



# 4Q'12 Earnings Release

January 30<sup>th</sup> 2013

All information regarding management performance and financial results of LG Electronics (the “Company”) during the 4<sup>th</sup> quarter of 2012 as contained herein has been prepared on a consolidated basis in accordance with International Financial Reporting Standards (“IFRS”). Please note that starting from the 4th quarter of 2012 results, the Company has modified its disclosure of operating profit or loss in accordance with the newly issued Amendments to K-IFRS 1001 ‘Presentation of Financial Statements.’ Due to this change, the Company has also reclassified comparative financial data in accordance with the new disclosure requirement.

In addition, the information regarding results of 4<sup>th</sup> 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 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 2013. 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 4Q'12 Results**

✓ **Comment on 1Q'13 and FY'13 Outlook**

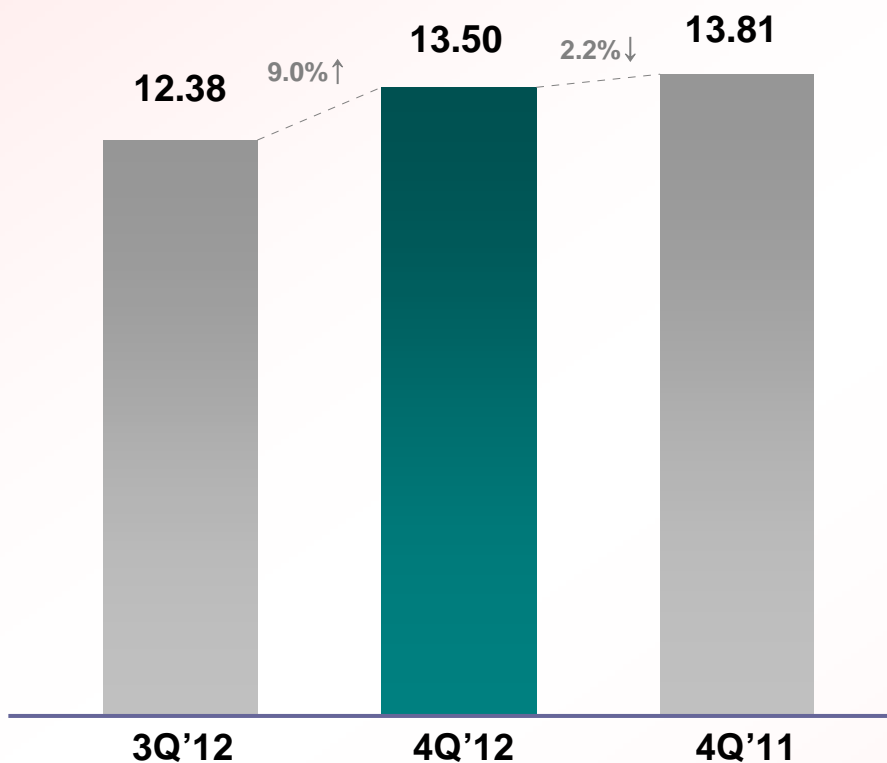
# ***4Q'12 Results***

# II. 4Q'12 Results (LGE Consolidated)

## Sales/Profit

### Sales

(Unit : KRW tn)



### Profit

(Unit : KRW bn)

	3Q'12	4Q'12	4Q'11	FY12
Operating Profit	146	107	86	1,136
EBITDA	480	442	392	2,448
Net Profit	157	-468	-112	91

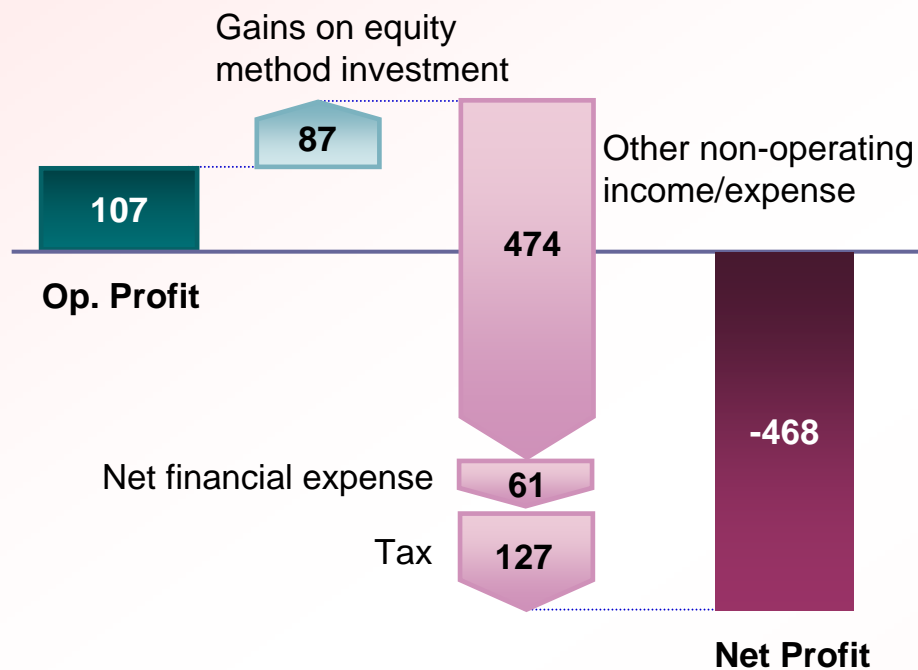
\* Operating income of the prior periods have been reclassified in accordance to the newly issued Amendments to K-IFRS 1001 'Presentation of Financial Statements' for consistency

# II. 4Q'12 Results (LGE Consolidated)

Net Profit

## Net Profit

(Unit : KRW bn)



## Investment Income

(Unit : KRW bn)

	<u>3Q'12</u>	<u>4Q'12</u>	<u>FY12</u>
LG Display	57	120	80
LG Innotek	-5	-22	-41
Others	5	-11	7
<b>Gains on equity method investment</b>	<b>57</b>	<b>87</b>	<b>46</b>

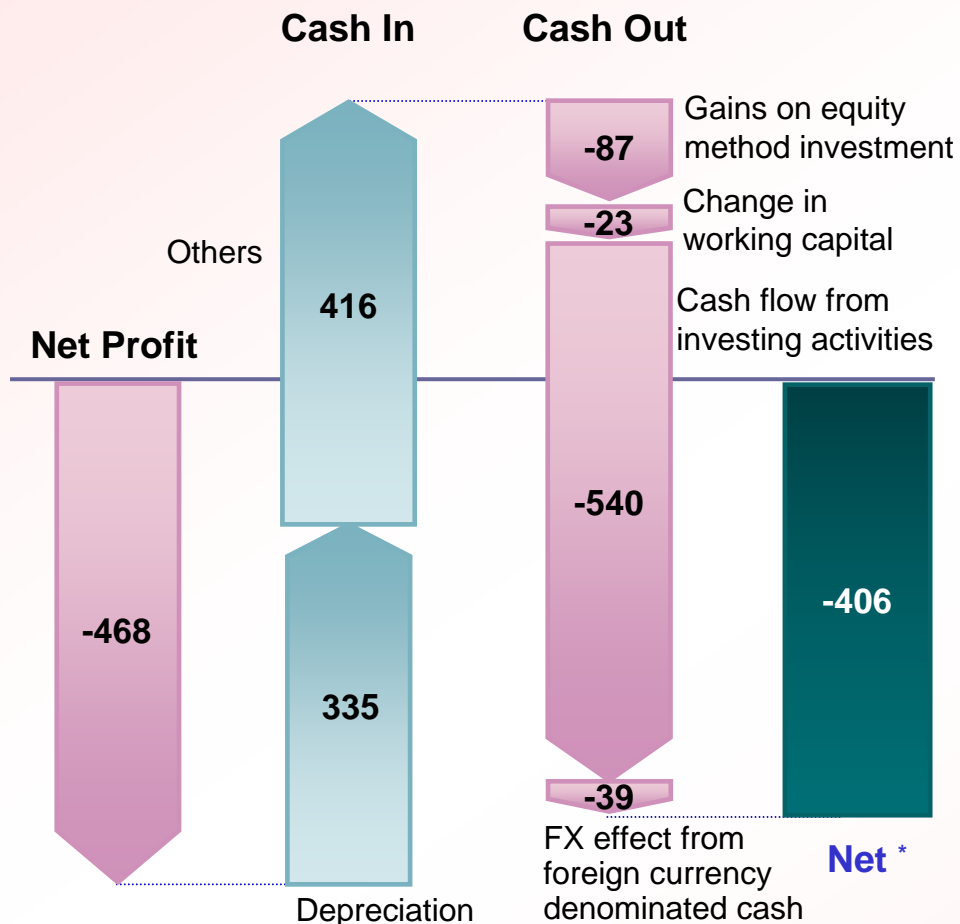
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# II. 4Q'12 Results (LGE Consolidated)

## Cash Flow Statement

### 4Q Net\* Cash Flow

(Unit : KRW bn)



### Cash Flow Statement

(Unit : KRW bn)

	3Q'12	4Q'12	FY12
Cash at beginning of period	2,121	2,662	2,346
<b>Cash flow from operating activities</b>	872	173	1,751
Net income	157	-468	91
Depreciation	334	335	1,312
Gains on equity method investment	-57	-87	-46
Change in working capital	123	-23	-240
Others	315	416	634
<b>Cash flow from investing activities</b>	-506	-540	-1,350
Increase in tangible assets	-356	-490	-1,330
Increase in intangible assets	-71	-139	-340
<b>Cash flow from financing activities</b>	165	-424	-856
Dividend payment	-3	0	-59
Rights offering	0	0	9
Decrease in debt	168	-424	-806
<b>FX effect from foreign currency denominated cash</b>	10	-39	-59
<b>Net changes in cash</b>	541	-830	-513
Cash at end of period	2,662	1,832	1,832

\*Net= Excluding Cash flow from financing activities

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# II. 4Q'12 Results (LGE Consolidated)

## Financial Structure

### Balance Sheet

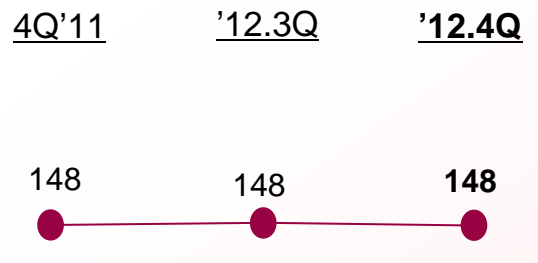
(Unit: KRW tn)

	4Q'11	'12.3Q	'12.4Q
<b>Assets</b>	32.66	33.28	<b>31.46</b>
Current Assets	15.78	16.55	<b>14.56</b>
Cash	2.35	2.66	<b>1.83</b>
Inventory	4.95	5.55	<b>4.60</b>
Non-Current Assets	16.88	16.73	<b>16.90</b>
<b>Liabilities</b>	19.51	19.86	<b>18.75</b>
Current Liabilities	14.21	14.14	<b>12.81</b>
Non-Current Liabilities	5.30	5.72	<b>5.94</b>
<b>Equity</b>	13.15	13.42	<b>12.71</b>
<b>Debt</b>	7.44	7.00	<b>6.47</b>
<b>Net Debt</b>	5.09	4.34	<b>4.64</b>

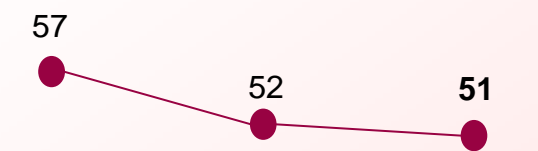
### Financial Ratio

(Unit : %)

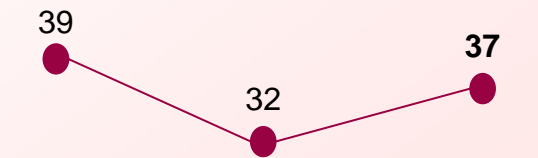
**Total Liability to Equity**



**Debt to Equity**



**Net Debt to Equity**



# ***Performance and Outlook***

# III. Performance and Outlook by Sector

Sales/Profit\*

## Consolidated Sales and Profit by Division

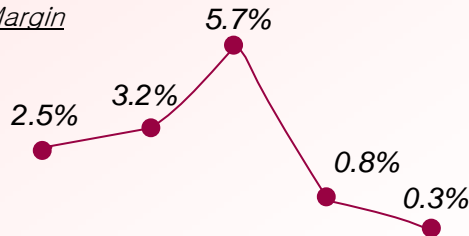
(Unit : KRW bn)

		3Q'12	QoQ	4Q'12	YoY	4Q'11	FY'12	YoY
Home Entertainment	Sales	5,486	↑ 17.4%	6,443	↓ 2.7%	6,625	22,738	↓ 4.9%
	Op. Profit	44		19		168	542	
Mobile Communications	Sales	2,448	↑ 14.9%	2,812	↑ 1.3%	2,775	10,078	↓ 13.8%
	Op. Profit	-4		56		-1	59	
Handset	Sales	2,423	↑ 14.7%	2,779	↑ 3.1%	2,695	9,941	↓ 13.1%
	Op. Profit	-5		55		-3	51	
Home Appliance	Sales	2,868	↑ 2.6%	2,942	↓ 1.2%	2,979	11,221	↑ 1.3%
	Op. Profit	122		80		87	528	
Air Conditioning & Energy Solution	Sales	974	↓ 29.9%	683	↓ 0.6%	687	4,350	↓ 5.1%
	Op. Profit	14		-11		-32	156	

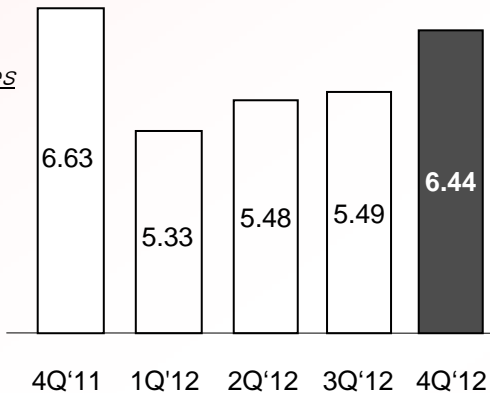
\* Divisional sales include internal transactions between divisions

### Business Performance (KRW tn)

*Op. Margin*



*Sales*



### 4Q'12 Performance

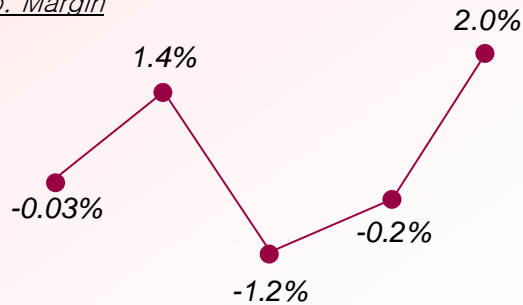
- ❖ **Sales** : Pushed ahead sales growth in the developed markets during the strong season
  - LCD TV : Sales portion of 3D and Smart TVs were up QoQ while unit sales increased in the US, Europe, and CIS as well
  - IT : Similar QoQ despite slow market demand
- ❖ **Profitability** : Although sales expanded due to aggressive marketing efforts during the strong season, profitability declined as a result of lower ASP and intensified competition

### 2013 Outlook

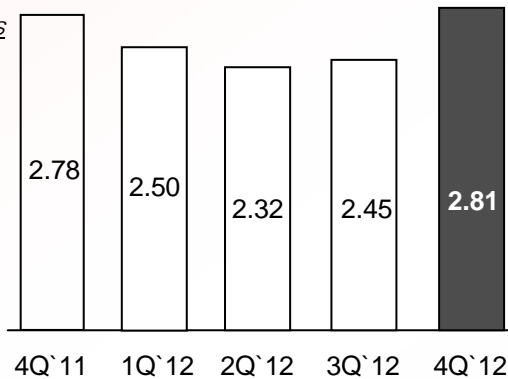
- ❖ **Market** : LCD TV demand is expected to grow slightly compared to 2012 and growth momentum pick up is anticipated for OLED and Ultra HD TVs
- ❖ **LGE** : Plan to lead the premium TV market with the global launch of OLED and Ultra HD TVs, which have received favorable reviews, along with continuously strengthening the sales of 3D and Smart TVs

### Business Performance (KRW tn)

*Op. Margin*



*Sales*



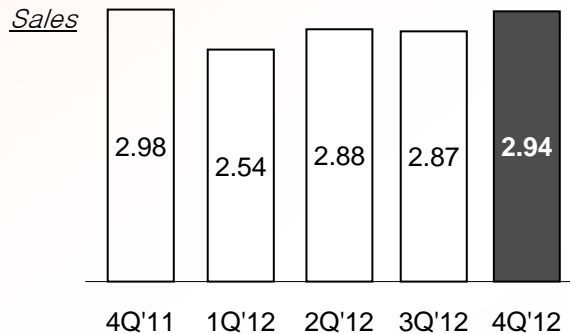
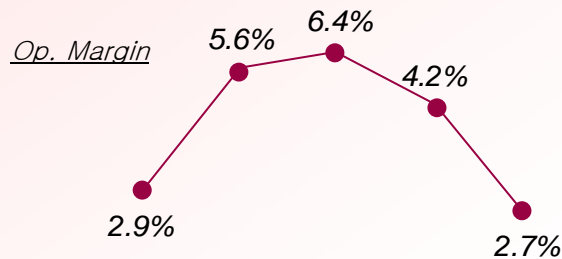
### 4Q'12 Performance

- ❖ **Sales** : Shipments increased 7% QoQ to 15.4M units and revenue grew by 15% QoQ to KRW 2.8 trillion
  - Smartphone shipments increased 23% QoQ (7.0M→8.6M)
    - Revenue increased for premium LTE smartphones such as Optimus G and Vu:2
    - Sales grew for 3G smartphones with robust L-series sales and Nexus4 launch
- ❖ **Profitability** : Improved due to stronger revenue and better cost structure despite higher marketing and R&D expenses

### 2013 Outlook

- ❖ **Market** : Expect the LTE market to grow with services starting in Europe and emerging markets while competition will intensify with handset players competing to gain market share
- ❖ **LGE** : Plan to increase revenue and profitability by enhancing cost competitiveness and by launching succeeding models to the Optimus G and 3G smartphone L-series, in addition to launching mass LTE smartphones with the F-series.

### Business Performance (KRW tn)



### 4Q'12 Performance

- ❖ **Sales : Declined 1% YoY to KRW 2.9 trillion**
  - Korea : Slightly decreased due to contracting market demand for Kimchi refrigerators
  - Overseas : Despite sluggish demand in Europe, Middle East, and CS America, revenue increased due to strong sales from the US and CIS
- ❖ **Profitability : ASP increase and better product mix offset increased marketing expenses and unfavorable FX movements, maintaining similar profitability YoY**

### 2013 Outlook

- ❖ **Market : Slow market growth conditions are expected to continue with the delay in global economic recovery**
- ❖ **LGE : Expect to maintain a healthy revenue and profitability structure with improved product competitiveness through new technologies and focused efforts on specific regions**

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

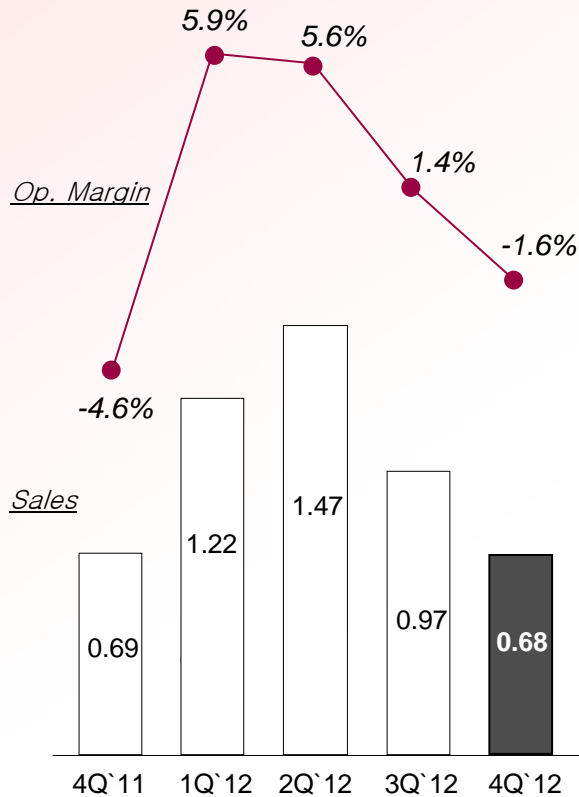
## 4Q'12 Performance

- ❖ **Sales : Declined 30% QoQ due to seasonality and decreased 1% YoY to KRW 680 billion**
  - Korea : Declined 2% YoY due to sluggish construction and procurement market
  - Overseas : Despite a weak economy in the developed markets, maintained similar revenue YoY due to stronger sales from CS America and Southeast Asia
- ❖ **Profitability : Operating profit margins were up YoY due to improved operational efficiencies and model mix but declined QoQ in line with seasonality**

## 2013 Outlook

- ❖ **Market : Expect weaker growth in the developed markets due to the slowdown in economy, but stronger sales from the developing markets as a result of economic stimulus plans**
- ❖ **LGE : Expect to secure revenue growth by developing and launching energy efficient products in line with global green policies along with products modified to fit regional characteristics**

**Business Performance**  
(KRW tn)





**LG**

Life's Good

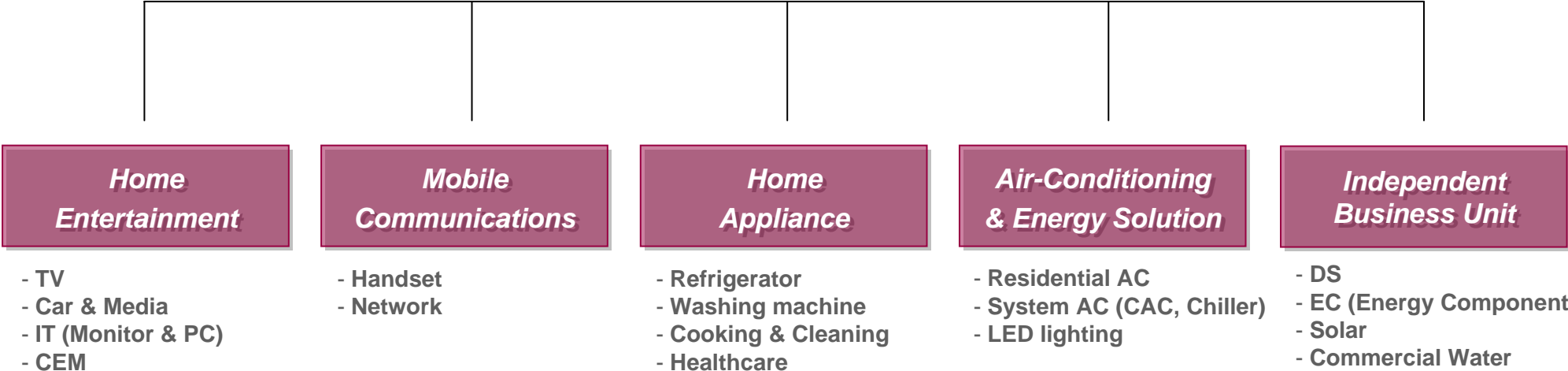


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# Appendix. LG Electronics Business Organization



\* 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	3Q	4Q	Total
<b>Sales</b>	6,933	7,574	6,924	6,667	28,097	6,237	6,600	6,487	6,104	25,427
Domestic	1,953	2,151	2,166	1,905	8,175	2,090	2,009	1,888	1,846	7,833
Export	4,980	5,423	4,758	4,762	19,922	4,147	4,591	4,599	4,257	17,594
Cost of goods sold	5,716	6,266	5,559	5,512	23,053	4,955	5,001	5,054	4,979	19,988
<b>Gross profit</b>	1,217	1,308	1,365	1,155	5,044	1,282	1,599	1,434	1,125	5,439
Selling & admin expense	1,291	1,402	1,322	1,293	5,308	1,201	1,380	1,468	1,348	5,396
<b>Operating income (Loss)</b>	(74)	(95)	43	(138)	(264)	82	219	(34)	(224)	43
Financial income (Expense)	(8)	(3)	(216)	(12)	(239)	(35)	(62)	(76)	(40)	(213)
Other non operating income (Expense)	99	25	(2)	(22)	100	347	(24)	34	(430)	(73)
<b>Net profit (Loss) before tax</b>	16	(73)	(175)	(171)	(402)	393	134	(76)	(693)	(243)
Tax	1	(37)	(53)	(37)	(124)	77	21	(11)	25	112
<b>Net profit (Loss)</b>	15	(36)	(122)	(134)	(278)	316	113	(65)	(719)	(355)

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## Balance Sheet

(Unit : KRW bn)

	2011				2012			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
<b>Assets</b>	23,970	24,143	24,931	24,199	24,335	23,510	24,648	23,832
<b>Current Assets</b>	8,990	8,824	9,302	8,154	8,458	7,616	8,621	7,551
Cash and cash equivalents	903	860	1,456	1,364	1,409	876	1,508	1,114
Accounts receivable	6,074	6,017	5,953	5,077	5,135	4,919	5,223	4,693
Inventory	1,259	1,151	1,144	886	1,018	1,042	1,012	922
Other	754	796	749	827	896	780	878	822
<b>Non-current Assets</b>	14,980	15,319	15,629	16,046	15,878	15,894	16,027	16,282
Investment	7,845	7,870	7,892	7,965	7,892	7,918	7,950	7,950
PP&E	4,732	4,839	5,019	5,191	5,186	5,171	5,265	5,437
Intangible assets	728	830	872	916	906	906	906	962
Other	1,676	1,780	1,845	1,974	1,894	1,899	1,905	1,932
<b>Liabilities</b>	14,064	14,278	15,196	13,704	13,573	12,669	13,925	13,809
Accounts payable	4,564	4,271	4,538	3,854	3,936	3,810	4,223	3,996
Debt	5,665	5,919	6,550	5,826	5,722	4,898	5,465	5,264
Other	3,834	4,088	4,108	4,025	3,915	3,961	4,237	4,549
<b>Equity</b>	9,906	9,864	9,735	10,495	10,762	10,841	10,723	10,023

## Income Statement

(Unit : KRW bn)

	2011					2012				
	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total
<b>Sales</b>	<b>13,160</b>	<b>14,385</b>	<b>12,897</b>	<b>13,814</b>	<b>54,257</b>	<b>12,228</b>	<b>12,859</b>	<b>12,376</b>	<b>13,497</b>	<b>50,960</b>
Cost of goods sold	10,195	11,078	9,851	10,934	42,058	9,314	9,574	9,277	10,488	38,653
<b>Gross profit</b>	<b>2,965</b>	<b>3,307</b>	<b>3,047</b>	<b>2,880</b>	<b>12,199</b>	<b>2,914</b>	<b>3,285</b>	<b>3,099</b>	<b>3,009</b>	<b>12,307</b>
Selling & admin expense	2,891	3,180	2,954	2,795	11,820	2,539	2,778	2,953	2,902	11,171
<b>Operating income (Loss)</b>	<b>74</b>	<b>127</b>	<b>92</b>	<b>86</b>	<b>379</b>	<b>375</b>	<b>507</b>	<b>146</b>	<b>107</b>	<b>1,136</b>
Financial income (Expense)	(31)	(33)	(238)	(37)	(338)	(68)	(72)	(93)	(61)	(294)
Gains (loss) on equity method investment	(55)	30	(264)	(40)	(330)	(61)	(36)	57	87	46
Other non operating income (Expense)	51	26	(121)	(66)	(111)	204	(164)	69	(474)	(364)
<b>Net income before tax</b>	<b>39</b>	<b>150</b>	<b>(531)</b>	<b>(57)</b>	<b>(399)</b>	<b>450</b>	<b>236</b>	<b>179</b>	<b>(341)</b>	<b>524</b>
Tax	54	41	(117)	55	34	207	77	22	127	433
<b>Net income</b>	<b>(16)</b>	<b>108</b>	<b>(414)</b>	<b>(112)</b>	<b>(433)</b>	<b>243</b>	<b>159</b>	<b>157</b>	<b>(468)</b>	<b>91</b>
Controlled shares	(30)	98	(424)	(113)	(470)	236	157	151	(477)	67
Noncontrolled shares	14	11	10	2	37	7	3	6	9	24

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## Balance Sheet

(Unit : KRW bn)

	2011				2012			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
<b>Assets</b>	33,534	33,845	34,376	32,659	32,397	32,100	33,275	31,457
<b>Current Assets</b>	17,660	17,534	17,733	15,783	15,768	15,539	16,553	14,554
Cash and cash equivalents	2,212	2,243	2,750	2,346	2,608	2,121	2,662	1,832
Accounts receivable	7,376	7,512	7,115	6,753	6,518	7,085	6,689	6,519
Inventory	6,376	6,091	6,217	4,947	4,896	4,761	5,552	4,599
Other	1,697	1,688	1,652	1,738	1,746	1,572	1,651	1,604
<b>Non-current Assets</b>	15,874	16,310	16,644	16,875	16,629	16,561	16,722	16,903
Investment	5,868	5,889	5,671	5,603	5,427	5,421	5,437	5,477
PP&E	6,645	6,810	7,108	7,290	7,356	7,268	7,382	7,518
Intangible assets	766	881	928	1,036	1,024	1,022	1,019	1,077
Other	2,594	2,731	2,936	2,946	2,822	2,850	2,884	2,831
<b>Liabilities</b>	20,802	21,101	21,804	19,510	19,005	18,718	19,860	18,753
Accounts payable	6,367	6,320	6,227	5,487	5,457	5,482	6,070	5,195
Debt	7,721	7,764	8,528	7,436	7,251	6,856	7,001	6,471
Other	6,714	7,017	7,049	6,588	6,297	6,380	6,789	7,088
<b>Equity</b>	12,732	12,744	12,572	13,148	13,392	13,382	13,415	12,704

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(Unit : KRW bn)

		1Q'11	2Q'11	3Q'11	4Q'11	'11 Total	1Q'12	2Q'12	3Q'12	4Q'12	QoQ	YoY	'12 Total	YoY
<b>Home Entertainment</b>	Sales	5,719	5,818	5,740	6,625	23,902	5,330	5,478	5,486	6,443	17%	-3%	22,738	-5%
	Op. Income	67	79	161	168	475	168	310	44	19			542	
	(%)	1.2%	1.4%	2.8%	2.5%	2.0%	3.2%	5.7%	0.8%	0.3%			2.4%	
<b>Mobile Communications</b>	Sales	2,909	3,246	2,762	2,775	11,693	2,497	2,321	2,448	2,812	15%	1%	10,078	-14%
	Op. Income	-106	-76	-93	-1	-276	34	-28	-4	56			59	
	(%)	-3.6%	-2.3%	-3.4%	-0.0%	-2.4%	1.4%	-1.2%	-0.2%	2.0%			0.6%	
<b>Handset</b>	Sales	2,852	3,200	2,689	2,695	11,436	2,452	2,286	2,423	2,779	15%	3%	9,941	-13%
	Op. Income	-107	-76	-95	-3	-280	31	-30	-5	55			51	
	(%)	-3.7%	-2.4%	-3.5%	-0.1%	-2.5%	1.3%	-1.3%	-0.2%	2.0%			0.5%	
<b>Home Appliance</b>	Sales	2,607	2,801	2,695	2,979	11,082	2,536	2,875	2,868	2,942	3%	-1%	11,221	1%
	Op. Income	98	66	69	87	319	143	183	122	80			528	
	(%)	3.8%	2.3%	2.5%	2.9%	2.9%	5.6%	6.4%	4.2%	2.7%			4.7%	
<b>Air Conditioning &amp; Energy Solution</b>	Sales	1,233	1,660	1,006	687	4,585	1,218	1,475	974	683	-30%	-1%	4,350	-5%
	Op. Income	37	67	4	-32	75	71	83	14	-11			156	
	(%)	3.0%	4.0%	0.4%	-4.6%	1.6%	5.9%	5.6%	1.4%	-1.6%			3.6%	
<b>Others</b>	Sales	692	860	694	749	2,995	647	709	600	618	3%	-17%	2,574	-14%
	Op. Income	-23	-8	-48	-137	-215	-42	-41	-30	-37			-149	
<b>Total</b>	Sales	13,160	14,385	12,897	13,814	54,257	12,228	12,859	12,376	13,497	9%	-2%	50,960	-6%
	Op. Income	74	127	92	86	379	375	507	146	107			1,136	
	(%)	0.6%	0.9%	0.7%	0.6%	0.7%	3.1%	3.9%	1.2%	0.8%			2.2%	

\* 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.

\* Operating income of the prior periods have been reclassified in accordance to the newly issued Amendments to K-IFRS 1001 'Presentation of Financial Statements' for consistency