



1Q14 Earnings Release

April 29th 2014

All information regarding management performance and financial results of LG Electronics (the “Company”) during the 1st quarter of 2014 as contained herein has been prepared on a consolidated basis in accordance with International Financial Reporting Standards (“IFRS”). Please note that starting from January 1, 2013, the Company accounted LG Innotek as a consolidated subsidiary of the Company pursuant to the enactment of K-IFRS 1110, 'Consolidated Financial Statements'.

In addition, the information regarding results of 1st quarter of 2014 has been prepared in advance, prior to being reviewed by outside auditors, solely for the convenience of investors of the Company, and is subject to change in the process of final reviewing by external auditors.

The information contained herein includes forward-looking statements in respect to future plans, prospects, and performances of the Company as well as the Company’s projected sales plan for 2nd quarter of 2014. These forward-looking statements also refer to the Company’s performance on consolidated base, as indicated.

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

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

The information contained herein should not be utilized for any legal purposes in regards to investors’ investment results. The Company hereby expressly disclaims any and all liability for any loss or damage resulting from the investors’ reliance on the information contained herein.

Table of Contents

I . Overview

II . 1Q14 Results (Consolidated)

III . Performance and Outlook by Division

I . Overview

✓ **Comment on 1Q14 Results**

✓ **Comment on 2Q14 Outlook**

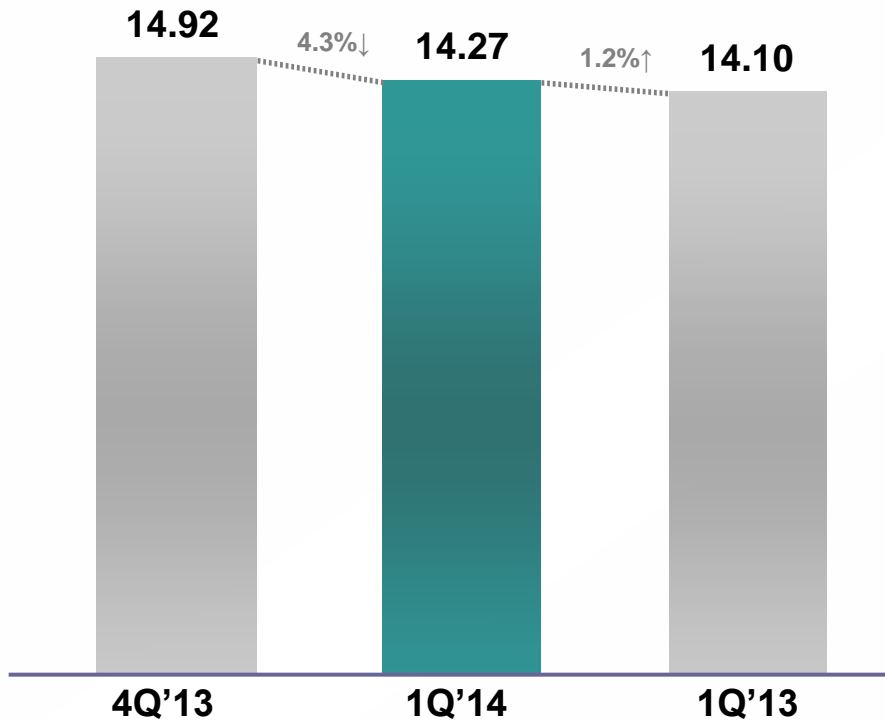
1Q14 Results

II . 1Q14 Results (Consolidated)

Sales/Profit

Sales

(Unit : KRW tn)



Profit

(Unit : KRW bn)

	<u>4Q'13</u>	<u>1Q'14</u>	<u>1Q'13</u>
Operating Profit	238	504	350
EBITDA	734	999	806
Net Profit	-64	93	22

II. 1Q14 Results (Consolidated)

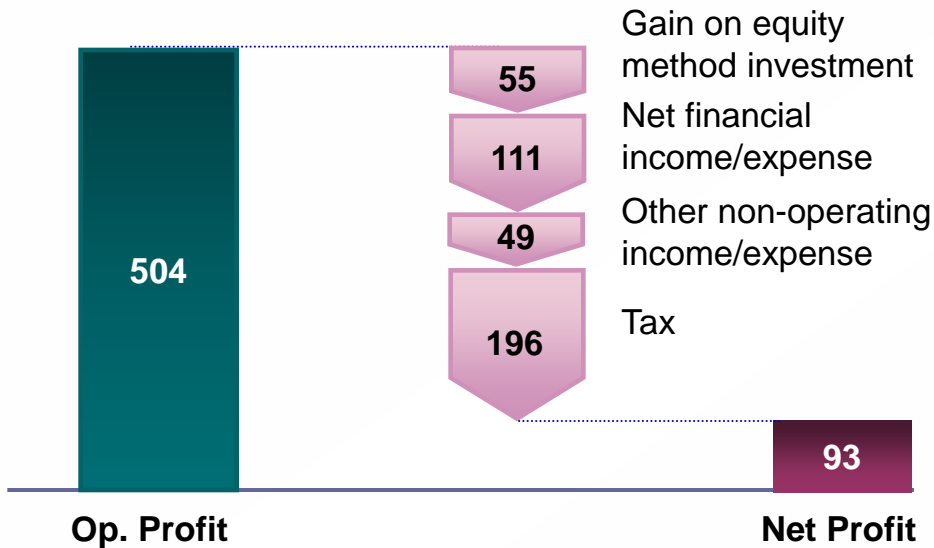
Net Profit

Net Profit

(Unit : KRW bn)

Investment Income

(Unit : KRW bn)



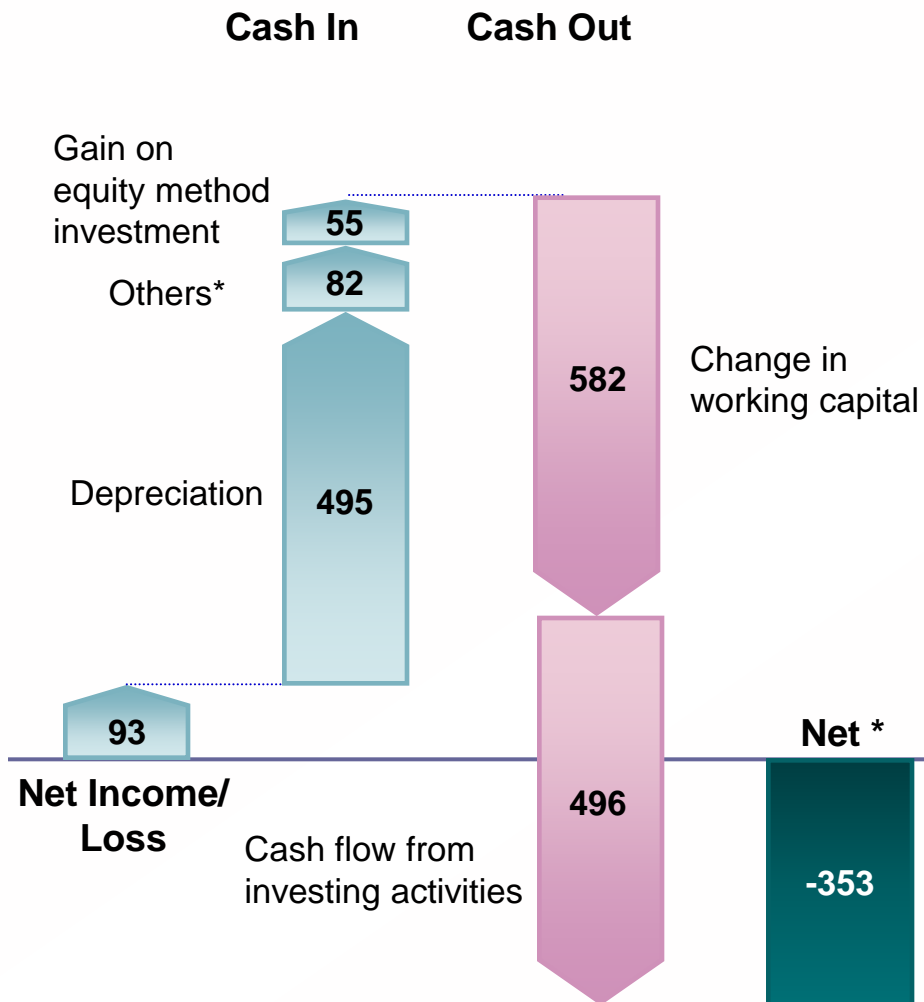
	<u>4Q'13</u>	<u>1Q'14</u>
LG Display	34	-31
Others	-3	-24
Gain/Loss on equity method investment	31	-55

II. 1Q14 Results (Consolidated)

Cash Flow Statement

1Q Net* Cash Flow

(Unit : KRW bn)



Cash Flow Statement

(Unit : KRW bn)

	4Q'13	1Q'14
Cash at beginning of period	2,339	2,645
Cash flow from operating activities	657	139
Net income/loss	-63	93
Depreciation	496	495
Gain/Loss on equity method investment	-31	55
Change in working capital	313	-582
Others	-58	78
Cash flow from investing activities	-563	-496
Increase in tangible assets	-483	-411
Increase in intangible assets	-91	-140
Cash flow from financing activities	228	422
Increase/Decrease in debt	237	422
FX effect from foreign currency denominated cash	-16	4
Net changes in cash	306	69
Cash at end of period	2,645	2,714

* Net= Excluding Cash flow from financing activities

* Others includes FX effect from foreign currency denominated cash

II. 1Q14 Results (Consolidated)

Financial Structure

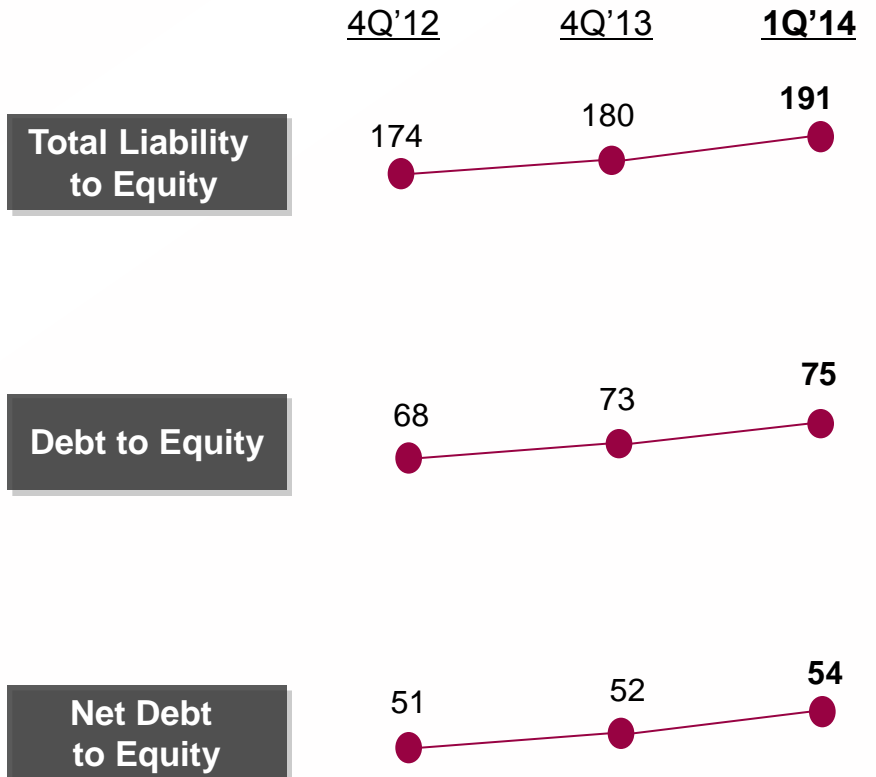
Balance Sheet

(Unit: KRW tn)

	4Q'12	4Q'13	1Q'14
Assets	34.77	35.53	37.16
Current Assets	16.31	16.33	18.21
Cash	2.19	2.65	2.71
Inventory	5.07	4.84	5.57
Non-Current Assets	18.46	19.20	18.95
Liabilities	22.06	22.84	24.37
Current Liabilities	14.51	15.01	16.08
Non-Current Liabilities	7.55	7.83	8.29
Equity	12.71	12.69	12.79
Debt	8.64	9.21	9.65
Net Debt	6.45	6.56	6.94

Financial Ratio

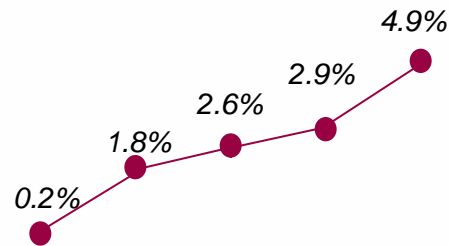
(Unit : %)



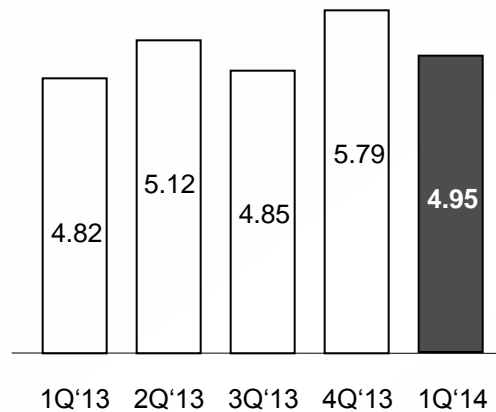
Performance and Outlook

Business Performance (KRW tn)

Op. Margin



Sales



1Q14 Performance

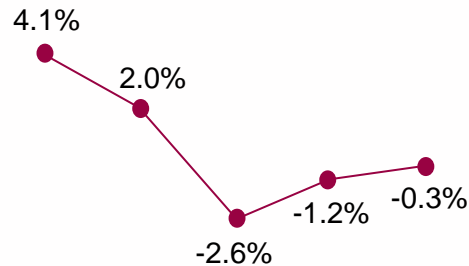
- ❖ **Sales:** Decreased by 15% QoQ due to slower seasonality, but increased by 3% YoY
 - LCD TV: Sales increased YoY in all the countries except China, but decreased QoQ in most of countries due to seasonality
- ❖ **Profitability:** Operating profit margins continued to improve due to better product mix along with lower fixed and material costs

2Q14 Outlook

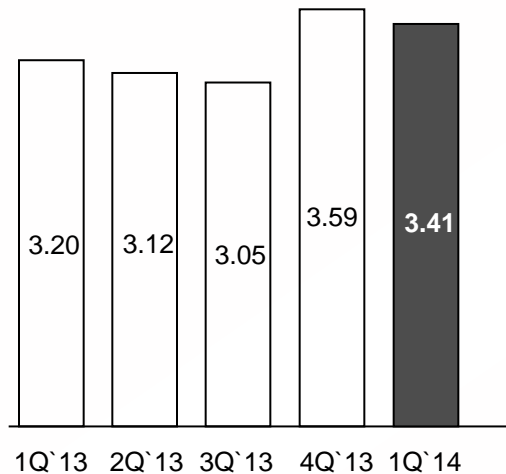
- ❖ **Market:** Expect LCD TV market to slightly grow YoY, and the market demand for Ultra HD TVs will continuously grow, driven mostly by increasing from China
- ❖ **LGE:** Plan to increase sales by strengthening marketing activities for new products and relationships with distributors, and by differentiating product line-up such as mass tier Ultra HD TV and OLED TV

Business Performance (KRW tn)

Op. Margin



Sales



1Q14 Performance

❖ **Sales:** Increased by 6% YoY and decreased by 5% QoQ to 3.4 trillion won

- Achieved 12.3M units of smartphone shipments (YoY 19%↑ / QoQ 7%↓)
- Improved LTE sales by 76% YoY, 2% QoQ due to better G2 and Nexus5 sales
- Although sales in domestic market decreased by 23% YoY due to the influence of the suspension of business on operators, total sales increased by 16% QoQ due to the effect of launching G Pro2

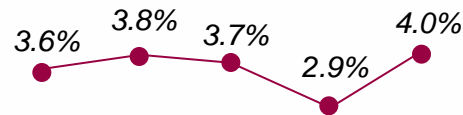
❖ **Profitability:** Recorded a slight loss due to worsening domestic market condition and declining ASP resulting from intensified market competition. However, profit is on an upward trend due to better product mix

2Q14 Outlook

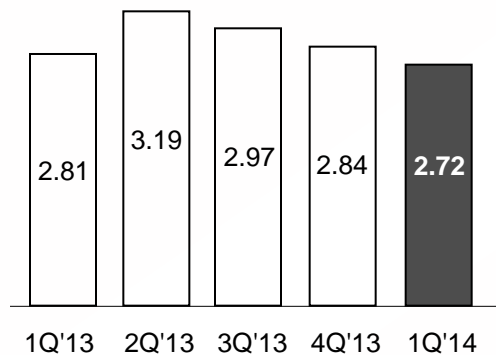
- ❖ **Market:** Expect smartphone market to grow, especially for the LTE phone market. However, competition for market share will be intensified due to diversifying consumer's needs and intensifying price competition as a result of the expending of mass market
- ❖ **LGE:** Plan to increase sales by launching new products in both premium and mass tier segments, G3 and L Series III respectively. Also we will improve profitability by strengthening our cost competitiveness

Business Performance (KRW tn)

Op. Margin



Sales



1Q14 Performance

- ❖ **Sales: Decreased by 3% YoY and 4% QoQ to 2.7 trillion won**
 - Domestic: Sales increased by 9% YoY due to higher portion of premium refrigerators sales and stronger sales in small-sized washing machines
 - Overseas: Slightly declined YoY due to intensified competition in North America and unfavorable FX movement in developing markets such as Central and South America, Southeast Asia, and India
- ❖ **Profitability: Despite unfavorable FX movements and increasing R&D expense, profit improved YoY due to improved cost structure**

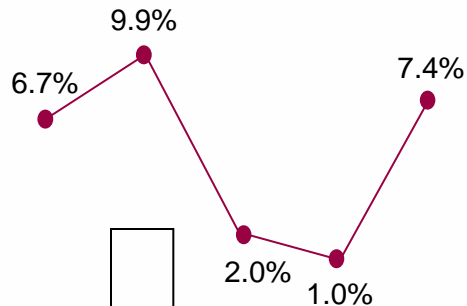
2Q14 Outlook

- ❖ **Market: Expect demand to gradually increase in developed markets including North America, Europe, and Korea as a result of economic recovery trend**
- ❖ **LGE: Plan to increase sales by launching market leading products for washing machines and refrigerators, and better product mix**

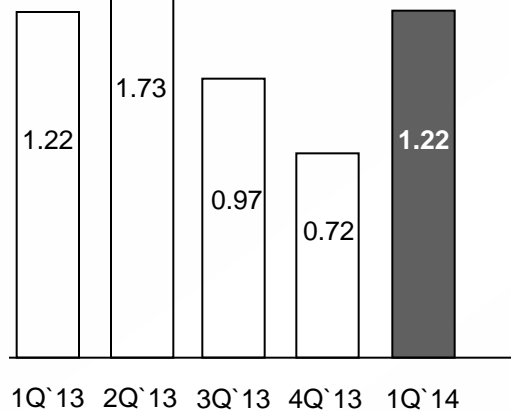
III. Performance and Outlook by Division Air-Conditioning & Energy Solution

Business Performance (KRW tn)

Op. Margin



Sales



1Q14 Performance

❖ Sales : Similar YoY to 1.22 trillion won

- Despite sales decline in the Middle East due to the weaker market demand, sales were similar YoY due to improved sales in North America, Europe, and Central and South America and stronger sales of dehumidifiers and air purifiers in domestic market

❖ Profitability: Despite unfavorable FX movements, profit slightly improved YoY due to stronger sales in commercial air conditioner, better cost structure, and lower material cost

2Q14 Outlook

❖ Market: Expect improvement in market conditions for developed countries while market recovery in emerging countries is still uncertain. Expect stronger demand in domestic market due to the peak-season and rapid growth in dehumidifiers and air purifiers

❖ LGE: Plan to strengthen sales in the overseas market by launching new models that are designed to consider market needs. Also, plan to drive sales for dehumidifiers and air purifiers which are in high demand in the domestic market



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Income Statement

(Unit : KRW bn)

	2013										2014	
	1Q		2Q		3Q		4Q		Total		1Q	
Sales	14,100.6	100.0%	15,232.3	100.0%	13,892.2	100.0%	14,915.3	100.0%	58,140.4	100.0%	14,274.7	100.0%
Cost of goods sold	10,966.9	77.8%	11,550.4	75.8%	10,599.3	76.3%	11,604.1	77.8%	44,720.7	76.9%	10,988.5	77.0%
Gross profit	3,133.7	22.2%	3,681.9	24.2%	3,292.9	23.7%	3,311.2	22.2%	13,419.7	23.1%	3,286.2	23.0%
Selling & admin expense	2,784.2	19.7%	3,202.6	21.0%	3,075.1	22.1%	3,073.1	20.6%	12,135.0	20.9%	2,782.2	19.5%
Operating income (Loss)	349.5	2.5%	479.3	3.1%	217.8	1.6%	238.1	1.6%	1,284.7	2.2%	504.0	3.5%
Financial income (Expense)	-79.7	-0.6%	-106.7	-0.7%	-114.7	-0.8%	-99.6	-0.7%	-400.7	-0.7%	-111.0	-0.8%
Gains (loss) on equity method investment	-25.6	-0.2%	34.9	0.2%	85.9	0.6%	30.8	0.2%	126.0	0.2%	-54.7	-0.4%
Other non operating income (Loss)	-67.5	-0.5%	-175.0	-1.1%	-49.7	-0.4%	-141.3	-0.9%	-433.5	-0.7%	-49.3	-0.3%
Net income before tax	176.7	1.3%	232.5	1.5%	139.3	1.0%	28.0	0.2%	576.5	1.0%	289.0	2.0%
Tax	154.6	1.1%	77.0	0.5%	30.8	0.2%	91.5	0.6%	353.8	0.6%	196.4	1.4%
Net income	22.1	0.2%	155.5	1.0%	108.5	0.8%	-63.5	-0.4%	222.7	0.4%	92.6	0.6%
Controlled shares	24.2		132.0		84.0		-63.5		176.8		74.9	
Noncontrolled shares	-2.1		23.5		24.5		0.0		45.9		17.7	

* Since this is not an audited nor reviewed report, content may be changed in the future if an auditor has a concern.

Balance Sheet

(Unit : KRW bn)

	2013				2014
	1Q	2Q	3Q	4Q	1Q
Assets	37,146.6	37,192.8	36,413.3	35,528.1	37,158.2
Current Assets	18,301.5	18,067.5	17,423.8	16,325.1	18,204.5
Cash and cash equivalents	2,453.9	2,011.0	2,339.1	2,645.3	2,713.8
Accounts receivable	8,533.4	8,621.1	7,388.1	7,117.4	8,147.9
Inventory	5,525.3	5,524.0	5,857.1	4,838.8	5,572.6
Other	1,788.9	1,911.4	1,839.5	1,723.6	1,770.2
Non-current Assets	18,845.1	19,125.3	18,989.5	19,203.0	18,953.7
Investment	4,179.6	4,292.2	4,311.2	4,329.6	4,248.8
PP&E	10,265.0	10,390.9	10,221.2	10,342.0	10,306.8
Intangible assets	1,221.6	1,262.7	1,283.9	1,363.7	1,335.2
Other	3,178.9	3,179.5	3,173.2	3,167.7	3,062.9
Liabilities	24,317.5	24,040.2	23,535.0	22,838.7	24,368.0
Accounts payable	6,989.3	6,819.4	6,533.1	5,691.1	6,875.7
Debt	9,396.9	8,902.2	8,974.3	9,211.0	9,654.0
Other	7,931.3	8,318.6	8,027.6	7,936.6	7,838.3
Equity	12,829.1	13,152.6	12,878.3	12,689.4	12,790.2

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(Unit : KRW bn)

		1Q'13	2Q'13	3Q'13	4Q'13	'13 Total	1Q'14	QoQ	YoY
Home Entertainment	Sales	4,818.8	5,116.4	4,852.1	5,789.9	20,577.2	4,947.3	-15%	3%
	Op. Income	11.2	93.7	124.0	170.7	399.6	240.3		
	(%)	0.2%	1.8%	2.6%	2.9%	1.9%	4.9%		
Mobile Communications	Sales	3,202.3	3,123.1	3,045.4	3,591.5	12,962.3	3,407.0	-5%	6%
	Op. Income	132.5	61.2	-79.7	-43.4	70.6	-8.8		
	(%)	4.1%	2.0%	-2.6%	-1.2%	0.5%	-0.3%		
Home Appliance	Sales	2,806.1	3,187.0	2,966.8	2,838.9	11,798.8	2,717.9	-4%	-3%
	Op. Income	101.7	121.6	108.7	83.3	415.3	109.2		
	(%)	3.6%	3.8%	3.7%	2.9%	3.5%	4.0%		
Air Conditioning & Energy Solution	Sales	1,216.6	1,733.5	973.2	719.7	4,643.0	1,220.1	70%	0%
	Op. Income	81.7	171.0	19.5	7.3	279.5	89.8		
	(%)	6.7%	9.9%	2.0%	1.0%	6.0%	7.4%		
Others	Sales	857.5	891.4	809.4	801.7	3,360.0	871.7	9%	2%
	Op. Income	5.9	-4.3	-11.5	-10.2	-20.1	13.8		
LGE Consolidated before including LG Innotek	Sales	12,901.3	14,051.4	12,646.9	13,741.7	53,341.3	13,164.0	-4%	2%
	Op. Income	333.0	443.2	161.0	207.7	1,144.9	444.3		
	(%)	2.6%	3.2%	1.3%	1.5%	2.1%	3.4%		
LG Innotek earnings excluding internal transactions	Sales	1,199.3	1,180.9	1,245.3	1,173.6	4,799.1	1,110.7	-5%	-7%
	Op. Income	16.5	36.1	56.8	30.4	139.8	59.7		
LGE Consolidated	Sales	14,100.6	15,232.3	13,892.2	14,915.3	58,140.4	14,274.7	-4%	1%
	Op. Income	349.5	479.3	217.8	238.1	1,284.7	504.0		
	(%)	2.5%	3.1%	1.6%	1.6%	2.2%	3.5%		

* As CEM business previously within the HE Company became an independent business unit, the comparative consolidated financial data are re-classified accordingly.

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