



# 3Q14 Earnings Release

October 29<sup>th</sup> 2014

All information regarding management performance and financial results of LG Electronics (the “Company”) during the 3<sup>rd</sup> 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 3<sup>rd</sup> 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 4<sup>th</sup> 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.

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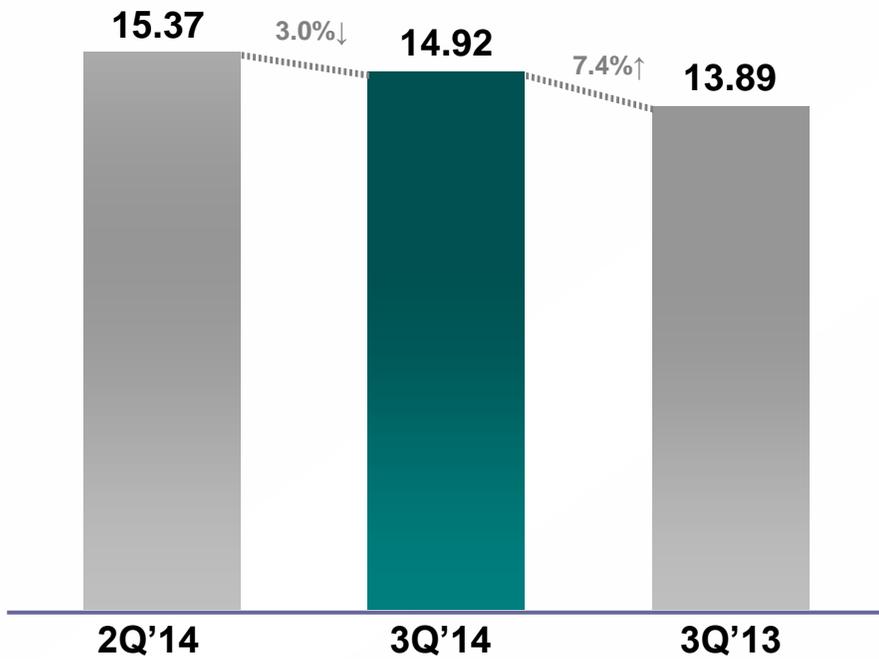
# ***3Q14 Results***

# I . 3Q14 Results (Consolidated)

## Sales/Profit

### Sales

(Unit : KRW tn)



### Profit

(Unit : KRW bn)

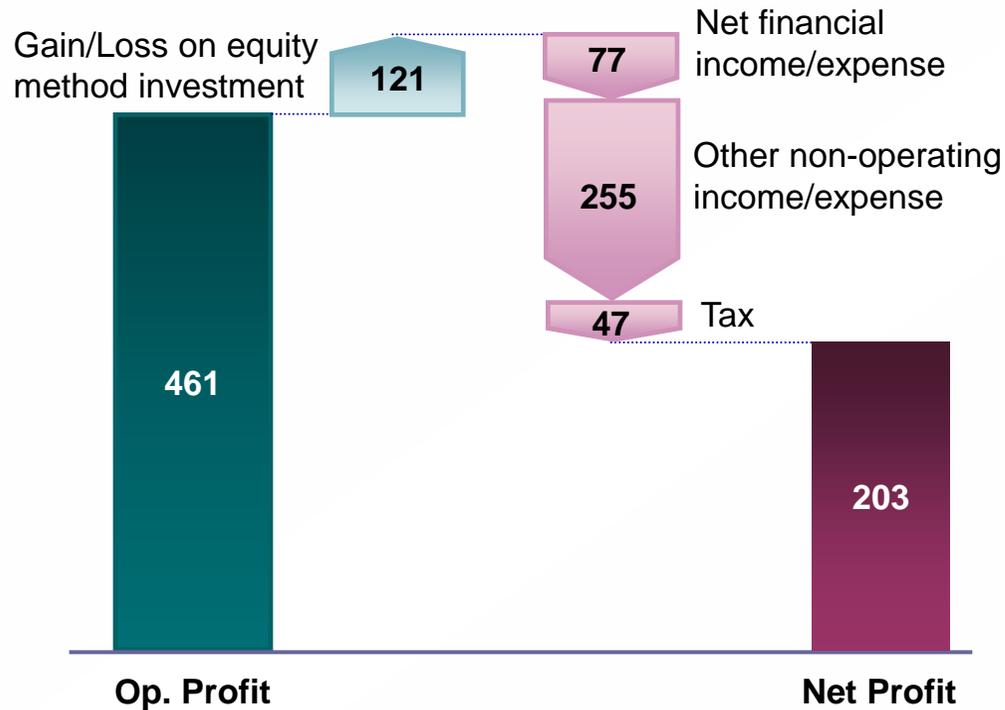
	2Q'14	3Q'14	3Q'13
Operating Profit	606	461	218
EBITDA	1,099	952	722
Net Profit	412	203	109

# I . 3Q14 Results (Consolidated)

Net Profit

## Net Profit

(Unit : KRW bn)



## Investment Income

(Unit : KRW bn)

	2Q'14	3Q'14
LG Display	98	124
Others	-	-3
<b>Gain/Loss on equity method investment</b>	<b>98</b>	<b>121</b>

# I . 3Q14 Results (Consolidated)

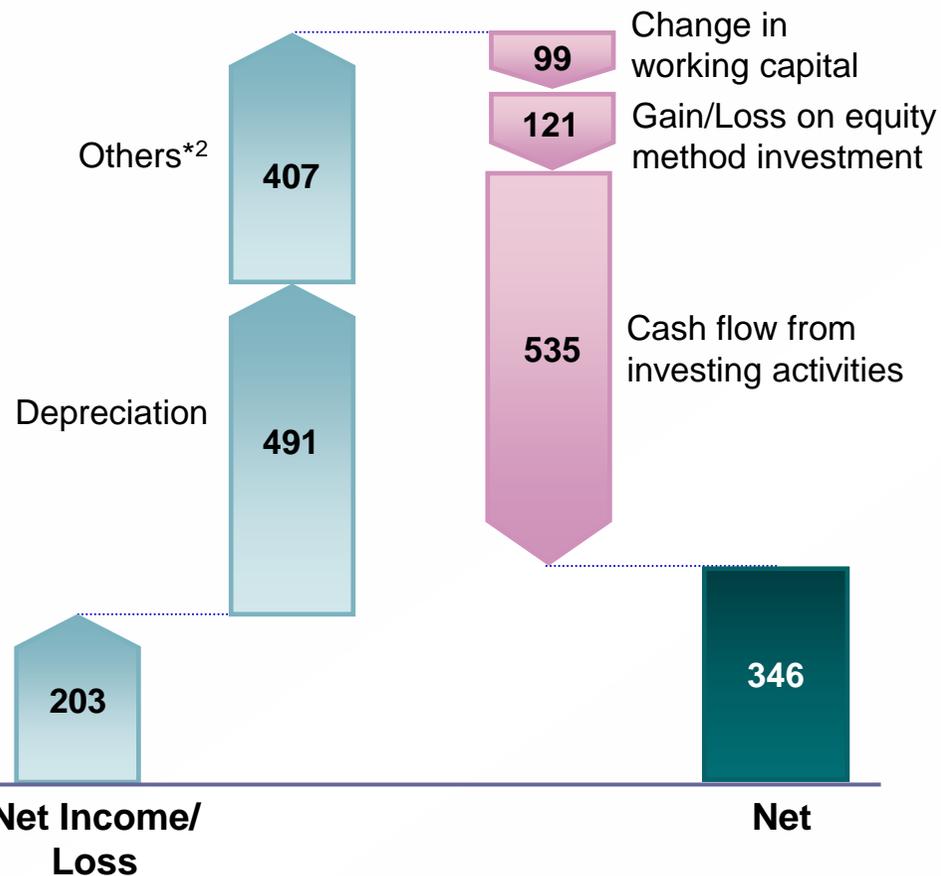
## Cash Flow Statement

### 3Q Net Cash Flow \*1

(Unit : KRW bn)

Cash In

Cash Out



### Cash Flow Statement

(Unit : KRW bn)

	2Q'14	3Q'14
Cash at beginning of period	2,714	2,701
Cash flow from operating activities	621	915
Net income/loss	412	203
Depreciation	493	491
Gain/Loss on equity method investment	-98	-121
Change in working capital	-628	-99
Others	443	441
Cash flow from investing activities	-741	-535
Increase in tangible assets	-640	-447
Increase in intangible assets	-102	-72
Cash flow from financing activities	175	-97
Increase/Decrease in debt	215	-72
FX effect from foreign currency denominated cash	-68	-34
Net changes in cash	-13	249
Cash at end of period	2,701	2,950

\* Net= Excluding Cash flow from financing activities

\* Others includes FX effect from foreign currency denominated cash

# I . 3Q14 Results (Consolidated)

## Financial Structure

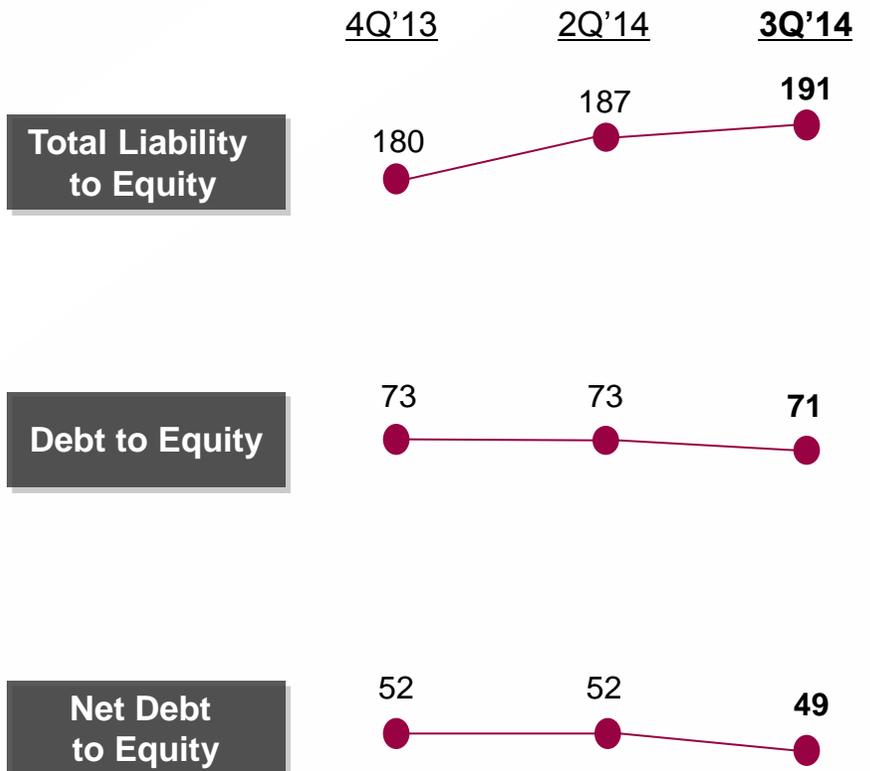
### Balance Sheet

(Unit: KRW tn)

	<u>4Q'13</u>	<u>2Q'14</u>	<u>3Q'14</u>
<b>Assets</b>	<b>35.53</b>	<b>37.43</b>	<b>38.50</b>
Current Assets	16.33	18.44	<b>19.32</b>
Cash	2.65	2.70	<b>2.95</b>
Inventory	4.84	5.55	<b>6.29</b>
Non-Current Assets	19.20	18.99	<b>19.18</b>
<b>Liabilities</b>	<b>22.84</b>	<b>24.37</b>	<b>25.25</b>
Current Liabilities	15.01	15.40	<b>16.60</b>
Non-Current Liabilities	7.83	8.97	<b>8.65</b>
<b>Equity</b>	<b>12.69</b>	<b>13.06</b>	<b>13.25</b>
<b>Debt</b>	<b>9.21</b>	<b>9.52</b>	<b>9.43</b>
<b>Net Debt</b>	<b>6.56</b>	<b>6.82</b>	<b>6.48</b>

### Financial Ratio

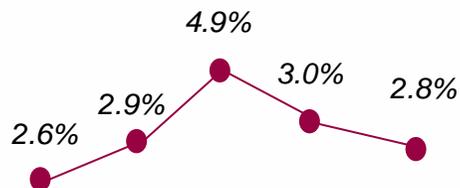
(Unit : %)



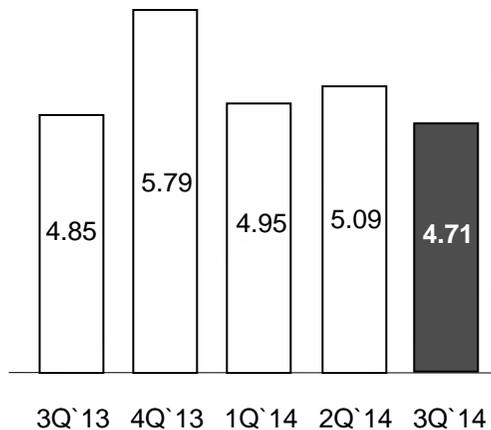
# ***Performance and Outlook***

## Business Performance (KRW tn)

*Op. Margin*



*Sales*



### 3Q14 Performance

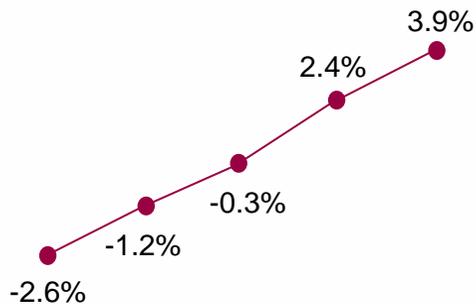
- ❖ **Sales:** Decreased YoY due to weaker demand for PDP, Monitor, and AV although sales for LCD TVs increased slightly YoY with stronger Ultra HD TV sales
  - LCD TV: Shipments were similar QoQ and increased YoY in all regions except Central and South America and China
- ❖ **Profitability:** Operating profit margins slightly declined QoQ due to unfavorable FX movements and ASP, but improved YoY due to better product mix

### 4Q14 Outlook

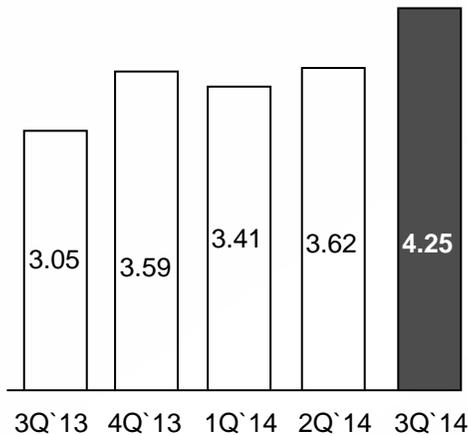
- ❖ **Market** Expect Ultra HD TV and monitor signage B2B market to grow while market demand for Monitor and AV products is expected to be slow
- ❖ **LGE:** Plan to improve profitability with better product mix driven by stronger sales of OLED TV and Ultra HD TV along with optimizing cost structure

### Business Performance (KRW tn)

Op. Margin



Sales



### 3Q14 Performance

- ❖ **Sales: Increased by 39% YoY and by 17% QoQ to 4.2 trillion won**
  - Achieved 16.8M units of smartphone shipments (YoY 39%↑, QoQ 16%↑)
  - Improved LTE sales by 114% YoY and by 25% QoQ due to the global launch of G3
  - Total shipments in North America increased by 39% QoQ thanks to the launch of G3 and stronger L-Series sales
  - Total shipments in domestic market decreased by 22% QoQ due to weaker demand
- ❖ **Profitability: Despite increasing marketing expense, profitability improved widely QoQ and YoY due to the global launch of G3 and stronger sales of L-seriesIII**

### 4Q14 Outlook

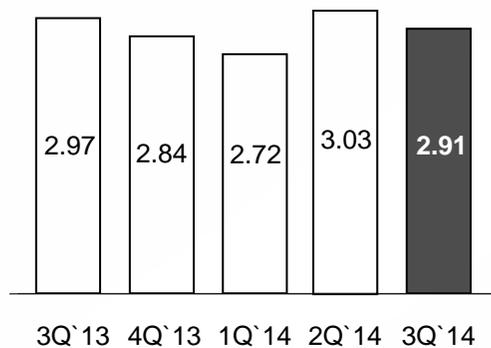
- ❖ **Market: Expect smartphone market to grow continuously with seasonality, especially for the LTE market. However, competition to gain market share will be intensified due to the launch of new models in the premium segment from competitors, and price competition will be intensified as a result of the sales expansion in the mass market**
- ❖ **LGE: Plan to maximize sales in premium segment especially for G3 and strengthen the mass-tier line up with G3 variation models and L-seriesIII in spite of weaker demand in domestic market and intensified price competition driven by competitors**

## Business Performance (KRW tn)

Op. Margin



Sales



### 3Q14 Performance

- ❖ **Sales: Decreased by 2% YoY and by 4% QoQ to 2.9 trillion won**
  - Domestic: Sales increased by 2% YoY due to stronger sales from premium refrigerators and energy efficient washing machines
  - Overseas: Sales declined 4% YoY due to intensified competition in North America despite improving sales in Europe and developing markets such as India, MEA, and Southeast Asia
- ❖ **Profitability: Profit decreased YoY due to declined sales, intensified competition in North America, and unfavorable FX movements**

### 4Q14 Outlook

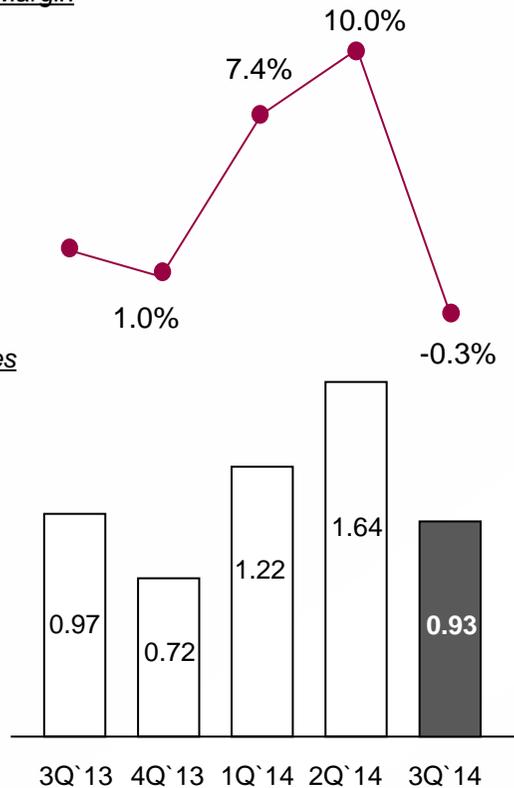
- ❖ **Market: Expect demand growth in Korea to slow down and market demand fluctuation in the overseas market to intensify due to FX movements and geopolitical issues**
- ❖ **LGE: Plan to improve profit structure with better product mix, launching new products with strengthened cost competitiveness, and better cost structure**

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

### Business Performance (KRW tn)

*Op. Margin*

*Sales*



### 3Q14 Performance

- ❖ **Sales : Decreased by 4.9% YoY to 0.93 trillion won due to the weaker demand of residential air conditioners in the domestic market**
  - Domestic: Dehumidifier sales decreased because of unfavorable weather conditions
  - Overseas: Maintained sales growth, especially in the Middle East and Central and South America
- ❖ **Profitability: Profit decreased YoY due to declined sales for residential air conditioner in domestic market**

### 4Q14 Outlook

- ❖ **Market: Expect business environment in Asia and Central and South America to improve. In addition, expect recovery in the Middle East which was previously sluggish due to the new regulation for energy efficiency**
- ❖ **LGE: Plan to increase sales in the overseas market by expanding models that are customized for each market and by improving energy efficiency. In addition, plan to target the growing construction and civilian industries in Korea with its commercial products**



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### Income Statement

(Unit : KRW bn)

	2013										2014					
	1Q		2Q		3Q		4Q		Total		1Q		2Q		3Q	
<b>Sales</b>	<b>14,100.6</b>	<b>100%</b>	<b>15,232.3</b>	<b>100%</b>	<b>13,892.2</b>	<b>100%</b>	<b>14,915.3</b>	<b>100%</b>	<b>58,140.4</b>	<b>100%</b>	<b>14,274.7</b>	<b>100%</b>	<b>15,374.6</b>	<b>100%</b>	<b>14,916.4</b>	<b>100%</b>
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%	11,669.2	75.9%	11,325.2	75.9%
<b>Gross profit</b>	<b>3,133.7</b>	<b>22.2%</b>	<b>3,681.9</b>	<b>24.2%</b>	<b>3,292.9</b>	<b>23.7%</b>	<b>3,311.2</b>	<b>22.2%</b>	<b>13,419.7</b>	<b>23.1%</b>	<b>3,286.2</b>	<b>23.0%</b>	<b>3,705.4</b>	<b>24.1%</b>	<b>3,591.2</b>	<b>24.1%</b>
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%	3,099.2	20.2%	3,129.9	21.0%
<b>Operating income (Loss)</b>	<b>349.5</b>	<b>2.5%</b>	<b>479.3</b>	<b>3.1%</b>	<b>217.8</b>	<b>1.6%</b>	<b>238.1</b>	<b>1.6%</b>	<b>1,284.7</b>	<b>2.2%</b>	<b>504.0</b>	<b>3.5%</b>	<b>606.2</b>	<b>3.9%</b>	<b>461.3</b>	<b>3.1%</b>
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%	-106.4	-0.7%	-77.5	-0.5%
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%	98.4	0.6%	120.7	0.8%
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%	7.8	0.1%	-254.8	-1.7%
<b>Net income before tax</b>	<b>176.7</b>	<b>1.3%</b>	<b>232.5</b>	<b>1.5%</b>	<b>139.3</b>	<b>1.0%</b>	<b>28.0</b>	<b>0.2%</b>	<b>576.5</b>	<b>1.0%</b>	<b>289.0</b>	<b>2.0%</b>	<b>606.0</b>	<b>3.9%</b>	<b>249.7</b>	<b>1.7%</b>
Tax	154.6	1.1%	76.9	0.5%	30.8	0.2%	91.5	0.6%	353.8	0.6%	196.4	1.4%	194.2	1.3%	47.1	0.3%
<b>Net income</b>	<b>22.1</b>	<b>0.2%</b>	<b>155.6</b>	<b>1.0%</b>	<b>108.5</b>	<b>0.8%</b>	<b>-63.5</b>	<b>-0.4%</b>	<b>222.7</b>	<b>0.4%</b>	<b>92.6</b>	<b>0.6%</b>	<b>411.8</b>	<b>2.7%</b>	<b>202.6</b>	<b>1.4%</b>
Controlled shares	24.2		132.0		84.0		-63.5		176.7		74.9		369.1		159.7	
Noncontrolled shares	-2.1		23.6		24.5		0.0		46.0		17.7		42.7		42.9	

\* 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	2Q	3Q
<b>Assets</b>	37,146.6	37,192.8	36,413.3	35,528.1	37,158.2	37,433.8	38,503.5
Current Assets	18,301.5	18,067.5	17,423.8	16,325.1	18,204.5	18,446.6	19,320.8
Cash and cash equivalents	2,453.9	2,011.0	2,339.1	2,645.3	2,713.8	2,701.1	2,949.7
Accounts receivable	8,533.4	8,621.1	7,388.1	7,117.4	8,147.9	8,406.6	8,277.7
Inventory	5,525.3	5,524.0	5,857.1	4,838.8	5,572.6	5,548.8	6,288.1
Other	1,788.9	1,911.4	1,839.5	1,723.6	1,770.2	1,790.1	1,805.3
Non-current Assets	18,845.1	19,125.3	18,989.5	19,203.0	18,953.7	18,987.2	19,182.7
Investment	4,179.6	4,292.2	4,311.2	4,329.6	4,248.8	4,287.2	4,450.7
PP&E	10,265.0	10,390.9	10,221.2	10,342.0	10,306.8	10,429.1	10,504.1
Intangible assets	1,221.6	1,262.7	1,283.9	1,363.7	1,335.2	1,330.3	1,309.4
Other	3,178.9	3,179.5	3,173.2	3,167.7	3,062.9	2,940.6	2,918.5
<b>Liabilities</b>	24,317.5	24,040.2	23,535.0	22,838.7	24,368.0	24,377.0	25,247.9
Accounts payable	6,989.3	6,819.4	6,533.1	5,691.1	6,875.7	6,725.1	7,404.9
Debt	9,396.9	8,902.2	8,974.3	9,211.0	9,654.0	9,524.0	9,429.7
Other	7,931.3	8,318.6	8,027.6	7,936.6	7,838.3	8,127.9	8,413.3
<b>Equity</b>	12,829.1	13,152.6	12,878.3	12,689.4	12,790.2	13,056.8	13,255.6

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(Unit : KRW bn)

		1Q'13	2Q'13	3Q'13	4Q'13	'13 Total	1Q'14	2Q'14	3Q'14	QoQ	YoY
<b>Home Entertainment</b>	Sales	4,818.8	5,116.4	4,852.1	5,789.9	20,577.2	4,947.3	5,090.9	4,710.4	-7%	-3%
	Op. Income	11.2	93.7	124.0	170.7	399.6	240.3	154.5	130.5		
	(%)	0.2%	1.8%	2.6%	2.9%	1.9%	4.9%	3.0%	2.8%		
<b>Mobile Communications</b>	Sales	3,202.3	3,123.1	3,045.4	3,591.5	12,962.3	3,407.0	3,620.3	4,247.0	17%	39%
	Op. Income	132.5	61.2	-79.7	-43.4	70.6	-8.8	85.9	167.4		
	(%)	4.1%	2.0%	-2.6%	-1.2%	0.5%	-0.3%	2.4%	3.9%		
<b>Home Appliance</b>	Sales	2,806.1	3,187.0	2,966.8	2,838.9	11,798.8	2,717.9	3,030.5	2,911.5	-4%	-2%
	Op. Income	101.7	121.6	108.7	83.3	415.3	109.2	97.8	51.8		
	(%)	3.6%	3.8%	3.7%	2.9%	3.5%	4.0%	3.2%	1.8%		
<b>Air Conditioning &amp; Energy Solution</b>	Sales	1,216.6	1,733.5	973.2	719.7	4,643.0	1,220.1	1,635.0	925.6	-43%	-5%
	Op. Income	81.7	171.0	19.5	7.3	279.5	89.8	164.2	-2.5		
	(%)	6.7%	9.9%	2.0%	1.0%	6.0%	7.4%	10.0%	-0.3%		
<b>Others</b>	Sales	857.5	891.4	809.4	801.7	3,360.0	871.7	841.8	892.3	6%	10%
	Op. Income	5.9	-4.3	-11.5	-10.2	-20.1	13.8	16.6	11.6		
<b>LGE Consolidated before including LG Innotek</b>	Sales	12,901.3	14,051.4	12,646.9	13,741.7	53,341.3	13,164.0	14,218.5	13,686.8	-4%	8%
	Op. Income	333.0	443.2	161.0	207.7	1,144.9	444.3	519.0	358.8		
	(%)	2.6%	3.2%	1.3%	1.5%	2.1%	3.4%	3.6%	2.6%		
<b>LG Innotek earnings excluding internal transactions with LGE</b>	Sales	1,550.9	1,521.1	1,595.5	1,544.0	6,211.5	1,458.8	1,542.9	1,649.3	7%	3%
	Op. Income	15.8	35.7	55.7	28.9	136.2	63.1	89.9	103.0		
<b>LGE earnings from LG innotek</b>	Sales	351.6	340.2	350.2	370.4	1,412.4	348.1	386.8	419.7	8%	20%
	Op. Income	-0.7	-0.4	-1.1	-1.5	-3.6	3.4	2.7	0.5		
<b>LGE Consolidated</b>	Sales	14,100.6	15,232.3	13,892.2	14,915.3	58,140.4	14,274.7	15,374.6	14,916.4	-3%	7%
	Op. Income	349.5	479.3	217.8	238.1	1,284.7	504.0	606.2	461.3		
	(%)	2.5%	3.1%	1.6%	1.6%	2.2%	3.5%	3.9%	3.1%		