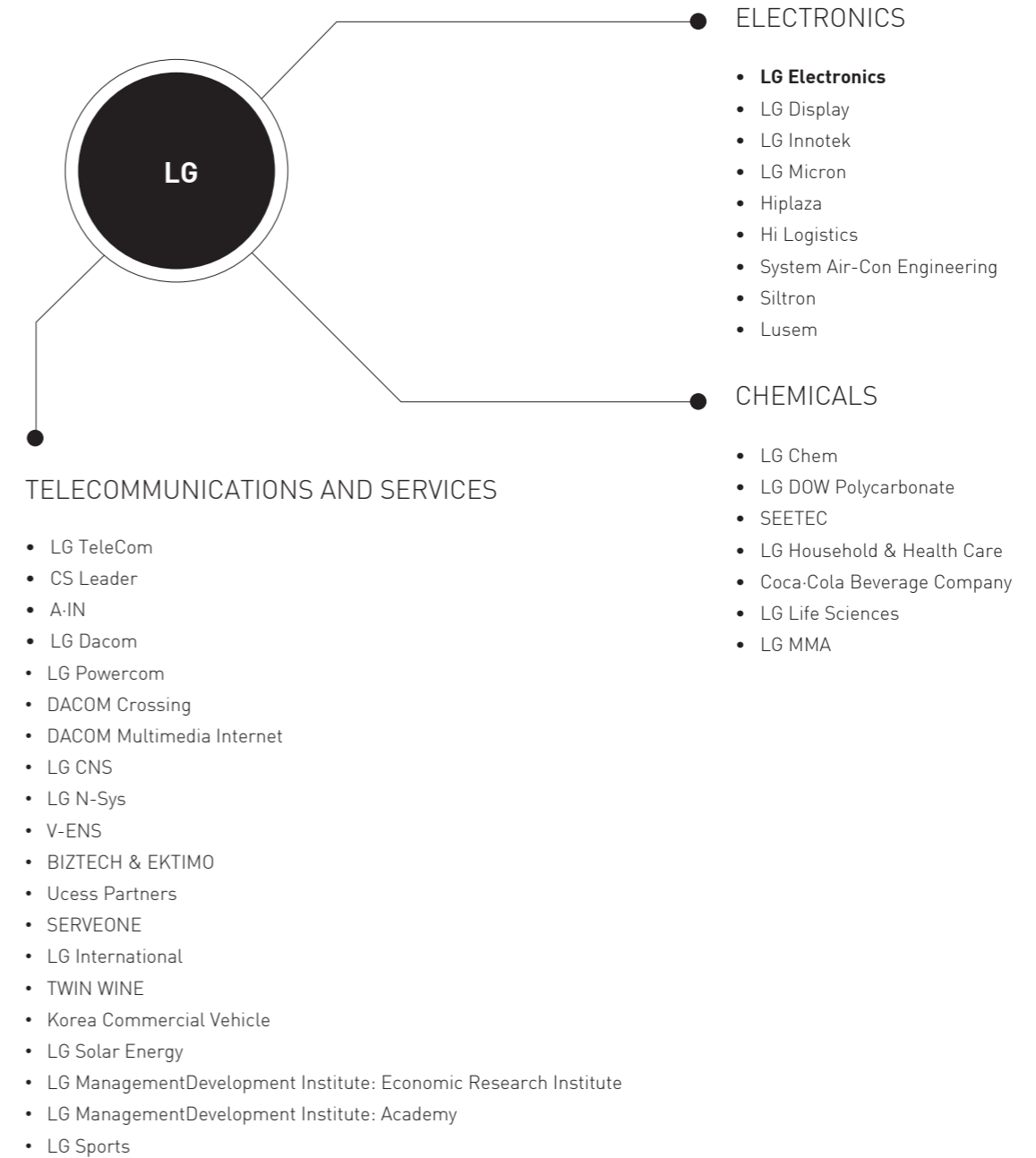
ORGANIZATION OF LG ELECTRONICS

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LG AFFILIATES

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GLOBAL NETWORK



MIDDLE EAST & 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.
- LGESR** LG-Shaker Company Ltd.
- LGETK** LG Electronics Ticaret A.S

CIS

- LGEAK** LG Electronics Almaty Kazakstan
- LGERA** LG Electronics RUS. LLC
- LGERI** LG Alina Electronics
- LGERM** LG Electronics RUS - Marketing, LLC
- LGERU** LG Electronics Russia & Ukraine
- LGEUA** LG Electronics Ukraine Inc.(Kiev)
- LGELV** LG Electronics Latvia, LLC
- LGEUR** LG Electronics Ukraine Inc.

EUROPE

- LGEAG** LG Electronics Austria GmbH
- LGEBN** LG Electronics Benelux Sales BV
- LGE CZ** LG Electronics CZ, S.R.O
- LGEDG** LG Electronics Deutschland GmbH
- LGEEH** LG Electronics European Holdings B.V.
- LG EES** LG Electronics Espana S.A.
- LG EFS** LG Electronics France S.A.R.L.
- LG EHS** LG Electronics Hellas S.A.
- LG EIS** LG Electronics Italia S.P.A.
- LG EJE** LG Electronics JIT Europe B.V.
- LGELS** LG Electronics European Logistics & Services B.V.
- LGELV** LG Electronics Latvia, LLC
- LGEMA** LG Electronics Mlawa Sp.Z.0.0.
- LGEMF** LG Electronics Mobilecomm France
- LGEMK** LG Electronics Magyar KFT
- LGEPL** LG Electronics Polska Sp.Z.0.0.
- LGEPT** 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
- LGEUK** LG Electronics United Kingdom Ltd.
- LG EWR** LG Electronics Wroclaw SP. Z.0.0.

CHINA

- LGECH** China Holding Company
- LGERD** (CHINA R&D CENTER) LG Electronics (China) Research and Development Center Co., Ltd.
- 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.
- LGETT** LG Electronics Taiwan Taipei 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.
- LG EML** LG Electronics Malaysia SDN. BHD
- LGEPH** LG Electronics Philipine Inc.
- LGSI** LG Soft India Private Ltd.
- LGESL** LG Electronics Singapore Pte, Ltd.
- LGETH** LG Electronics [Thailand] Co., Ltd.
- LGEVN** LG Electronics Vietnam Co., Ltd.

SOUTH & CENTRAL AMERICA

- LGEAR** LG Electronics Argentina S.A.
- LGEAZ** LG Electronics da Amazonia Ltda.
- LGECB** LG Electronics Colombia Ltda.
- LG EPR** LG Electronics Peru S.A.
- LG EPS** LG Electronics Panama S.A.
- LGESP** LG Electronics de Sao Paulo Ltda.

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.
- LGERS** LG Electronics Reynosa, Inc.

MILESTONES

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1950

1958 - Founded as GoldStar

1960

1960's - Produces Korea's first radios, TVs, refrigerators, washing machines, and air conditioners

1990

1995 - Renamed LG Electronics
Acquires US-based Zenith

1997 - World's first CDMA digital mobile handsets supplied to Ameritech and GTE in U.S. Achieves UL certification in U.S.

Develops world's first IC set for DTV

1998 - Develops world's first 60-inch plasma TV

1999 - Establishes LG Philips LCD, a joint venture with Philips

2000

2000 - Launches world's first Internet refrigerator
Exports synchronous IMT-2000 to Marconi Wireless of Italy
Significant exports to Verizon Wireless in U.S.

2001 - GSM mobile handset Exports to Russia, Italy, and Indonesia
Establishes market leadership in Australian CDMA market
Launches world's first Internet washing machine, air conditioner, and microwave oven

2002 - Under LG Holding Company system, separates into LG Electronics and LG Corporation
Full-scale export of GPRS color mobile phones to Europe
Establishes CDMA handset production line and R&D center in China

211

2003 - Enters Northern European and Middle East GSM handset market
Achieves monthly export volume above 2.5 million units (July)
Top global CDMA producer

2004 - EVSB, the next-generation DTV transmission technology, chosen to be the U.S./Canada Industry standard by the US ATSC
Commercializes world's first 55" all-in-one LCD TV
Commercializes world's first 71" plasma TV
Develops world's first Satellite- and Terrestrial-DMB handsets

2005 - Becomes fourth-largest supplier of the mobile handsets market worldwide
Develops world's first 3G UMTS DMB handset, 3G-based DVB-Hand Media FLO
DMB Phone with time-shift function and DMB notebook computer
Establishes LG-Nortel, a network solution joint venture with Nortel

2006 - LG Chocolate, the first model in LG's Black Label series of premium handsets, sells 7.5 million units worldwide
Develops the first single-scan 60" HD PDP module and 100-inch LCD TV
Establishes strategic partnership with UL
Acquires the world's first IPv6 Gold Ready logo

2007 - Launches the industry's first dual-format, high-definition disc player and drive
Dual-Format HD Disc Player and Full HD Flat Panel TV Lineup at CES 2007
Development of World's First HSDPA TOD Technology (3.5G HSDPA for China)
Securing the Standard for the 3GPP LTE (3rd Generation Partnership Project Long Term Evolution) Technology
Aggregate Production of 10 Million Front-Loading Washers
Development of Mobile TV Technology for North America, MPH (Mobile Pedestrian Handheld)

2008 - Successful Demonstration of the 4G Mobile Communication Standard, LTE (Long Term Evolution), in Mobile Devices
Selected as an Exclusive Supplier for the 'World Phone' that Enables Automatic Roaming Around the World
18 Million Chocolate Phones, 7 Million Shine Phones, and 1.2 Million Viewty Phones Sold

1958

LG ELECTRONICS
50-YEAR HISTORY

THE
PEOPLE
COMPANY

2008

FROM THE FIRST IN KOREA —

— TO THE BEST IN THE WORLD

COMPILATION AFTERWORD

LG Electronics published "LG Electronics' 50-year History" on its 50th anniversary.

Recording history is a crucial task, whether that of an individual, an organization, a corporation or a country. It is a true insight, a way to learn from success and failure, a way to look back and think over the significance of events. It is, without doubt, a difficult task to record the life of an individual, let alone the entire history of LG Electronics, something which certainly demands great effort and pains on behalf of the employees. Moreover, the process involved the creation of an overview of the history of the Korean electronics industry, and furthermore, prospects for its future.

"LG Electronics' 50-year History" conveys the company's enthusiasm, willingness, and pioneering footsteps in shaping the history of the Korean electronics industry. Through this, we tried to announce the growth engine of LG Electronics to the public that helped LG to become a global company beyond Korea's borders. As you turn the pages, you will experience the dream of LG Electronics to become one of the greatest corporations to last over a century by continuously creating value for customers.

In order to effectively write the history of LG Electronics, "LG Electronics' 50-year History" consists of 4 volumes: 5 decades of endeavors and pioneering, the history of growth, LG Electronics' 50-year history in pictures, and the English edition. "**5 Decades of Endeavors and Pioneering**" is composed of illustrations dividing the 50-year history into 8 marked periods. "**The History of Growth**" focuses on identifying the true driving force behind LG Electronics by putting an emphasis on topics: pioneering foreign markets, innovation activities, product and technology, advertisements and brands, and corporate social responsibility. "**LG Electronics' 50-year History in Pictures**" is not merely a photo album but a remarkable work which reflects LG Electronics' past, present and future, centering around the themes of Customer, Works, and People. In particular, we expect that "**The English Edition**", which consists of LG's great achievements around the world and including the history of LG Electronics, will play a pivotal role in making LG Electronics' employees proud of their company.

Like this, "LG Electronics' 50-year History" attempts to express LG Electronics' spirit and enthusiasm renowned the world over. However, what we have achieved is not yet enough, and we still have a long way to go. We have a lot of pages to fill. Now, LG Electronics is at a new starting point; a new chapter. In a sense, "LG Electronics' 50-year History" is an unfinished book. We will close the book once we are sure in our belief that the remaining pages are filled with our dreams and hopes.

I express my gratitude to those who have supported the publication of "The 50-year History of LG Electronics" and to the global LG Electronics family who spared no effort in helping to publish the work with interviews, photography, and document reviews.

April, 2008

LG Electronics' 50-year History Compilation Manager | **Vice President, Myung Woo Chun**

PEOPLE WHO MADE LG ELECTRONICS' 50-YEAR HISTORY

COMPILATION COMMITTEE

| | |
|------------------------------|--|
| COMMITTEE CHAIR | Yong Nam <small>VICE CHAIRMAN AND CEO</small> |
| COMPILATION COMMITTEE | Young-Ha Lee <small>PRESIDENT AND CEO</small> / Digital Appliance Company |
| | Simon Kang <small>PRESIDENT AND CEO</small> / Digital Display Company |
| | B.B Hwang <small>PRESIDENT AND CEO</small> / Digital Media Company |
| | Skott Ahn <small>PRESIDENT AND CEO</small> / Mobile Communications Company |
| | Seog Won Park <small>PRESIDENT AND CEO</small> / Korea |
| | Michael Ahn <small>PRESIDENT AND CEO</small> / North America |
| | James Kim <small>PRESIDENT AND CEO</small> / Europe |
| | Nam K. Woo <small>PRESIDENT AND CEO</small> / China |
| | Young Woo Nam <small>PRESIDENT AND CEO</small> / Asia |
| | Kyung Hoon Byun <small>PRESIDENT AND CEO</small> / South & Central America |
| | Ki Wan Kim <small>PRESIDENT AND CEO</small> / Middle East & Africa |
| | Young Chan Kim <small>PRESIDENT AND CEO</small> / CIS |
| | Woo Hyun Paik <small>CHIEF TECHNOLOGY OFFICER</small> |
| | David Jung <small>CHIEF FINANCIAL OFFICER</small> |
| | Young Kee Kim <small>CHIEF HUMAN RESOURCE OFFICER</small> |
| | Dermot J. M. Boden <small>CHIEF MARKETING OFFICER</small> |
| | Thomas K. Linton <small>CHIEF PROCUREMENT OFFICER</small> |

COMPILATION DEPARTMENT

| | |
|---------------------------|--|
| MANAGER | Myung Woo Chun <small>VICE PRESIDENT</small> |
| WORKING DEPARTMENT | Sea Chun Oh <small>MANAGER</small> , Kyeong Yeol Kim <small>SENIOR MANAGER</small> |

PEOPLE WHO HELPED PRODUCTION

| | |
|------------------------------------|---|
| PLANNING & PRODUCTION | Sasayeon Corp. (+82-2-569-4409) |
| WRITER | Hyung kyu Jang, Soon hoo Lee, Young eun An |
| PLANNING & COORDINATION | Eun bae Lee, Mi Kyung Song |
| PHOTOGRAPHY | Han ho Shin, Kwang yeol Ryu |
| | designcompany co., ltd. (+82-2-3442-3520) |
| EDITORIAL DESIGN | DESIGN Se hoon Park, Hyun Kim, Sin hyouk Kim |

THE PEOPLE COMPANY

LG ELECTRONICS 50-YEAR HISTORY

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05-07-2008

PUBLISHER

Yong Nam

ORGANIZATION

LG Electronics Co., Ltd.

LG Twin Towers, 20 Yeouido-dong, Yeongdeungpo-gu, Seoul, Korea

+82-2-3777-1114

www.lge.com

DESIGN + SOPHISTICATED/REFINED + TREND-SETTING + CONTEMPORARY + STAND-OUT + SMART TECHNOLOGY + INSIGHTFUL/INTUITIVE
ESSENTIAL + EASY TO USE/SIMPLE + TECHNOLOGICALLY UP-TO-DATE + PERFECT HARMONY THAT FITS YOUR LIFE + SYNERGIST
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