



2Q14 Earnings Release

July 24th 2014

All information regarding management performance and financial results of LG Electronics (the “Company”) during the 2nd 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 2nd 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 3rd 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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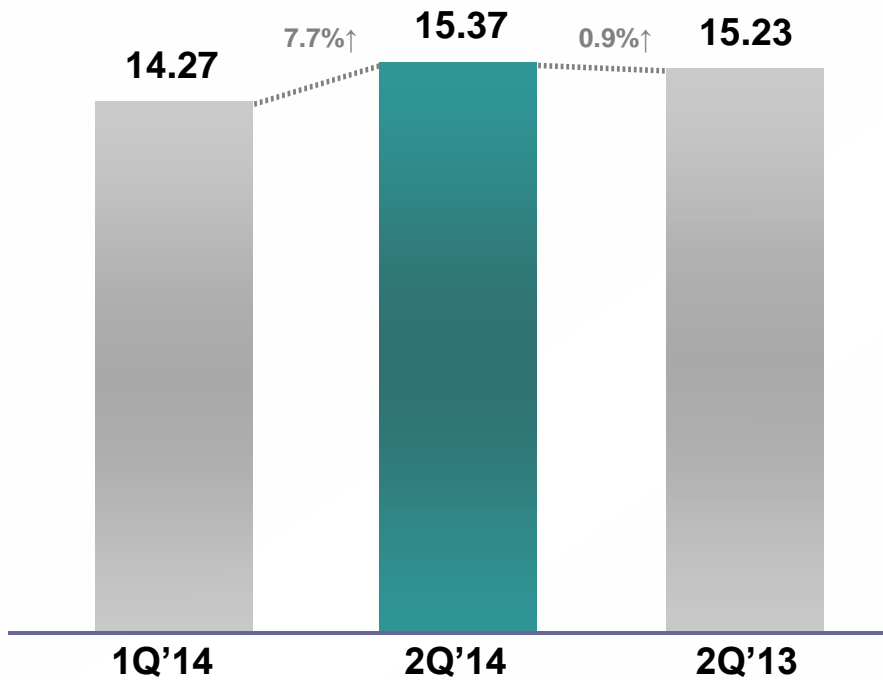
2Q14 Results

I . 2Q14 Results (Consolidated)

Sales/Profit

Sales

(Unit : KRW tn)



Profit

(Unit : KRW bn)

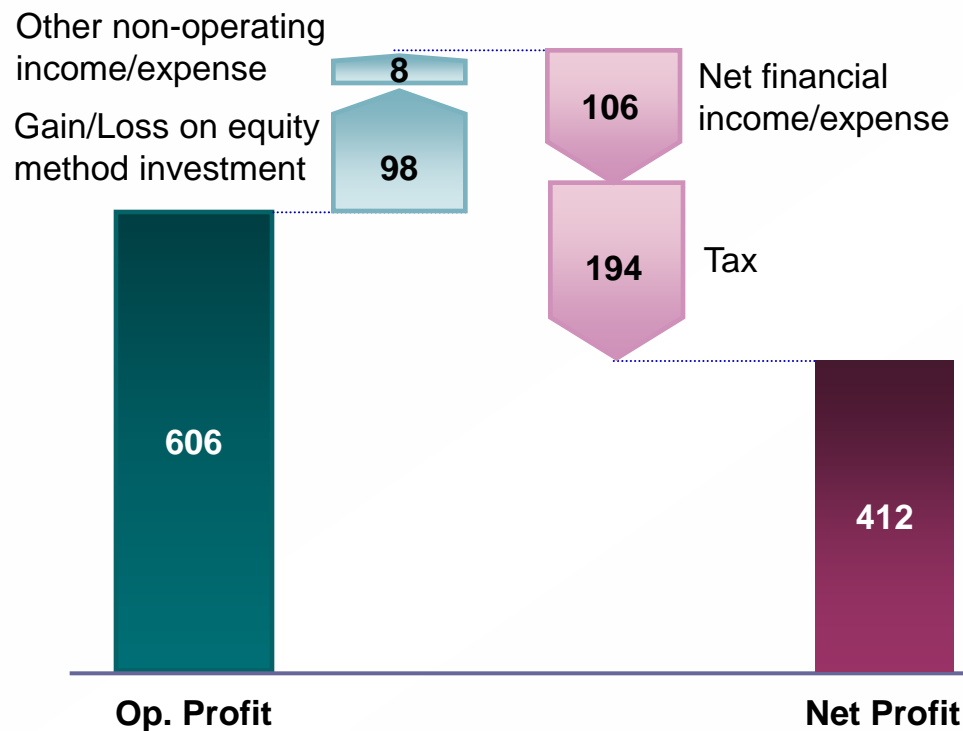
	<u>1Q'14</u>	<u>2Q'14</u>	<u>2Q'13</u>
Operating Profit	504	606	479
EBITDA	999	1,099	951
Net Profit	93	412	156

I . 2Q14 Results (Consolidated)

Net Profit

Net Profit

(Unit : KRW bn)



Investment Income

(Unit : KRW bn)

	1Q'14	2Q'14
LG Display	-31	98
Others	-24	-
Gain/Loss on equity method investment	-55	98

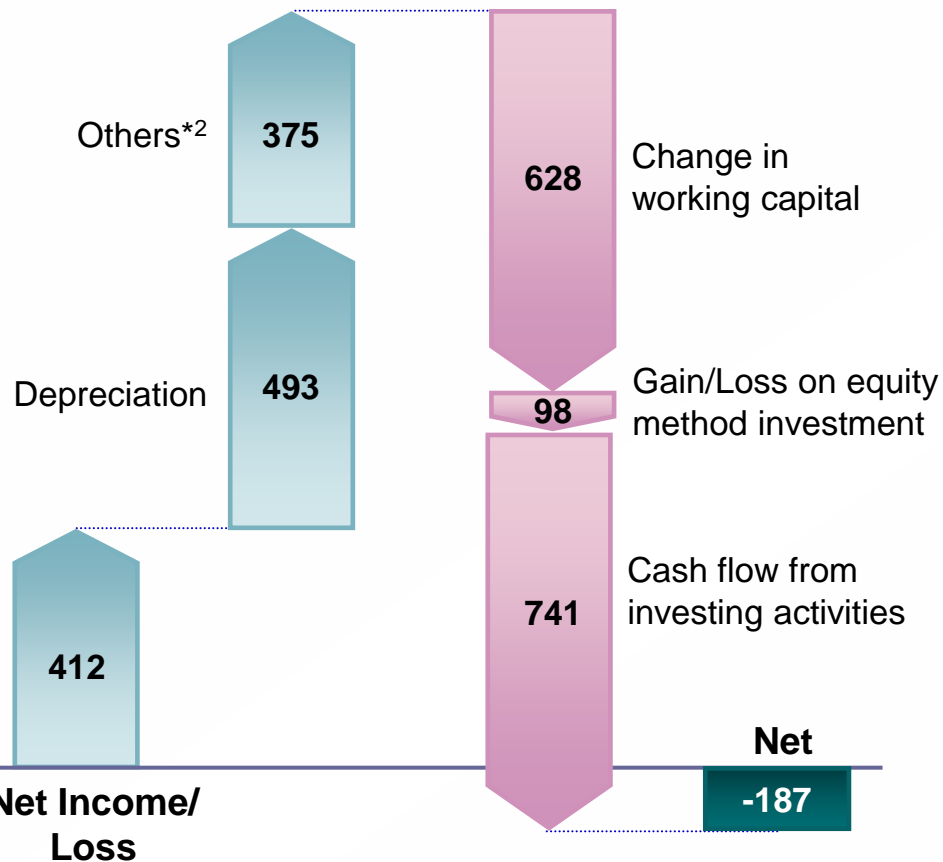
I . 2Q14 Results (Consolidated)

Cash Flow Statement

2Q Net Cash Flow *1

(Unit : KRW bn)

Cash In Cash Out



Cash Flow Statement

(Unit : KRW bn)

	1Q'14	2Q'14
Cash at beginning of period	2,645	2,714
Cash flow from operating activities	139	621
Net income/loss	93	412
Depreciation	495	493
Gain/Loss on equity method investment	55	-98
Change in working capital	-582	-628
Others	78	442
Cash flow from investing activities	-496	-741
Increase in tangible assets	-411	-640
Increase in intangible assets	-140	-102
Cash flow from financing activities	422	175
Increase/Decrease in debt	422	215
FX effect from foreign currency denominated cash	4	-68
Net changes in cash	69	-13
Cash at end of period	2,714	2,701

* Net= Excluding Cash flow from financing activities

* Others includes FX effect from foreign currency denominated cash

I . 2Q14 Results (Consolidated)

Financial Structure

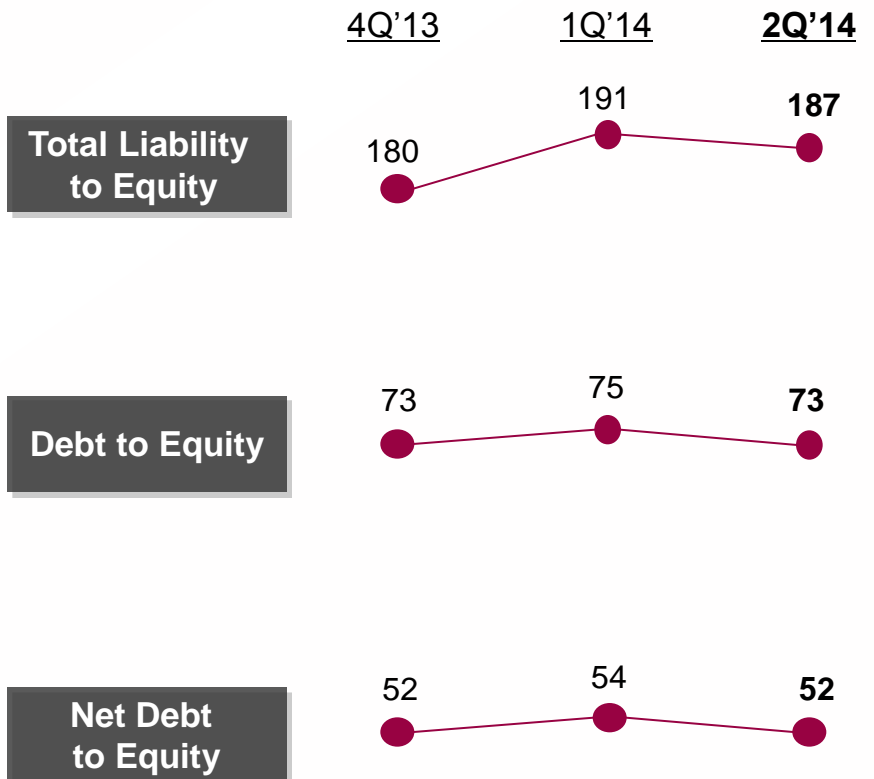
Balance Sheet

(Unit: KRW tn)

	4Q'13	1Q'14	2Q'14
Assets	35.53	37.16	37.43
Current Assets	16.33	18.21	18.44
Cash	2.65	2.71	2.70
Inventory	4.84	5.57	5.55
Non-Current Assets	19.20	18.95	18.99
Liabilities	22.84	24.37	24.37
Current Liabilities	15.01	16.08	15.40
Non-Current Liabilities	7.83	8.29	8.97
Equity	12.69	12.79	13.06
Debt	9.21	9.65	9.52
Net Debt	6.56	6.94	6.82

Financial Ratio

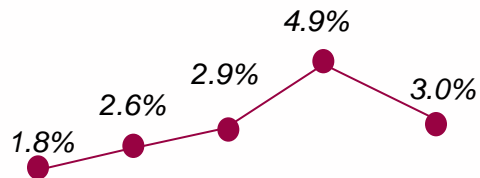
(Unit : %)



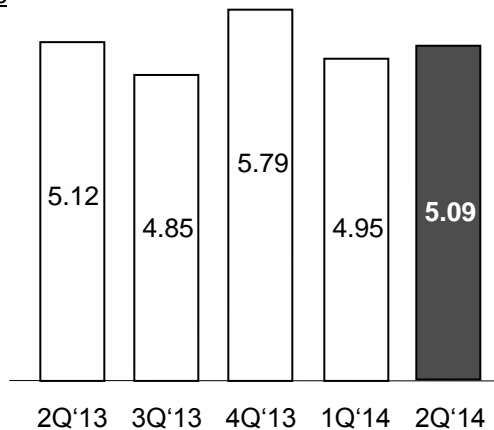
Performance and Outlook

Business Performance (KRW tn)

Op. Margin



Sales



2Q14 Performance

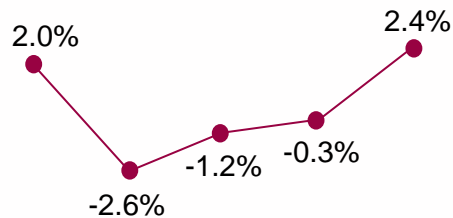
- ❖ **Sales:** Increased by 3% QoQ due to launch of new TV models, but slightly decreased YoY because of declined monitor and Audio/Video sales
 - LCD TV: Sales increased QoQ in all countries except Europe and CIS, and increased YoY in all regions
- ❖ **Profitability:** Operating profit margins declined QoQ due to higher marketing expense from new models launches, but continued to improve YoY due to better product mix along with lower fixed costs

3Q14 Outlook

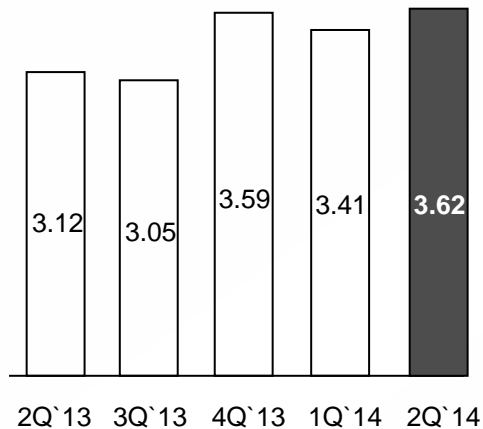
- ❖ **Market:** Expect LCD TV market to grow continuously along with increase of demand for Ultra HD TVs, driven mostly from North America and China. Expect the B2B market to increase as well, especially for monitor signage
- ❖ **LGE:** Plan to improve profitability with better product mix driven by stronger Ultra HD TV sales along with lower fixed costs and plan to strengthen our sales capability and product competitiveness in order to lead the B2B market

Business Performance (KRW tn)

Op. Margin



Sales



2Q14 Performance

- ❖ **Sales: Increased by 16% YoY and by 6% QoQ to 3.6 trillion won**
 - Achieved 14.5M units of smartphone shipments (YoY 20%↑ / QoQ 18%↑)
 - Improved LTE sales by 123% YoY, and by 4% QoQ due to the launch of G3 and new models in mass tier segment
 - Total shipments in North America increased by 39% QoQ due to the stronger sales from G-Series and L-Series. Total shipments in domestic market increased by 17% QoQ due to strong G3 sales
- ❖ **Profitability: Turned back to profit due to better product mix driven by strong G3 and L-series3 sales, increase in revenue, and stronger cost competitiveness**

3Q14 Outlook

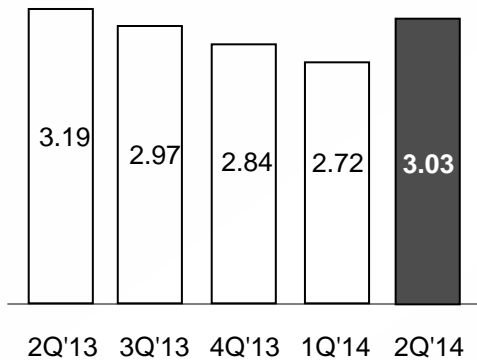
- ❖ **Market: Expect smartphone market to grow continuously, especially for the LTE market. However, market competition will be intensified due to continuous launch of new models in premium segment and intensifying price competition as a result of the sales expansion from the mass market**
- ❖ **LGE: Plan to increase sales continuously as launching G3 globally along with strengthening the mass tier line up such as G3 variation models and additional L-series3 products**

Business Performance (KRW tn)

Op. Margin



Sales



2Q14 Performance

- ❖ **Sales: Decreased by 5% YoY but increased by 12% QoQ to 3.0 trillion won**
 - Domestic: Sales increased by 9% YoY due to strong sale from premium refrigerators and high energy efficient washing machines
 - Overseas: Sales declined 8% YoY due to intensified competition in North America and unfavorable FX movement in developing markets such as Central and South America and Southeast Asia
- ❖ **Profitability: Despite better product mix and cost reduction effort, profit decreased YoY due to unfavorable FX movements and intensified competition**

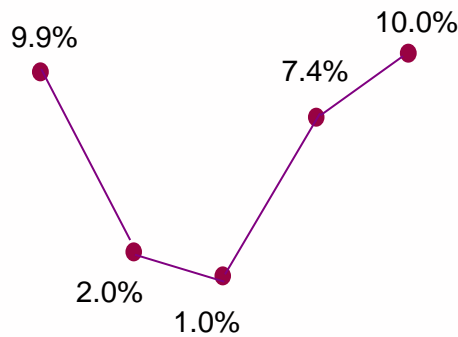
3Q14 Outlook

- ❖ **Market: Expect demand growth in Korea to maintain and gradual economic recovery to occur in US and Europe. Also, demand is expected to increase in developing markets with FX movements stabilizing**
- ❖ **LGE: Plan to increase sales by launching market leading products for washing machines and refrigerators, and better product mix. Also we plan to improve profitability with better cost structure**

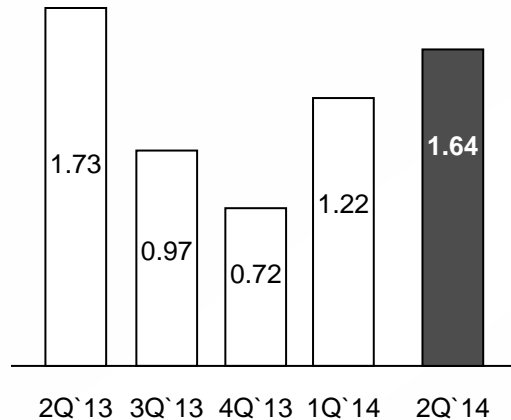
II. Performance and Outlook by Division Air-Conditioning & Energy Solution

Business Performance (KRW tn)

Op. Margin



Sales



2Q14 Performance

- ❖ **Sales : Decreased by 6% YoY to 1.64 trillion won**
 - Sales declined YoY despite steady growth of sales in commercial air-conditioners and dehumidifiers due to high base effect in domestic market and strengthening KRW

- ❖ **Profitability: In spite of declined sales, operating profit margins slightly improved YoY due to stronger sales in commercial air conditioners and better product mix**

3Q14 Outlook

- ❖ **Market: Economic recovery trend to continue in developed markets such as North America and Europe and expect demand to recover in the Middle-East. However, market competition is expected to intensify due to overseas expansion of Chinese companies**

- ❖ **LGE: Plan to increase sales in the overseas market by expanding models that are customized for each market, strengthening VRF product line up, and better cost competitiveness in commercial air-conditioner**



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Income Statement

(Unit : KRW bn)

	2013									2014				
	1Q		2Q		3Q		4Q		Total		1Q		2Q	
Sales	14,100.6	100%	15,232.3	100%	13,892.2	100%	14,915.3	100%	58,140.4	100%	14,274.7	100%	15,374.6	100%
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	77.8%	11,669.1	75.9%
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	22.2%	3,705.5	24.1%
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	20.6%	3,099.3	20.2%
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	1.6%	606.2	3.9%
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	-0.7%	-106.4	-0.7%
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	0.2%	98.4	0.6%
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	-0.9%	7.8	0.1%
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	0.2%	606.0	3.9%
Tax	154.6	1.1%	77.0	0.5%	30.8	0.2%	91.5	0.6%	353.8	0.6%	196.4	0.6%	194.2	1.3%
Net income	22.1	0.2%	155.5	1.0%	108.5	0.8%	-63.5	-0.4%	222.7	0.4%	92.6	-0.4%	411.8	2.7%
Controlled shares	24.2		132.0		84.0		-63.5		176.8		74.9		369.1	
Noncontrolled shares	-2.1		23.5		24.5		0.0		45.9		17.7		42.7	

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

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(Unit : KRW bn)

		1Q'13	2Q'13	3Q'13	4Q'13	'13 Total	1Q'14	2Q'14	QoQ	YoY
Home Entertainment	Sales	4,818.8	5,116.4	4,852.1	5,789.9	20,577.2	4,947.3	5,090.9	3%	0%
	Op. Income	11.2	93.7	124.0	170.7	399.6	240.3	154.5		
	(%)	0.2%	1.8%	2.6%	2.9%	1.9%	4.9%	3.0%		
Mobile Communications	Sales	3,202.3	3,123.1	3,045.4	3,591.5	12,962.3	3,407.0	3,620.3	6%	16%
	Op. Income	132.5	61.2	-79.7	-43.4	70.6	-8.8	85.9		
	(%)	4.1%	2.0%	-2.6%	-1.2%	0.5%	-0.3%	2.4%		
Home Appliance	Sales	2,806.1	3,187.0	2,966.8	2,838.9	11,798.8	2,717.9	3,030.5	12%	-5%
	Op. Income	101.7	121.6	108.7	83.3	415.3	109.2	97.8		
	(%)	3.6%	3.8%	3.7%	2.9%	3.5%	4.0%	3.2%		
Air Conditioning & Energy Solution	Sales	1,216.6	1,733.5	973.2	719.7	4,643.0	1,220.1	1,635.0	34%	-6%
	Op. Income	81.7	171.0	19.5	7.3	279.5	89.8	164.2		
	(%)	6.7%	9.9%	2.0%	1.0%	6.0%	7.4%	10.0%		
Others	Sales	857.5	891.4	809.4	801.7	3,360.0	871.7	841.8	-3%	-6%
	Op. Income	5.9	-4.3	-11.5	-10.2	-20.1	13.8	16.5		
LGE Consolidated before including LG Innotek (①)	Sales	12,901.3	14,051.4	12,646.9	13,741.7	53,341.3	13,164.0	14,218.5	8%	1%
	Op. Income	333.0	443.2	161.0	207.7	1,144.9	444.3	518.9		
	(%)	2.6%	3.2%	1.3%	1.5%	2.1%	3.4%	3.6%		
LG Innotek earnings excluding internal transactions with LGE (②)	Sales	1,206.3	1,186.4	1,248.2	1,191.5	4,832.4	1,118.0	1,166.1	4%	-2%
	Op. Income	14.4	35.9	53.8	33.1	137.3	59.7	87.4		
LGE's internal transaction with LG Innotek (③)	Sales	7.0	5.5	2.9	17.9	33.3	7.3	10.0	37%	82%
	Op. Income	-2.1	-0.2	-3.0	2.7	-2.5	0.0	0.1		
LGE Consolidated (①+②-③)	Sales	14,100.6	15,232.3	13,892.2	14,915.3	58,140.4	14,274.7	15,374.6	8%	1%
	Op. Income	349.5	479.3	217.8	238.1	1,284.7	504.0	606.2		
	(%)	2.5%	3.1%	1.6%	1.6%	2.2%	3.5%	3.9%		