

# 3Q'11 Earnings Release

October 26<sup>th</sup> 2011

All information regarding management performance and financial results of LG Electronics (the “Company”) during the 3<sup>rd</sup> quarter of 2011 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 3<sup>rd</sup> quarter of 2011 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 the 4<sup>th</sup> quarter of 2011. 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 3Q'11 Results

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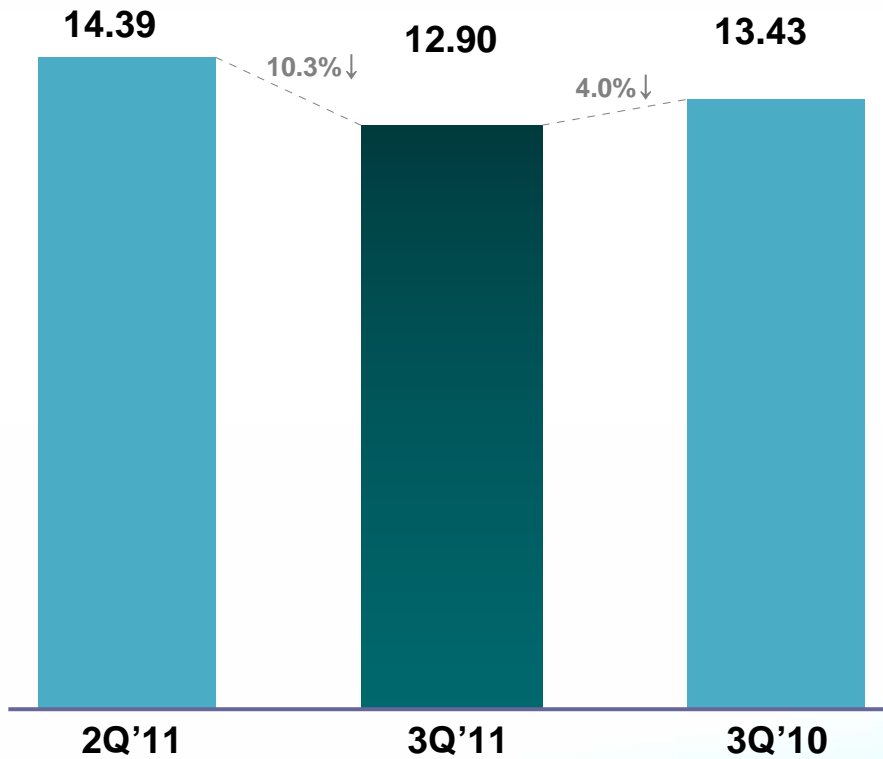
# ***3Q'11 Results***

## II. 3Q'11 Results (LGE Consolidated)

Sales/Profit

### Sales

(Unit : KRW tn)



### Profit

(Unit : KRW bn)

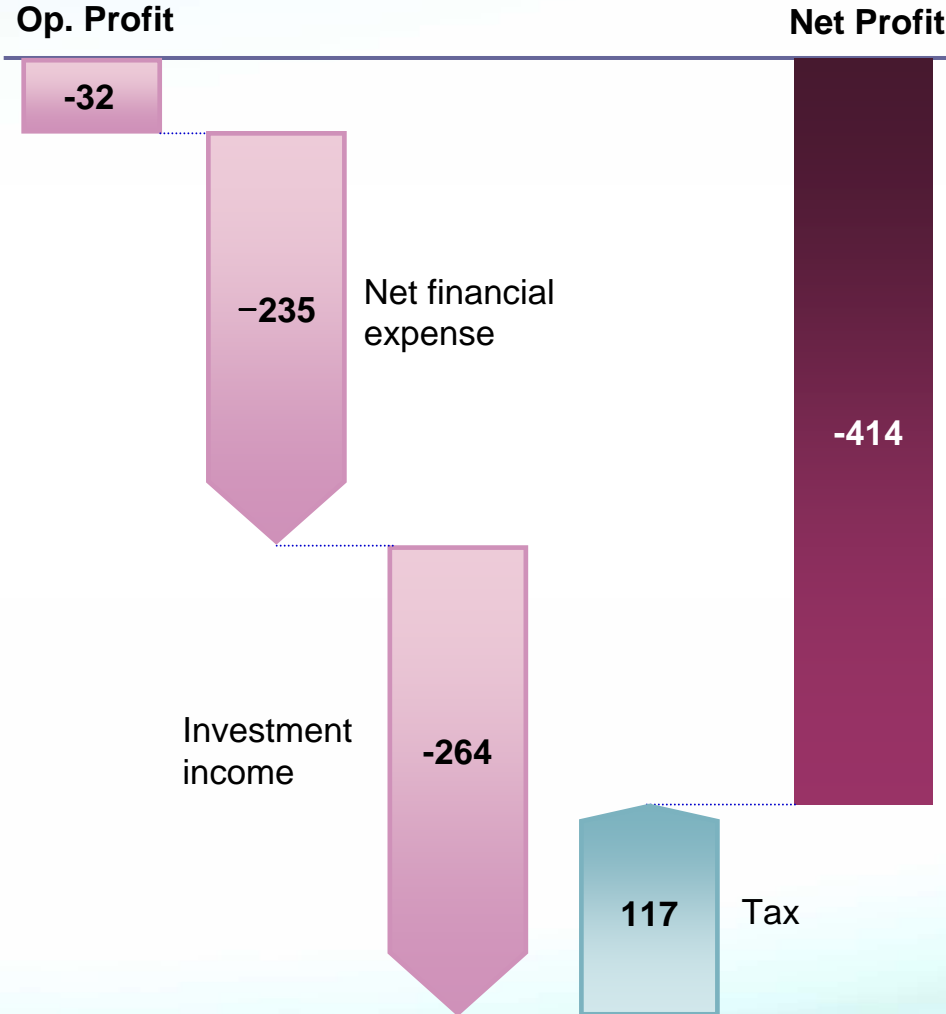
	2Q'11	QoQ	3Q'11	YoY	3Q'10
Operating Profit	158	n/a	-32	n/a	-185
EBITDA	463	↓ 44%	261	↑ 76%	148
Net Profit	108	n/a	-414	n/a	8

# II. 3Q'11 Results (LGE Consolidated)

Net Profit

## Net Profit

(Unit: KRW bn)



## Investment Income

(Unit: KRW bn)

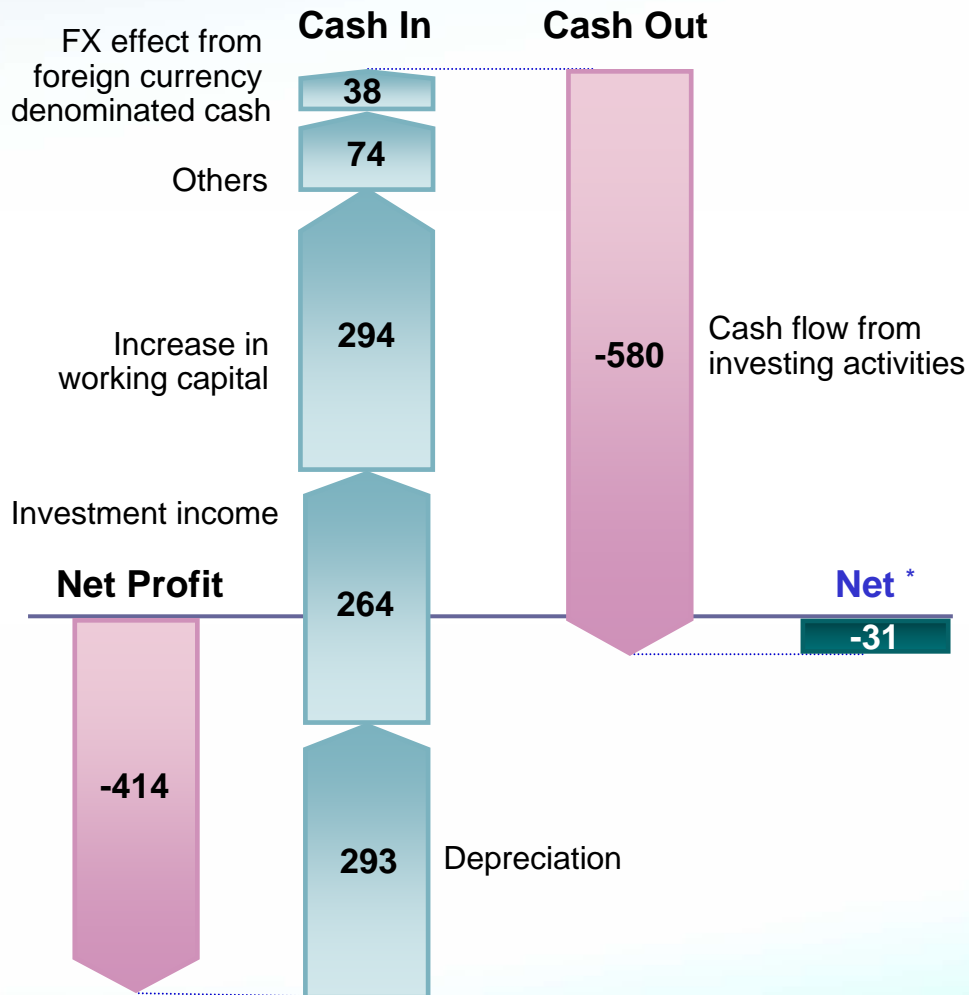
	2Q'11	3Q'11
LG Display	6	-258
LG Innotek	-10	-24
Others	33	18
Investment Income	29	-264

## II. 3Q'11 Results (LGE Consolidated)

## Cash Flow Statement

### 3Q Net\* Cash Flow

(Unit : KRW bn)



### Cash Flow Statement

(Unit : KRW bn)

	2Q'11	3Q'11
<b>Cash at beginning of period</b>	2,212	2,243
<b>Cash flow from operating activities</b>	649	511
Net income	108	-414
Depreciation	305	293
Investment income	-29	264
Increase in working capital	69	294
Others	196	74
<b>Cash flow from investing activities</b>	-665	-580
Increase in tangible assets	-385	-485
Increase in intangible assets	-78	-81
Changes in the scope of consolidation	-148	0
<b>Cash flow from financing activities</b>	59	538
Increase in debt	93	548
<b>FX effect from foreign currency denominated cash</b>	-13	38
<b>Net changes in cash</b>	31	507
<b>Cash at end of period</b>	2,243	2,750

\*Net= Excluding Cash flow from financing activities



## II. 3Q'11 Results (LGE Consolidated)

## Financial Structure

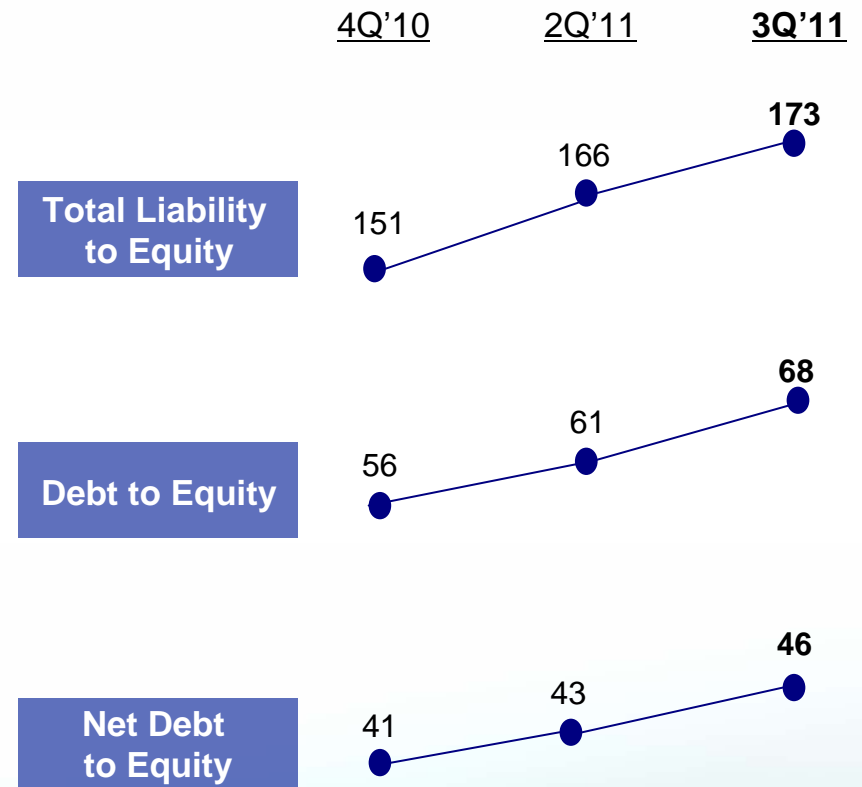
### Balance Sheet

(Unit: KRW tn)

	4Q'10	2Q'11	3Q'11
<b>Assets</b>	32.32	33.84	<b>34.37</b>
Current Assets	16.51	17.53	<b>17.73</b>
Cash	1.94	2.24	<b>2.75</b>
Inventory	5.87	6.09	<b>6.22</b>
Non-Current Assets	15.80	16.31	<b>16.64</b>
<b>Liabilities</b>	19.46	21.10	<b>21.80</b>
Current Liabilities	15.39	16.67	<b>16.88</b>
Non-Current Liabilities	4.07	4.43	<b>4.92</b>
<b>Equity</b>	12.86	12.74	<b>12.57</b>
<b>Debt</b>	7.19	7.76	<b>8.53</b>
<b>Net Debt</b>	5.25	5.52	<b>5.78</b>

### Financial Ratio

(Unit : %)



# ***Performance and Outlook***

# III. Performance and Outlook by Sector \*

Sales/Profit

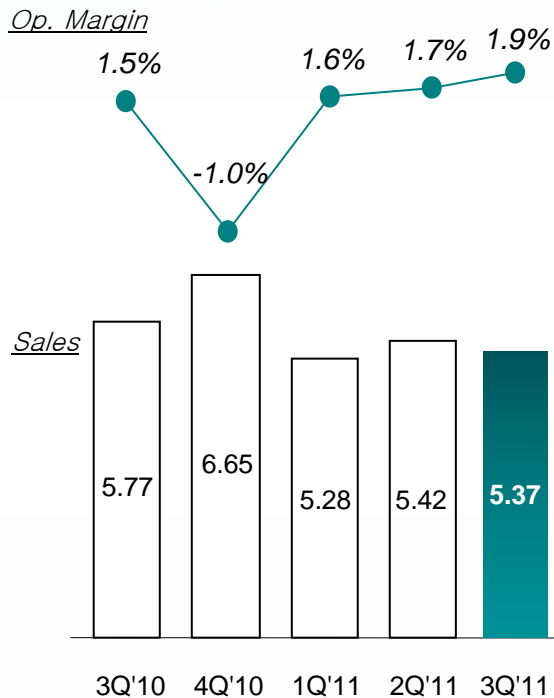
## Consolidated Sales and Profit by Division

(Unit : KRW bn)

		2Q'11	QoQ	3Q'11	YoY	3Q'10
Home Entertainment	Sales	5,420	↓ 0.9%	5,369	↓ 7.0%	5,772
	Op. Income	90		101		86
Mobile Communications	Sales	3,246	↓ 14.9%	2,762	↓ 8.5%	3,020
	Op. Income	-54		-139		-303
Handset	Sales	3,200	↓ 16.0%	2,689	↓ 9.5%	2,971
	Op. Income	-55		-140		-304
Home Appliance	Sales	2,806	↓ 3.7%	2,703	↑ 0.9%	2,677
	Op. Income	58		70		63
Air Conditioning & Energy Solution	Sales	1,650	↓ 39.5%	998	↑ 11.4%	895
	Op. Income	61		1		-47

\* Divisional sales includes internal transactions between divisions

### Business Performance (KRW tn)



### 3Q'11 Performance

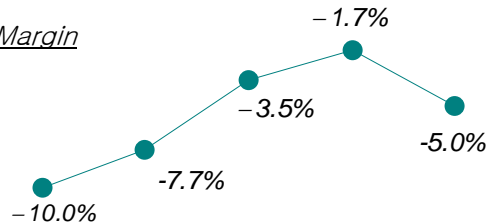
- ❖ **Sales : Decreased QoQ due to weak consumer sentiment in the global market and decline in ASP**
  - LCD TV : Sales were similar QoQ with strong sales from the developing markets
  - PDP TV : Fell QoQ as a result of weak demand in the developed markets
  - Monitor : Dropped QoQ due to the stagnant IT industry and intensified competition
- ❖ **Profitability : Improved QoQ due to better product mix (3D, LED, large-size TVs) and cost reduction efforts**

### 4Q'11 Outlook

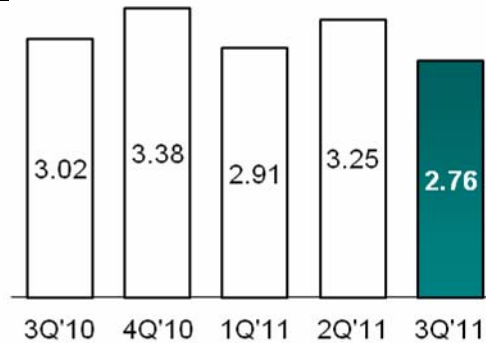
- ❖ **Market : Expect the strong season to encourage greater promotions for all TV makers**
- ❖ **LGE : Plan to increase sales by generating stronger demand for Cinema 3D / Smart TV by strengthening marketing efforts while focusing on securing profitability**

### Business Performance (KRW tn)

*Op. Margin*



*Sales*



### 3Q'11 Performance

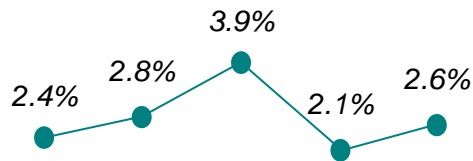
- ❖ **Sales** : Shipments declined QoQ to 21.1M while revenue was down 15% QoQ to KRW 2.8 trillion
  - Mass-tier smartphone shipments declined and feature phone shipments fell in order to manage profitability
  
- ❖ **Profitability** : Decreased in line with weaker smartphone shipments and unfavorable FX movements

### 4Q'11 Outlook

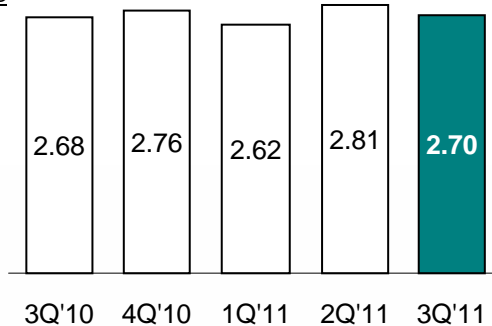
- ❖ **Market** : With the smartphone market continuously growing, the LTE market is expected to rapidly expand in the developed markets resulting in an intensified competition among leading LTE players
  
- ❖ **LGE** : Continuously focus on the smartphone business and increase sales of LTE phones in order to dominate the market in advance. In addition, plan to allocate resources efficiently in order to improve profitability.

### Business Performance (KRW tn)

*Op. Margin*



*Sales*



### 3Q'11 Performance

- ❖ **Sales : Increased 1% YoY to KRW 2.7 trillion (11% growth YoY based on USD)**
  - **Korea** : Grew 11% YoY with stronger sales of large size and energy efficient market competitive products
  - **Overseas** : Despite weak developed market sales due to the economic slowdown in the US and Europe, maintained growth as a result of strong emerging market sales
- ❖ **Profitability : Increased despite raw material price hikes and appreciating KRW due to stronger sales and cost reduction efforts**

### 4Q'11 Outlook

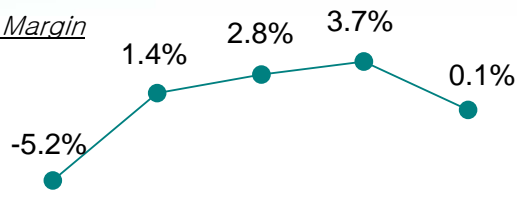
- ❖ **Market** : Starting to see signs of a slowdown in the developing markets due to the weak economy in the US and Europe
- ❖ **LGE** : Sales is expected to grow slowly but target to maintain profitability YoY with stronger sales of new products and cost reduction efforts

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

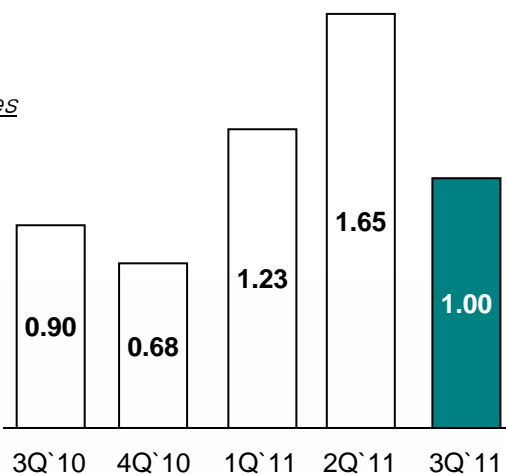
## Business Performance

(KRW tn)

*Op. Margin*



*Sales*



## 3Q'11 Performance

- ❖ **Sales** : Increased 11% YoY to KRW 1 trillion due to strong growth in Korea, the Middle East, and Latin America
  - Korea : Posted 39% growth YoY due to strong sales in July as a result of the late summer heat
  - Overseas : Revenue was similar YoY as stronger sales in the developing countries (MEA, Latin America) offset the weak economy in the developed markets
- ❖ **Profitability** : In spite of revenue decline QoQ due to the slow season, turned back to profit on a YoY basis due to cost reduction efforts

## 4Q'11 Outlook

- ❖ **Market** : Overall demand is expected to decline due to the slow season but demand for heaters will increase in Korea and countries in the southern hemisphere
- ❖ **LGE** :
  - Increase sales for CAC / Chiller / Heaters
  - Target countries in the southern hemisphere
  - Develop energy efficient products and provide total solution packages

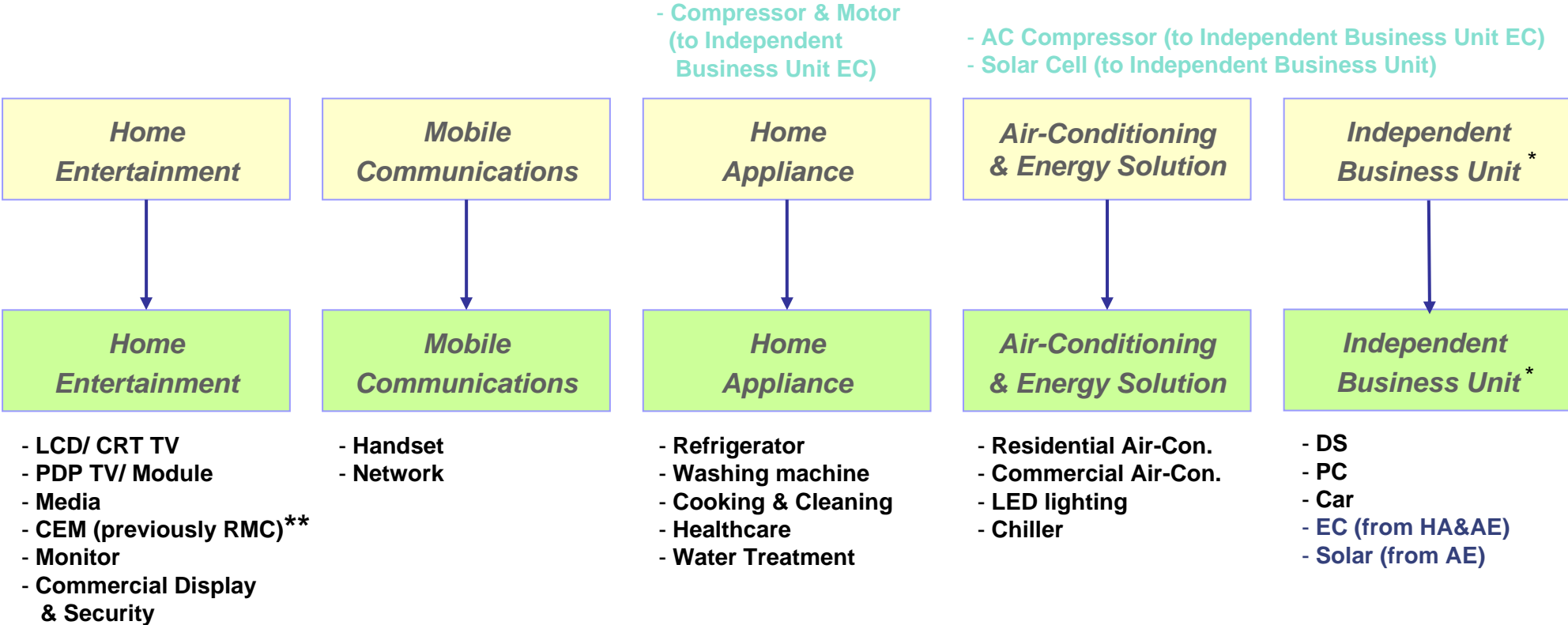


<http://www.lg.com>



# Appendix. Second Half 2011 Business Reorganization

- The C&M (Compressor & Motor) business unit from the HA Company and AC Compressor business unit from the AE Company was transferred to EC (Energy Components) Business Unit as an independent business unit
- The Solar business unit has transferred from AE Company as an individual business unit



\* Independent business units report directly to the CEO

\*\* CEM= Chemical & Electronic Material / RMC= Recording Media & Chemitronics

## Income Statement

(Unit : KRW bn)

	2010										2011					
	1Q		2Q		3Q		4Q		Total		1Q		2Q		3Q	
<b>Sales</b>	7,227	100.0%	7,653	100.0%	7,229	100.0%	7,129	98.6%	29,239	100.0%	6,933	100.0%	7,574	100.0%	6,924	100.0%
Domestic	1,606	22.2%	1,802	23.5%	1,783	24.7%	1,701	23.5%	6,892	23.6%	1,953	28.2%	2,151	28.4%	2,166	31.3%
Export	5,621	77.8%	5,851	76.5%	5,446	75.3%	5,428	75.1%	22,346	76.4%	4,980	71.8%	5,423	71.6%	4,758	68.7%
Cost of goods sold	5,838	80.8%	6,441	84.2%	6,244	86.4%	6,370	88.1%	24,894	85.1%	5,716	82.4%	6,266	82.7%	5,559	80.3%
<b>Gross profit</b>	1,389	19.2%	1,212	15.8%	985	13.6%	759	10.5%	4,345	14.9%	1,217	17.6%	1,308	17.3%	1,365	19.7%
Selling & admin expense	1,244	17.2%	1,443	18.9%	1,443	20.0%	1,338	18.5%	5,468	18.7%	1,300	18.8%	1,410	18.6%	1,330	19.2%
Other operating gain (Loss)	52	0.7%	(19)	-0.2%	(66)	-0.9%	14	0.2%	(19)	-0.1%	(34)	-0.5%	(16)	-0.2%	6	0.1%
<b>Operating income (Loss)</b>	93	1.3%	(213)	-2.8%	(393)	-5.4%	(593)	-8.2%	(1,105)	-3.8%	(49)	-0.7%	(87)	-1.1%	29	0.4%
Financial income (Expense)	143	2.0%	(182)	-2.4%	85	1.2%	(18)	-0.2%	28	0.1%	65	0.9%	14	0.2%	(204)	-2.9%
<b>Net profit (Loss) before tax</b>	236	3.3%	(395)	-5.2%	(308)	-4.3%	(611)	-8.4%	(1,077)	-3.7%	16	0.2%	(73)	-1.0%	(175)	-2.5%
Tax	7	0.1%	(144)	-1.9%	(121)	-1.7%	(184)	-2.5%	(441)	-1.5%	1	0.0%	(37)	-0.5%	(52)	-0.8%
<b>Net profit (Loss)</b>	229	3.2%	(251)	-3.3%	(187)	-2.6%	(427)	-5.9%	(636)	-2.2%	15	0.2%	(36)	-0.5%	(122)	-1.8%

\* 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)

	2010				2011		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Assets	23,428	24,230	24,021	22,975	23,970	24,143	24,931
Current Assets	9,021	9,742	9,294	8,094	8,990	8,824	9,302
Cash and cash equivalents	715	716	561	869	903	860	1,456
Accounts receivable	6,070	6,983	6,637	5,488	6,074	6,017	5,953
Inventory	1,049	1,184	1,172	1,065	1,259	1,151	1,144
Other	1,187	859	924	673	754	796	749
Non-current Assets	14,407	14,488	14,727	14,881	14,980	15,319	15,629
Investment	7,897	7,909	7,919	7,845	7,845	7,870	7,892
PP&E	4,594	4,559	4,654	4,661	4,732	4,839	5,019
Intangible assets	696	722	737	726	728	830	872
Other	1,220	1,298	1,417	1,649	1,676	1,780	1,845
Liabilities	12,595	13,647	13,684	13,049	14,064	14,278	15,196
Accounts payable	4,888	4,925	4,235	4,285	4,564	4,271	4,538
Debt	3,919	4,957	5,726	5,000	5,665	5,919	6,550
Other	3,787	3,765	3,723	3,764	3,834	4,088	4,108
Equity	10,833	10,583	10,337	9,926	9,906	9,864	9,735

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## Income Statement

(Unit : KRW bn)

	2010									2011						
	1Q		2Q		3Q		4Q		Total		1Q		2Q		3Q	
<b>Sales</b>	<b>13,217</b>	<b>100.0%</b>	<b>14,410</b>	<b>100.0%</b>	<b>13,429</b>	<b>100.0%</b>	<b>14,698</b>	<b>100.0%</b>	<b>55,754</b>	<b>100.0%</b>	<b>13,160</b>	<b>100.0%</b>	<b>14,385</b>	<b>100.0%</b>	<b>12,897</b>	<b>100.0%</b>
Cost of goods sold	9,807	74.2%	11,110	77.1%	10,555	78.6%	11,982	81.5%	43,453	77.9%	10,195	77.5%	11,078	77.0%	9,851	76.4%
<b>Gross profit</b>	<b>3,411</b>	<b>25.8%</b>	<b>3,300</b>	<b>22.9%</b>	<b>2,874</b>	<b>21.4%</b>	<b>2,716</b>	<b>18.5%</b>	<b>12,301</b>	<b>22.1%</b>	<b>2,965</b>	<b>22.5%</b>	<b>3,307</b>	<b>23.0%</b>	<b>3,046</b>	<b>23.6%</b>
Selling & admin expense	2,895	21.9%	3,185	22.1%	3,187	23.7%	2,946	20.0%	12,213	21.9%	2,896	22.0%	3,193	22.2%	2,964	23.0%
Other operating gain (Loss)	(35)	-0.3%	11	0.1%	128	1.0%	(16)	-0.1%	88	0.2%	61	0.5%	44	0.3%	(114)	-0.9%
<b>Operating income (Loss)</b>	<b>481</b>	<b>3.6%</b>	<b>126</b>	<b>0.9%</b>	<b>(185)</b>	<b>-1.4%</b>	<b>(246)</b>	<b>-1.7%</b>	<b>176</b>	<b>0.3%</b>	<b>131</b>	<b>1.0%</b>	<b>158</b>	<b>1.1%</b>	<b>(32)</b>	<b>-0.2%</b>
Financial income (Expense)	59	0.4%	(270)	-1.9%	45	0.3%	(54)	-0.4%	(219)	-0.4%	(37)	-0.3%	(38)	-0.3%	(235)	-1.8%
Investment income (Loss)	219	1.7%	210	1.5%	123	0.9%	(74)	-0.5%	477	0.9%	(55)	-0.4%	29	0.2%	(264)	-2.0%
<b>Net income before tax</b>	<b>759</b>	<b>5.7%</b>	<b>66</b>	<b>0.5%</b>	<b>(17)</b>	<b>-0.1%</b>	<b>(374)</b>	<b>-2.5%</b>	<b>435</b>	<b>0.8%</b>	<b>38</b>	<b>0.3%</b>	<b>150</b>	<b>1.0%</b>	<b>(531)</b>	<b>-4.1%</b>
Tax	117	0.9%	25	0.2%	(24)	-0.2%	(117)	-0.8%	0	0.0%	54	0.4%	41	0.3%	(117)	-0.9%
Profit (Loss) from discontinued operations	32	0.2%	815	5.7%	0	0.0%	0	0.0%	848	1.5%	0	0.0%	0	0.0%	0	0.0%
<b>Net income</b>	<b>675</b>	<b>5.1%</b>	<b>856</b>	<b>5.9%</b>	<b>8</b>	<b>0.1%</b>	<b>(256)</b>	<b>-1.7%</b>	<b>1,282</b>	<b>2.3%</b>	<b>(16)</b>	<b>-0.1%</b>	<b>108</b>	<b>0.8%</b>	<b>(414)</b>	<b>-3.2%</b>
Controlled shares	650		842		(6)		(260)		1,227		(30)		98		(424)	
Noncontrolled shares	24		14		14		3		55		14		11		10	

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

\* Profit from LG Innotek being excluded from the consolidation of LGE has been indicated as "Profit (Loss) from discontinued operations"

## Balance Sheet

(Unit : KRW bn)

	2010				2011		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
<b>Assets</b>	33,794	34,036	33,822	32,318	33,534	33,845	34,376
<b>Current Assets</b>	18,409	18,635	18,195	16,515	17,660	17,534	17,733
Cash and cash equivalents	1,977	1,684	1,785	1,944	2,212	2,243	2,750
Accounts receivable	8,042	8,629	7,477	7,002	7,376	7,512	7,115
Inventory	6,011	6,379	7,025	5,872	6,376	6,091	6,217
Other	2,379	1,943	1,908	1,696	1,697	1,688	1,652
<b>Non-current Assets</b>	15,386	15,401	15,627	15,804	15,874	16,310	16,644
Investment	4,512	6,063	6,158	6,008	5,868	5,889	5,671
PP&E	7,736	6,256	6,326	6,500	6,645	6,810	7,108
Intangible assets	820	758	773	763	766	881	928
Other	2,318	2,323	2,371	2,532	2,594	2,731	2,936
<b>Liabilities</b>	21,139	20,774	20,738	19,459	20,802	21,101	21,804
Accounts payable	6,728	6,707	6,174	5,824	6,367	6,320	6,227
Debt	6,907	7,083	7,723	7,193	7,721	7,764	8,528
Other	7,505	6,984	6,842	6,442	6,714	7,017	7,049
<b>Equity</b>	12,655	13,261	13,084	12,860	12,732	12,744	12,572

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

\* 1Q10 numbers are based on a consolidated basis including LG Innotek

(Unit : KRW bn)

		1Q'10	2Q'10	3Q'10	4Q'10	'10 Total	1Q'11	2Q'11	3Q'11	QoQ	YoY
Home Entertainment	Sales	5,548	5,727	5,772	6,648	23,695	5,280	5,420	5,369	-1%	-7%
	Op. Income	150	-26	86	-65	145	82	90	101		
	(%)	2.7%	-0.5%	1.5%	-1.0%	0.6%	1.6%	1.7%	1.9%		
Mobile Communications	Sales	3,172	3,403	3,020	3,381	12,975	2,909	3,246	2,762	-15%	-9%
	Op. Income	29	-119	-303	-261	-654	-101	-54	-139		
	(%)	0.9%	-3.5%	-10.0%	-7.7%	-5.0%	-3.5%	-1.7%	-5.0%		
Handset	Sales	3,140	3,373	2,971	3,328	12,811	2,852	3,200	2,689	-16%	-9%
	Op. Income	28	-120	-304	-262	-658	-101	-55	-140		
	(%)	0.9%	-3.5%	-10.2%	-7.9%	-5.1%	-3.5%	-1.7%	-5.2%		
Home Appliance	Sales	2,307	2,644	2,677	2,762	10,391	2,618	2,806	2,703	-4%	1%
	Op. Income	199	176	63	78	516	102	58	70		
	(%)	8.6%	6.7%	2.4%	2.8%	5.0%	3.9%	2.1%	2.6%		
Air Conditioning & Energy Solution	Sales	1,040	1,423	895	684	4,043	1,230	1,650	998	-40%	11%
	Op. Income	35	49	-47	10	47	34	61	1		
	(%)	3.4%	3.5%	-5.2%	1.4%	1.2%	2.8%	3.7%	0.1%		
Others	Sales	1,151	1,212	1,065	1,222	4,650	1,124	1,263	1,066	-16%	0%
	Op. Income	69	46	15	-8	122	13	3	-66		
Total	Sales	13,217	14,410	13,429	14,698	55,754	13,160	14,385	12,897	-10%	-4%
	Op. Income	481	126	-185	-246	176	131	158	-32		
	(%)	3.6%	0.9%	-1.4%	-1.7%	0.3%	1.0%	1.1%	-0.2%		

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

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