



2Q'12 Earnings Release

July 25th 2012

All information regarding management performance and financial results of LG Electronics (the “Company”) during the 2nd quarter of 2012 as contained herein has been prepared on a consolidated basis in accordance with International Financial Reporting Standards (“IFRS”).

In addition, the information regarding results of 2nd quarter of 2012 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 outside auditors.

The information contained herein includes forward-looking statements in respect to future plans, prospects, and performances of the Company as well as the Company’s projected sales plan for 3rd quarter of 2012. 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.

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I . Overview

✓ **Comment on 2Q'12 Results**

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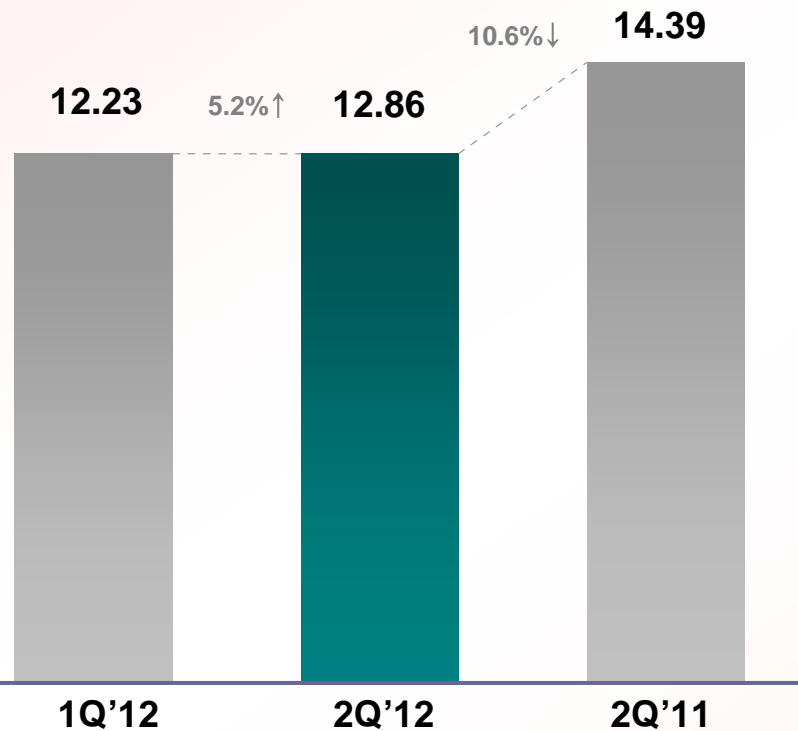
2Q'12 Results

II. 2Q'12 Results (LGE Consolidated)

Sales/Profit

Sales

(Unit : KRW tn)



Operating Profit

EBITDA

Net Profit

Profit

(Unit : KRW bn)

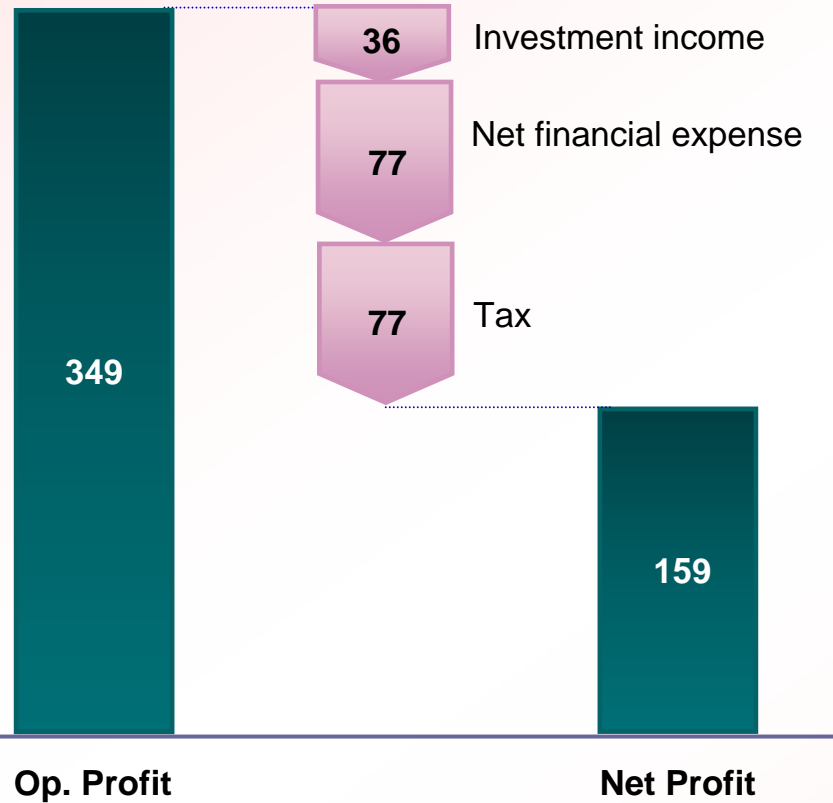
1Q'12	QoQ	2Q'12	YoY	2Q'11
448	↓ 99bn	349	↑ 191bn	158
769	↓ 97bn	672	↑ 208bn	464
243	↓ 84bn	159	↑ 50bn	109

II. 2Q'12 Results (LGE Consolidated)

Net Profit

Net Profit

(Unit : KRW bn)



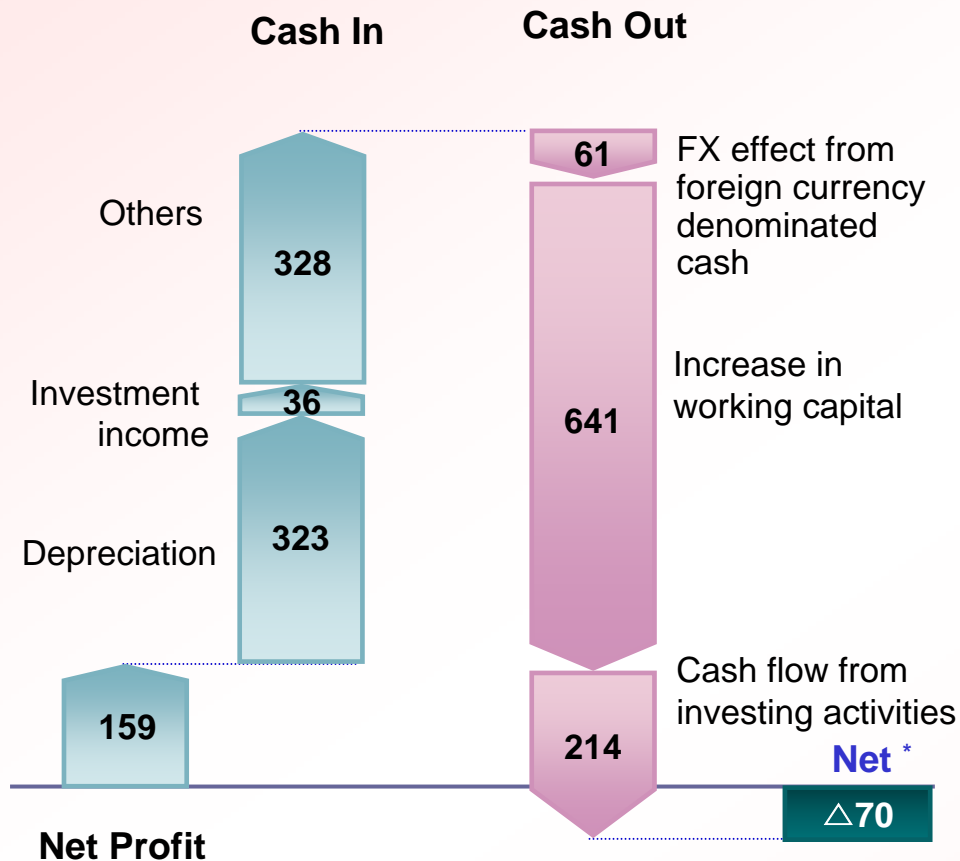
Investment Income

(Unit : KRW bn)

	<u>1Q'12</u>	<u>2Q'12</u>
LG Display	-56	-42
LG Innotek	-9	-4
Others	140	10
Investment Income	75	-36

II. 2Q'12 Results (LGE Consolidated)

Cash Flow Statement



	1Q'12	2Q'12
Cash at beginning of period	2,345	2,607
Cash flow from operating activities	501	205
Net income	243	159
Depreciation	321	323
Investment income	-75	36
Increase in working capital	301	-641
Others	-289	328
Cash flow from investing activities	-89	-214
Increase in tangible assets	-260	-223
Increase in intangible assets	-61	-70
Cash flow from financing activities	-181	-416
Dividend payment and others	9	-56
Decrease in debt	-190	-361
FX effect from foreign currency denominated cash	31	-61
Net changes in cash	262	-486
Cash at end of period	2,607	2,121

*Net= Excluding Cash flow from financing activities

II. 2Q'12 Results (LGE Consolidated)

Financial Structure

Balance Sheet

(Unit: KRW tn)

	4Q'11	1Q'12	2Q'12
Assets	32.66	32.40	32.10
Current Assets	15.78	15.77	15.54
Cash	2.35	2.61	2.12
Inventory	4.95	4.90	4.76
Non-Current Assets	16.88	16.63	16.56
Liabilities	19.51	19.01	18.72
Current Liabilities	14.21	13.38	13.62
Non-Current Liabilities	5.30	5.63	5.10
Equity	13.15	13.39	13.38
Debt	7.44	7.25	6.86
Net Debt	5.09	4.64	4.74

Financial Ratio

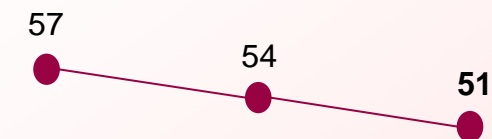
(Unit : %)

Total Liability to Equity

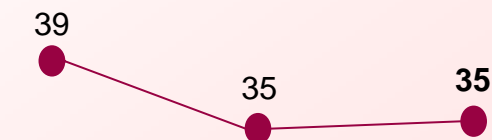
4Q'11 1Q'12 2Q'12



Debt to Equity



Net Debt to Equity



Performance and Outlook

III. Performance and Outlook by Sector

Sales/Profit*

Consolidated Sales and Profit by Division

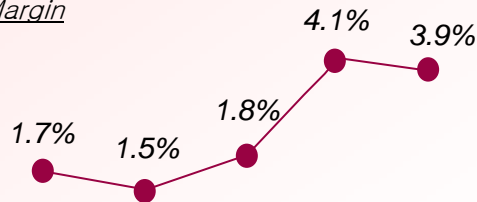
(Unit : KRW bn)

		1Q'12	QoQ	2Q'12	YoY	2Q'11
Home Entertainment	Sales	5,330	↑ 2.8%	5,478	↓ 5.8%	5,819
	Op. Profit	217		216		98
Mobile Communications	Sales	2,497	↓ 7.0%	2,321	↓ 28.5%	3,246
	Op. Profit	39		-57		-54
Handset	Sales	2,452	↓ 6.8%	2,286	↓ 28.6%	3,200
	Op. Profit	35		-59		-55
Home Appliance	Sales	2,536	↑ 13.4%	2,875	↑ 2.6%	2,801
	Op. Profit	152		165		59
Air Conditioning & Energy Solution	Sales	1,218	↑ 21.1%	1,475	↓ 11.1%	1,660
	Op. Profit	81		70		60

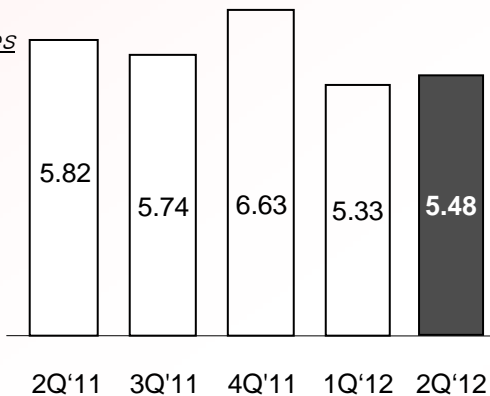
* Divisional sales includes internal transactions between divisions

Business Performance (KRW tn)

Op. Margin



Sales



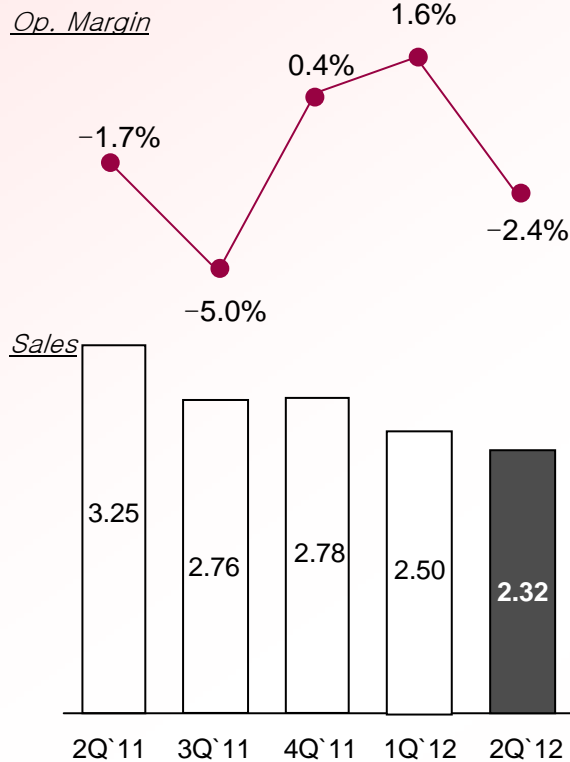
2Q'12 Performance

- ❖ **Sales** : Increased QoQ due to stronger premium product sales and growth in the developing countries
 - LCD TV : Grew QoQ from stronger 3D TV and LED TV sales
 - IT : Declined due to weak demand in IT products
- ❖ **Profitability** : Slightly declined QoQ due to unfavorable FX movements but improved YoY due to increased premium product sales, cost reduction, and improvement in supply chain management

3Q'12 Outlook

- ❖ **Market** : In spite of negative growth in demand in the first half, expect demand to increase YoY especially for TVs in the developing markets
- ❖ **LGE** : Will strive to continuously improve profitability and aggressively promote the Cinema 3D TV to strengthen the top tier position in 3D TVs

Business Performance
(KRW tn)



2Q'12 Performance

- ❖ **Revenue** : Shipments declined 4% QoQ to 13.1M units and revenue decreased 7% QoQ to KRW 2.3 trillion
 - Despite revenue decline as a result of falling feature phone sales, smartphone shipments and revenue portion increased on the back of strong LTE phone sales
- ❖ **Profitability** : Although cost structure improved due to better product mix from stronger LTE phone sales, operating profit declined as a result of increased marketing expense

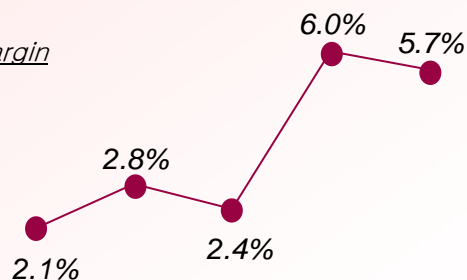
3Q'12 Outlook

- ❖ **Market** : Overall smartphone demand is expected to increase, especially for LTE phones, and competition to intensify with competitors launching premium flagship models
- ❖ **LGE** : Plan to continuously launch new LTE models in the developed markets and increase revenue with marketing efforts and efficient supply chain management

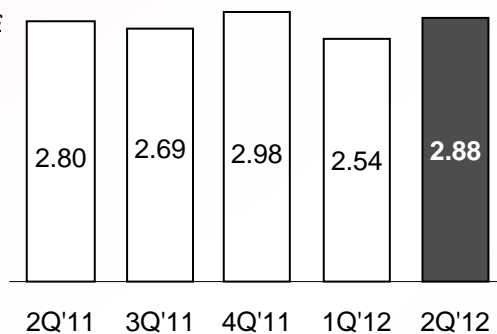
Business Performance

(KRW tn)

Op. Margin



Sales



2Q'12 Performance

❖ Sales : Increased 3% YoY to KRW 2.9 trillion

- Korea : Declined 7% YoY due to demand decrease as a result of reduced consumer spending
- Overseas : Despite sluggish demand in China, Europe, and CS America increased 4% YoY due to growth in developing markets

❖ Profitability : Operating profit improved QoQ due to better product mix and efficient cost allocation

3Q'12 Outlook

❖ Market : Expect weak demand trend to continue in the developed markets but improved slightly compared to the decline rate in the first half

❖ LGE : Plan to increase revenue with new model launches and profitability to increase YoY as a result of a better business structure

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

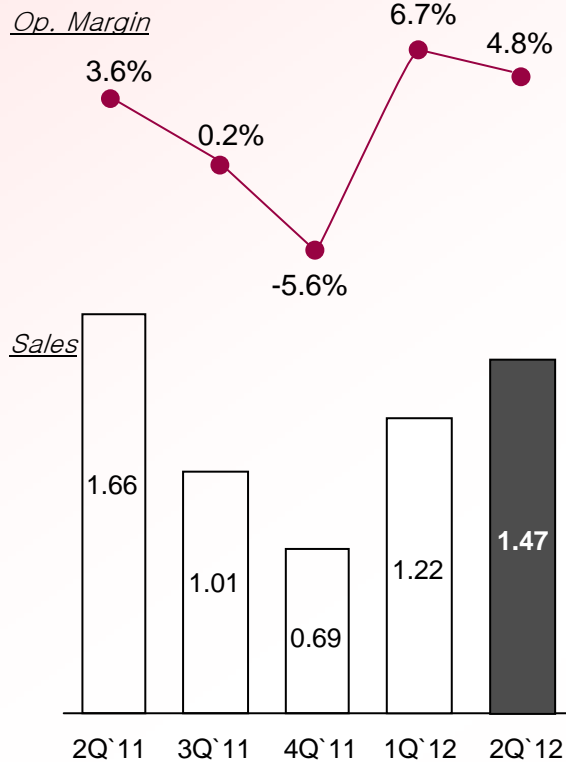
2Q'12 Performance

- ❖ **Sales : Revenue increased 21% QoQ but declined 11% YoY to KRW 1.5 trillion**
 - Korea : Declined 20% YoY due to weak RAC sales in June
 - Overseas : Declined 6% YoY due to continued market recession in the developed markets and slower growth in certain developing markets
- ❖ **Profitability : Increased by 1.2%p YoY to 4.8% operating profit margin due to better product mix from new model launches**

3Q'12 Outlook

- ❖ **Market : Expect to decline QoQ due to unfavorable demand in the developed markets and weak seasonality**
- ❖ **LGE : - Focus on profitability by launching energy efficient products
- Accelerate growth in System Air Conditioner business with Variable Refrigerant Flow (VRF) products**

Business Performance (KRW tn)





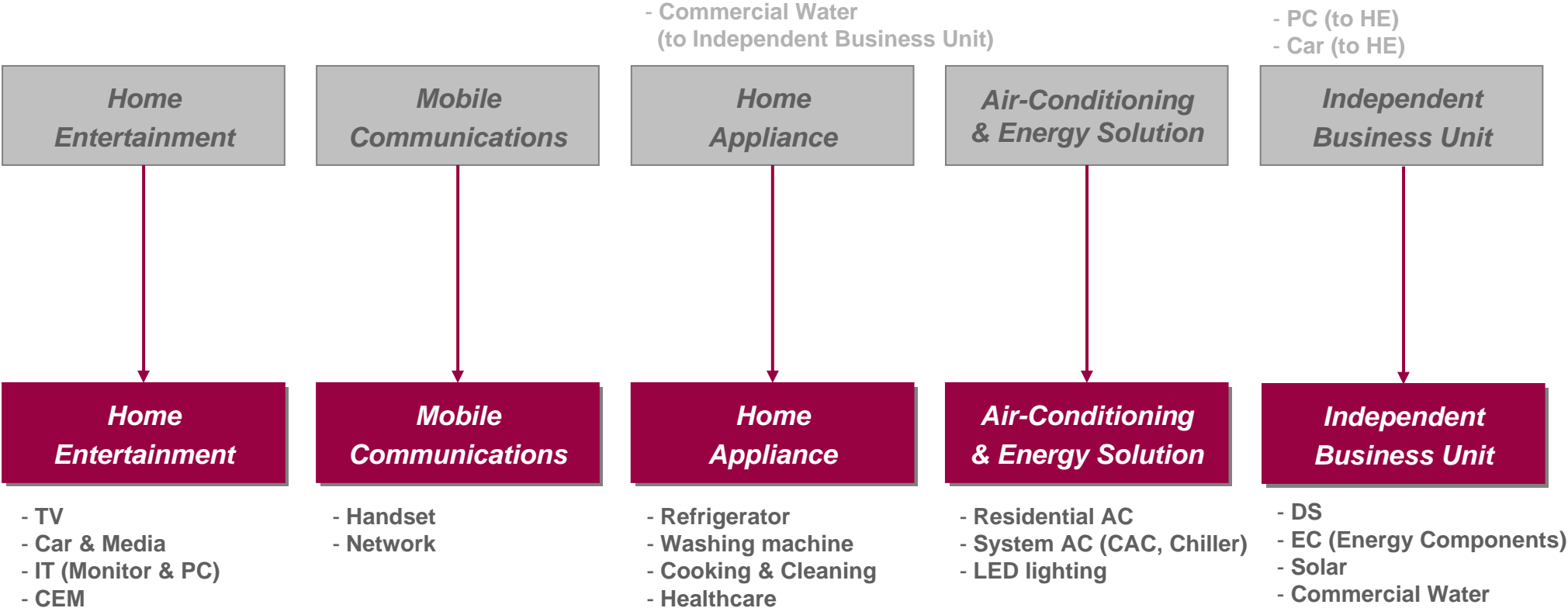
LG

Life's Good

<http://www.lg.com>

Appendix. 2012 Business Reorganization

- The Commercial Water Treatment business unit from the HA Company was transferred as an independent business unit
- The PC and Car business unit, which was originally an independent business unit, was transferred to HE Company
- The new business structure is effective as of December 1, 2011



* Independent business units report directly to the CEO
 ** CEM= Chemical & Electronic Material
 *** Commercial Water= Water Treatment for industrial and municipal usage

Income Statement

(Unit : KRW bn)

	2011									2012				
	1Q		2Q		3Q		4Q		Total		1Q		2Q	
Sales	6,933	100.0%	7,574	100.0%	6,924	100.0%	6,667	100.0%	28,097	100.0%	6,237	100.0%	6,600	100.0%
Domestic	1,953	28.2%	2,151	28.4%	2,166	31.3%	1,905	28.6%	8,175	29.1%	2,090	33.5%	2,009	30.4%
Export	4,980	71.8%	5,423	71.6%	4,758	68.7%	4,762	71.4%	19,922	70.9%	4,147	66.5%	4,591	69.6%
Cost of goods sold	5,716	82.4%	6,266	82.7%	5,559	80.3%	5,512	82.7%	23,053	82.0%	4,955	79.4%	5,001	75.8%
Gross profit	1,217	17.6%	1,308	17.3%	1,365	19.7%	1,155	17.3%	5,044	18.0%	1,282	20.6%	1,599	24.2%
Selling & admin expense	1,300	18.8%	1,410	18.6%	1,330	19.2%	1,301	19.5%	5,340	19.0%	1,214	19.5%	1,385	21.0%
Other operating gain (Loss)	34	0.5%	16	0.2%	(6)	-0.1%	(47)	-0.7%	(3)	0.0%	44	0.7%	(96)	-1.4%
Operating income (Loss)	(49)	-0.7%	(87)	-1.1%	29	0.4%	(193)	-2.9%	(299)	-1.1%	112	1.8%	118	1.8%
Financial income (Expense)	65	0.9%	14	0.2%	(204)	-2.9%	22	0.3%	(103)	-0.4%	281	4.5%	16	0.2%
Net profit (Loss) before tax	16	0.2%	(73)	-1.0%	(175)	-2.5%	(171)	-2.6%	(402)	-1.4%	393	6.3%	134	2.0%
Tax	1	0.0%	(37)	-0.5%	(52)	-0.8%	(37)	-0.5%	(125)	-0.4%	77	1.2%	20	0.3%
Net profit (Loss)	15	0.2%	(36)	-0.5%	(122)	-1.8%	(134)	-2.0%	(278)	-1.0%	316	5.1%	113	1.7%

Balance Sheet

(Unit : KRW bn)

	2011				2012	
	1Q	2Q	3Q	4Q	1Q	2Q
Assets	23,970	24,143	24,931	24,199	24,335	23,510
Current Assets	8,990	8,824	9,302	8,154	8,458	7,616
Cash and cash equivalents	903	860	1,456	1,364	1,409	876
Accounts receivable	6,074	6,017	5,953	5,077	5,135	4,919
Inventory	1,259	1,151	1,144	886	1,018	1,042
Other	754	796	749	827	896	780
Non-current Assets	14,980	15,319	15,629	16,046	15,878	15,894
Investment	7,845	7,870	7,892	7,965	7,892	7,918
PP&E	4,732	4,839	5,019	5,191	5,186	5,171
Intangible assets	728	830	872	916	906	906
Other	1,676	1,780	1,845	1,974	1,894	1,899
Liabilities	14,064	14,278	15,196	13,704	13,573	12,669
Accounts payable	4,564	4,271	4,538	3,854	3,936	3,810
Debt	5,665	5,919	6,550	5,826	5,722	4,898
Other	3,834	4,088	4,108	4,025	3,915	3,961
Equity	9,906	9,864	9,735	10,495	10,762	10,841

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

Income Statement

(Unit : KRW bn)

	2011						2012							
	1Q		2Q		3Q		4Q		Total		1Q		2Q	
Sales	13,160	100.0%	14,385	100.0%	12,897	100.0%	13,814	100.0%	54,257	100.0%	12,228	100.0%	12,859	100.0%
Cost of goods sold	10,195	77.5%	11,078	77.0%	9,851	76.4%	10,934	79.1%	42,058	77.5%	9,314	76.2%	9,574	74.5%
Gross profit	2,965	22.5%	3,307	23.0%	3,047	23.6%	2,880	20.9%	12,199	22.5%	2,914	23.8%	3,285	25.5%
Selling & admin expense	2,896	22.0%	3,193	22.2%	2,964	23.0%	2,804	20.3%	11,856	21.9%	2,551	20.9%	2,778	21.6%
Other operating gain (Loss)	61	0.5%	44	0.3%	(114)	-0.9%	(54)	-0.4%	(63)	-0.1%	85	0.7%	(158)	-1.2%
Operating income (Loss)	131	1.0%	158	1.1%	(32)	-0.2%	23	0.2%	280	0.5%	448	3.7%	349	2.7%
Financial income (Expense)	(37)	-0.3%	(38)	-0.3%	(234)	-1.8%	(40)	-0.3%	(349)	-0.6%	(73)	-0.6%	(77)	-0.6%
Investment income (Loss)	(56)	-0.4%	29	0.2%	(265)	-2.1%	(40)	-0.3%	(331)	-0.6%	75	0.6%	(36)	-0.3%
Net income before tax	39	0.3%	150	1.0%	(531)	-4.1%	(57)	-0.4%	(399)	-0.7%	450	3.7%	236	1.8%
Tax	54	0.4%	41	0.3%	(117)	-0.9%	55	0.4%	34	0.1%	207	1.7%	77	0.6%
Net income	(16)	-0.1%	109	0.8%	(414)	-3.2%	(112)	-0.8%	(433)	-0.8%	243	2.0%	159	1.2%
Controlled shares	(30)		98		(424)		(113)		(470)		236		157	
Noncontrolled shares	14		11		10		2		37		7		3	

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Balance Sheet

(Unit : KRW bn)

	2011				2012	
	1Q	2Q	3Q	4Q	1Q	2Q
Assets	33,534	33,845	34,376	32,659	32,397	32,100
Current Assets	17,660	17,534	17,733	15,783	15,768	15,539
Cash and cash equivalents	2,212	2,243	2,750	2,345	2,607	2,121
Accounts receivable	7,376	7,512	7,115	6,753	6,518	7,085
Inventory	6,376	6,091	6,217	4,947	4,896	4,761
Other	1,697	1,688	1,652	1,738	1,746	1,572
Non-current Assets	15,874	16,310	16,644	16,875	16,629	16,561
Investment	5,868	5,889	5,671	5,603	5,427	5,421
PP&E	6,645	6,810	7,108	7,290	7,356	7,268
Intangible assets	766	881	928	1,036	1,024	1,022
Other	2,594	2,731	2,936	2,946	2,822	2,850
Liabilities	20,802	21,101	21,804	19,510	19,005	18,718
Accounts payable	6,367	6,320	6,227	5,487	5,457	5,482
Debt	7,721	7,764	8,528	7,436	7,251	6,856
Other	6,714	7,017	7,049	6,588	6,297	6,380
Equity	12,732	12,744	12,572	13,148	13,392	13,382

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

Appendix

Divisional Sales (LGE Consolidated)

(Unit : KRW bn)

		1Q'11	2Q'11	3Q'11	4Q'11	'11 Total	1Q'12	2Q'12	QoQ	YoY
Home Entertainment	Sales	5,719	5,819	5,740	6,626	23,903	5,330	5,478	3%	-6%
	Op. Income	113	98	89	122	422	217	216		
	(%)	2.0%	1.7%	1.5%	1.8%	1.8%	4.1%	3.9%		
Mobile Communications	Sales	2,909	3,246	2,762	2,775	11,693	2,497	2,321	-7%	-28%
	Op. Income	-101	-54	-139	12	-281	39	-57		
	(%)	-3.5%	-1.7%	-5.0%	0.4%	-2.4%	1.6%	-2.4%		
Handset	Sales	2,852	3,200	2,689	2,695	11,436	2,452	2,286	-7%	-29%
	Op. Income	-101	-55	-140	10	-286	35	-59		
	(%)	-3.5%	-1.7%	-5.2%	0.4%	-2.5%	1.4%	-2.6%		
Home Appliance	Sales	2,607	2,801	2,695	2,978	11,081	2,536	2,875	13%	3%
	Op. Income	102	59	74	71	306	152	165		
	(%)	3.9%	2.1%	2.8%	2.4%	2.8%	6.0%	5.7%		
Air Conditioning & Energy Solution	Sales	1,233	1,660	1,006	687	4,585	1,218	1,475	21%	-11%
	Op. Income	34	60	2	-38	57	81	70		
	(%)	2.8%	3.6%	0.2%	-5.6%	1.2%	6.7%	4.8%		
Others	Sales	692	860	694	749	2,995	647	709	10%	-18%
	Op. Income	-18	-4	-58	-144	-223	-41	-46		
Total	Sales	13,160	14,385	12,897	13,814	54,257	12,228	12,859	5%	-11%
	Op. Income	131	158	-32	23	280	448	349		
	(%)	1.0%	1.1%	-0.2%	0.2%	0.5%	3.7%	2.7%		

* Others include independent business unit earnings, other subsidiaries' earnings, internal transactions, etc.

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