



2Q13 Earnings Release

July 24th 2013

All information regarding management performance and financial results of LG Electronics (the “Company”) during the 2nd quarter of 2013 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'. The comparative consolidated financial data are restated accordingly.

In addition, the information regarding results of 2nd quarter of 2013 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 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

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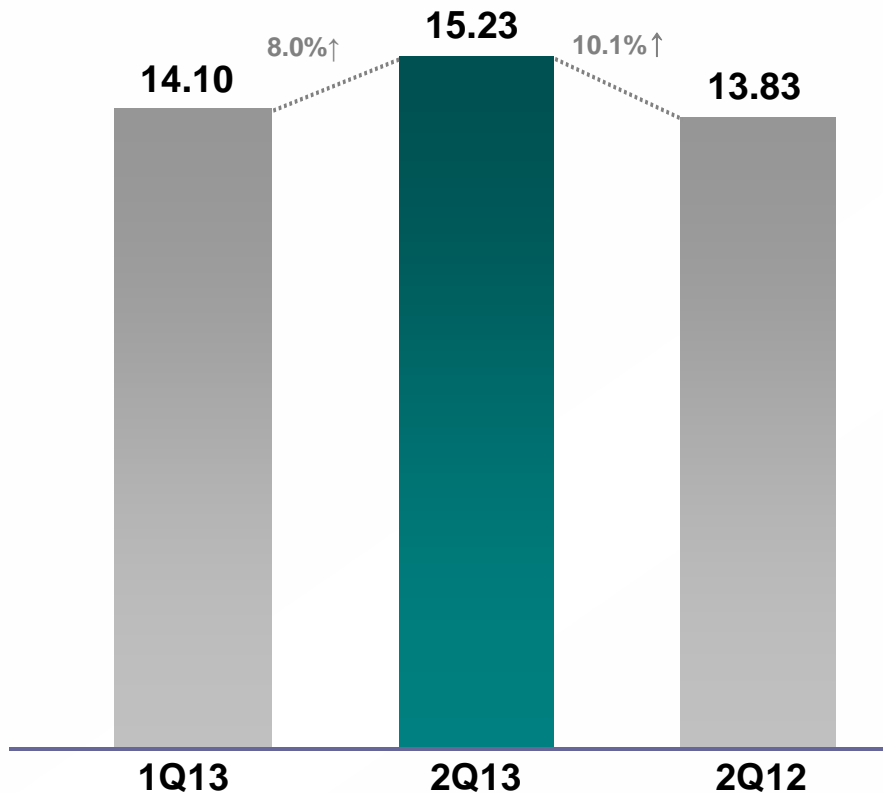
2Q13 Results

II. 2Q13 Results (Consolidated)

Sales/Profit

Sales

(Unit : KRW tn)



Profit

(Unit : KRW bn)

	1Q13	QoQ	2Q13	YoY	2Q12
Operating Profit	350	↑ 129bn	479	↓ 48bn	527
EBITDA	807	↑ 143bn	950	↓ 12bn	962
Net Profit	22	↑ 134bn	156	↓ 13bn	169

* 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'. The comparative consolidated financial data are restated accordingly.

II. 2Q13 Results (Consolidated)

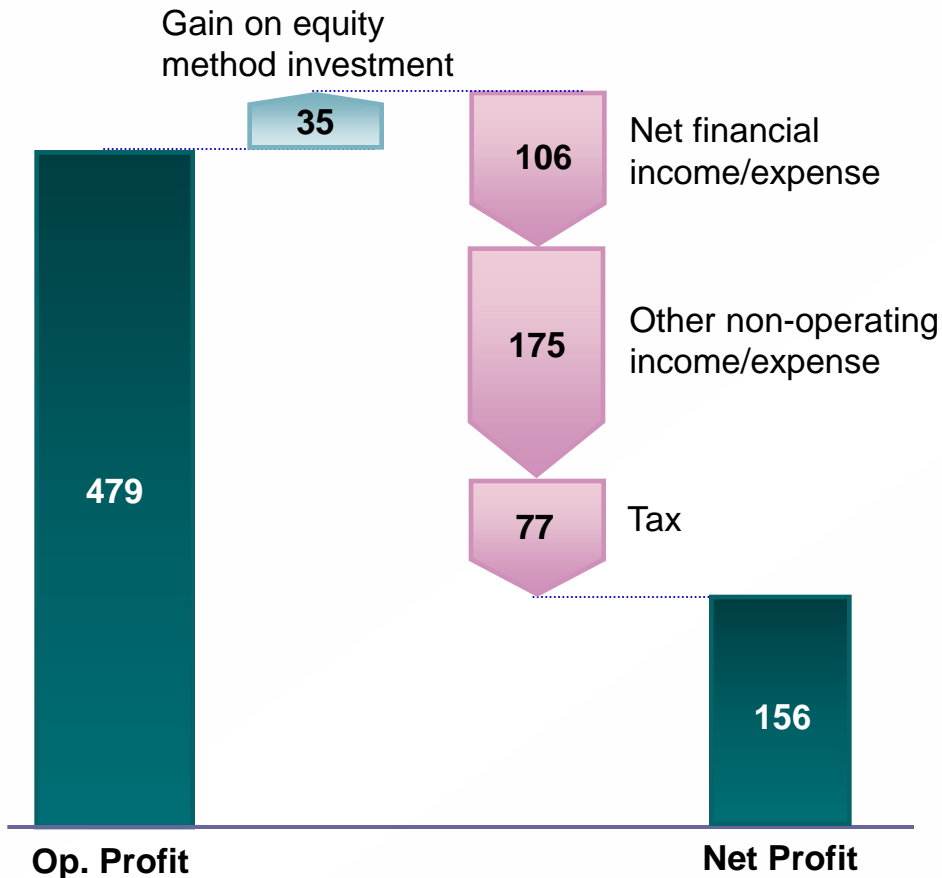
Net Profit

Net Profit

(Unit : KRW bn)

Investment Income

(Unit : KRW bn)



	1Q13	2Q13
LG Display	1	34
Others	-27	1
Gain/Loss on equity method investment	-26	35

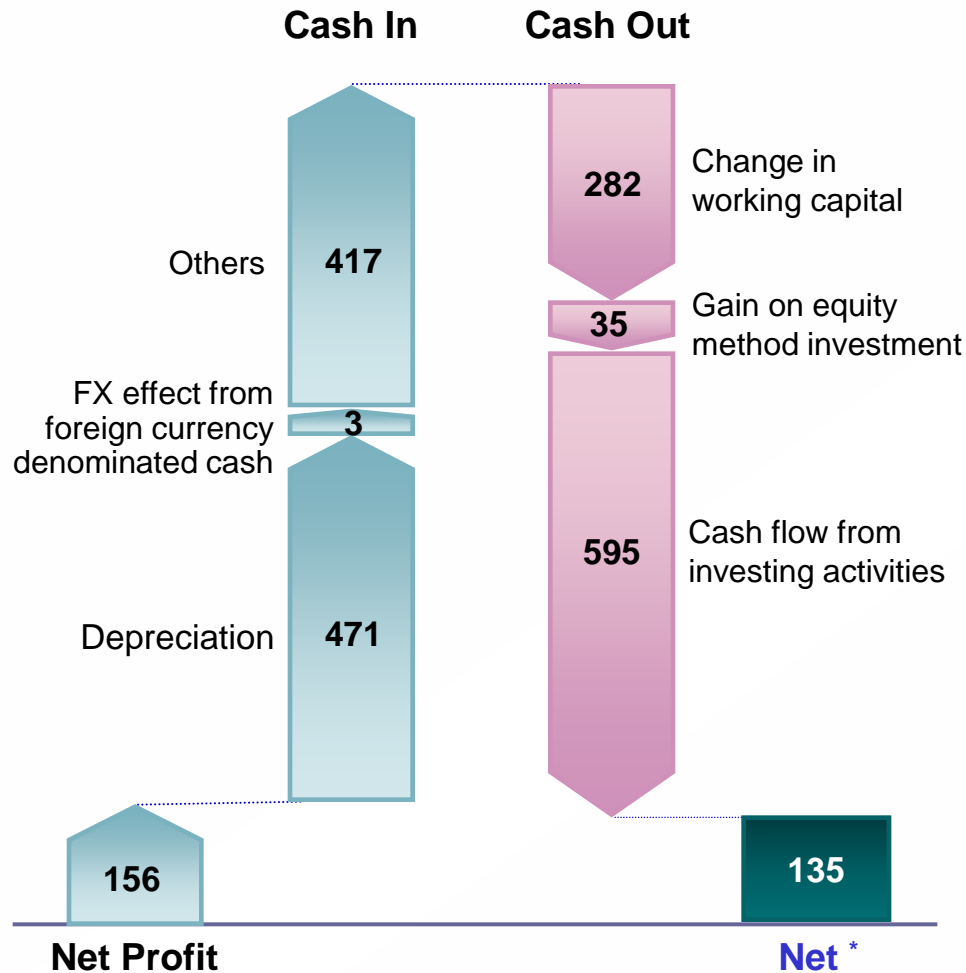
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II. 2Q13 Results (Consolidated)

Cash Flow Statement

2Q Net* Cash Flow

(Unit : KRW bn)



Cash Flow Statement

(Unit : KRW bn)

	1Q13	2Q13
Cash at beginning of period	2,185	2,454
Cash flow from operating activities	216	727
Net income/loss	22	156
Depreciation	457	471
Gain/Loss on equity method investment	26	-35
Change in working capital	-277	-282
Others	-12	417
Cash flow from investing activities	-722	-595
Increase in tangible assets	-678	-443
Increase in intangible assets	-134	-75
Decrease in cash and cash equivalents due to changes in scope of subsidiaries	-0.3	-4
Cash flow from financing activities	686	-578
Increase/Decrease in debt	686	-533
FX effect from foreign currency denominated cash	89	3
Net changes in cash	269	-443
Cash at end of period	2,454	2,011

* Net= Excluding Cash flow from financing activities

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II. 2Q13 Results (Consolidated)

Financial Structure

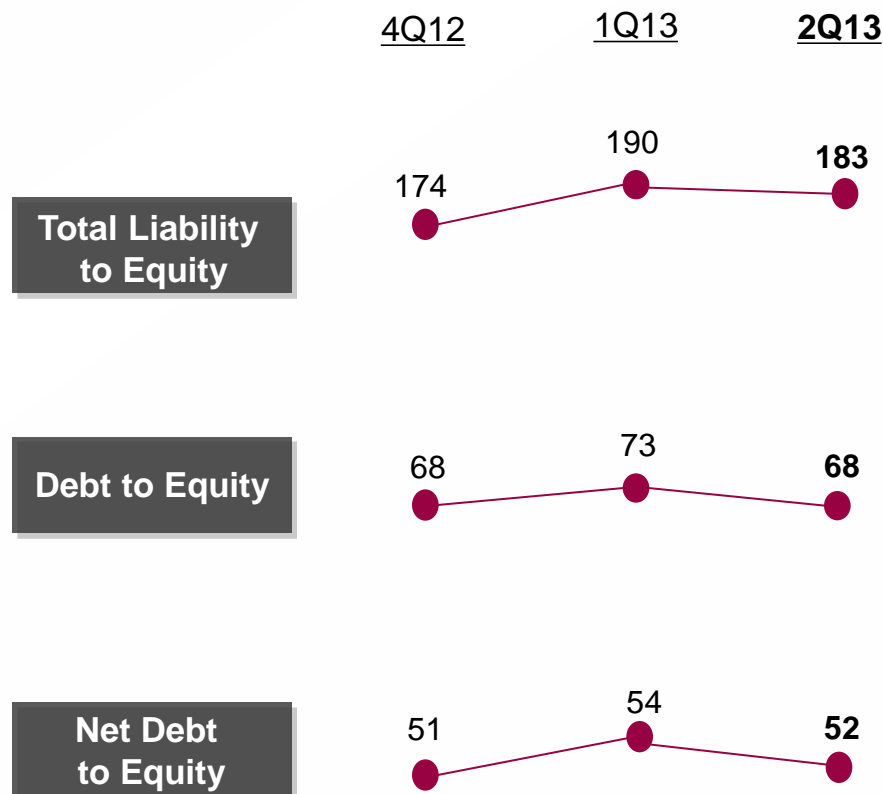
Balance Sheet

(Unit: KRW tn)

	4Q12	1Q13	2Q13
Assets	34.77	37.15	37.19
Current Assets	16.31	18.31	18.07
Cash	2.19	2.45	2.01
Inventory	5.07	5.53	5.52
Non-Current Assets	18.46	18.84	19.12
Liabilities	22.06	24.32	24.04
Current Liabilities	14.51	16.69	16.69
Non-Current Liabilities	7.55	7.63	7.35
Equity	12.71	12.83	13.15
Debt	8.64	9.40	8.90
Net Debt	6.45	6.95	6.89

Financial Ratio

(Unit : %)



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Performance and Outlook

III. Performance and Outlook by Sector

Sales/Profit

Consolidated Sales and Profit by Division

(Unit : KRW bn)

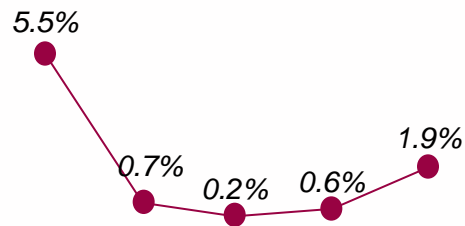
		1Q13	QoQ	2Q13	YoY	2Q12
Home Entertainment	Sales	5,173	↑ 6.4%	5,503	↓ 1.0%	5,557
	Op. Profit	29		107		304
Mobile Communications	Sales	3,210	↓ 2.7%	3,123	↑ 34.5%	2,321
	Op. Profit	133		61		-28
Home Appliance	Sales	2,807	↑ 13.6%	3,188	↑ 10.9%	2,875
	Op. Profit	102		121		184
Air Conditioning & Energy Solution	Sales	1,217	↑ 42.5%	1,734	↑ 18.4%	1,464
	Op. Profit	82		171		91

* Divisional sales include internal transactions between divisions

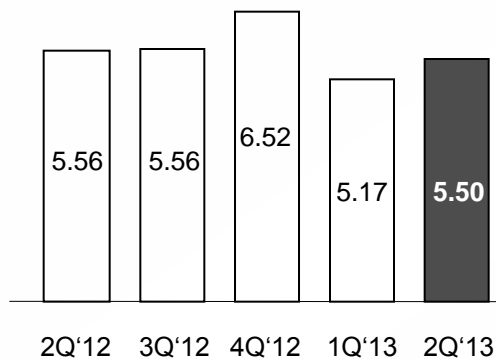
Business Performance

(KRW tn)

Op. Margin



Sales



2Q13 Performance

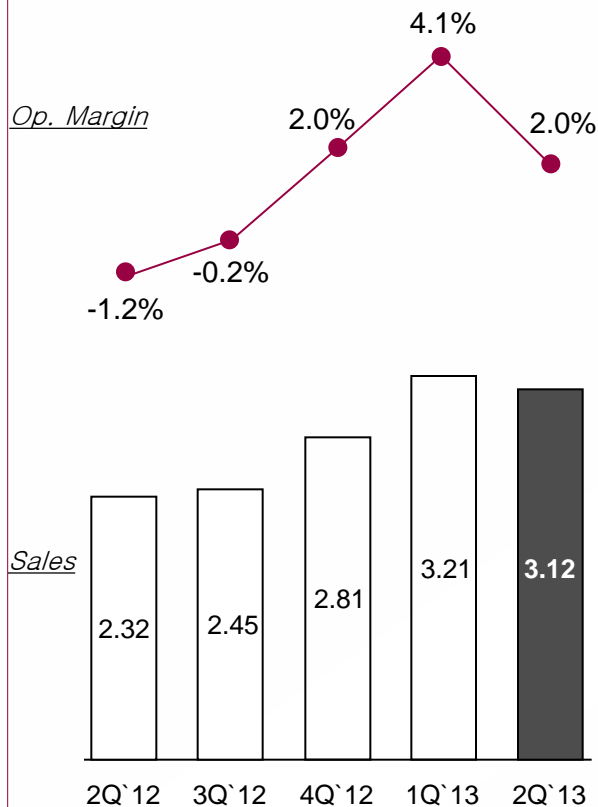
- ❖ **Sales** : Increased QoQ due to strong LCD TV sales but decreased YoY as a result of PDP TVs and IT product sales decline
 - Grew QoQ and YoY due to sales increase in the developing markets such as South America and India
- ❖ **Profitability** : Improved QoQ due to new model sales and stronger sales in the developing markets

3Q13 Outlook

- ❖ **Market** : Expect TV demand to be weak, especially in the developed markets, and competition to intensify between TV set makers
- ❖ **LGE** : Plan to lead the premium and large-size TV market with the expansion of Ultra HD TV model line-up and the launch of the OLED TV in the developed markets. In addition, strive to improve cost structure with efficient marketing spending and cost reduction efforts

Business Performance

(KRW tn)



2Q13 Performance

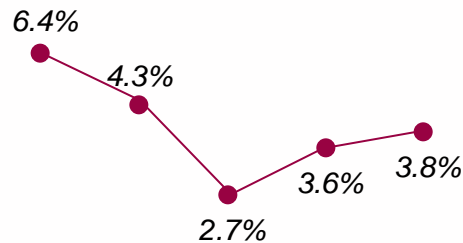
- ❖ **Sales : Revenue increased 35% YoY but declined 3% QoQ to KRW 3.1 trillion**
 - Achieved 12.1M units of smartphone shipment
 - Improved 112% YoY and 17% QoQ
 - Revenue grew for masstier smartphones due to full fledged launches of the L-series II and F-series
 - Sales declined in the domestic market due to weak demand
- ❖ **Profitability : Decreased QoQ as a result of weak demand in the domestic market, ASP decline due to intensified competition, and increased marketing expense**

3Q13 Outlook

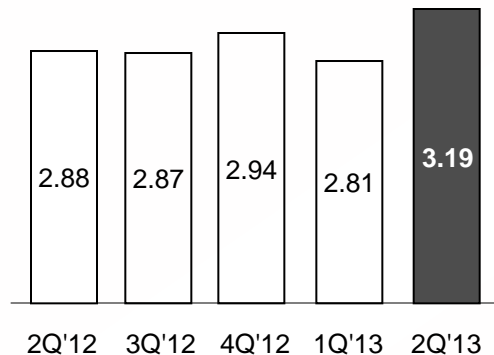
- ❖ **Market : Expect the smartphone market size to increase, especially for LTE phone market, but competition to intensify for market share gains**
- ❖ **LGE : Plan to enhance LG's smartphone brand power by strengthening product competitiveness in the premium segment with the global launch of G2 while continuously increasing sales from masstier phones, L-series II and F-series**

Business Performance (KRW tn)

Op. Margin



Sales



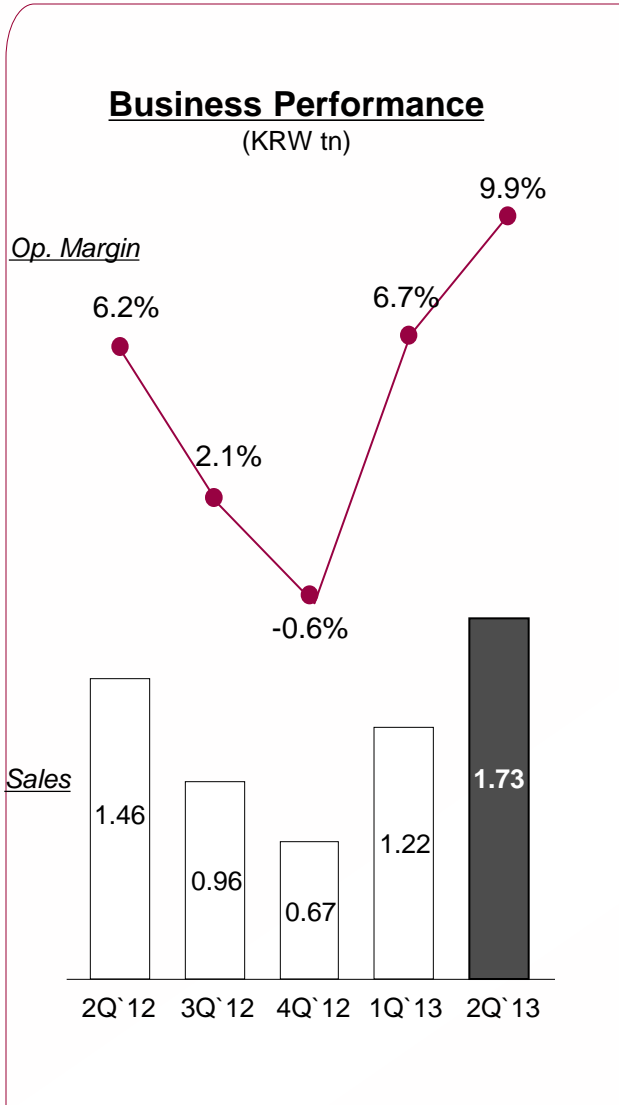
2Q13 Performance

- ❖ **Sales : Revenue grew by 11% YoY and 14% QoQ to KRW 3.2 trillion**
 - Domestic : Grew 6% YoY due to the successful launch of new models for both washing machines and bottom freezer refrigerators
 - Overseas : Increased 15% YoY as a result of continuous growth from the US and in emerging countries such as China, and Central and South America.
- ❖ **Profitability : Although R&D expense increased with new hiring, profitability improved as a result of growing sales and efforts to improve cost structure**

3Q13 Outlook

- ❖ **Market : Despite the fact that market demand recovery condition has been delayed, the preference for environmental friendly products is increasing due to strict energy related regulations**
- ❖ **LGE : Plan to maintain the growth by producing market leading products based on product differentiations with higher energy efficiency and advanced capacity, in addition to improving profit structure**

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



2Q13 Performance

- ❖ **Sales : Increased by 42% QoQ and 18% YoY to KRW 1.73 trillion**
 - Domestic: Increased by 46% YoY due to the early summer heat
 - Overseas: Despite the delay in global economic recovery, grew 9% YoY with the successful launch of new products with high energy efficiency and customized for each region
- ❖ **Profitability : Operating profit margin improved by 3.7% points YoY to 9.9% as a result of increasing sales and improving business structure**

3Q13 Outlook

- ❖ **Market : Expect to decline QoQ due to unfavorable demand in the developed markets and weak seasonality**
- ❖ **LGE: Plan to increase sales and profit YoY by focusing on extending business areas to the countries in the southern hemisphere and launching new Commercial Air Conditioner products**



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Appendix. LG Electronics Business Organization

- A new division, Vehicle Components, was established on July 1, 2013



Home Entertainment

- TV (LCD, CRT, PDP)
- Media
- IT (Monitor & PC)
- CEM
- DS Brand

Mobile Communications

- Handset

Home Appliance

- Refrigerator
- Washing machine
- Cooking & Cleaning

Air-Conditioning & Energy Solution

- Residential AC
- System AC (CAC, Chiller)
- BdMS

Vehicle Components

- IVI (In-Vehicle Infotainment)
- VE (Vehicle Engineering)
- H&M (HVAC & Motor)

Independent Business Unit

- Solar
- Commercial Water
- C&M
- Lighting

* As of May 2013, the Membrane business previously within the Commercial water business unit was transferred to HE Company's CEM business, while the LED Lighting business previously within AE Company became an Independent Business Unit.

* CEM= Chemical & Electronic Material

Income Statement

(Unit : KRW bn)

	2012						2013							
	1Q		2Q		3Q		4Q		Total		1Q		2Q	
Sales	6,237	100.0%	6,600	100.0%	6,487	100.0%	6,104	100.0%	25,427	100.0%	6,898	100.0%	7,432	100.0%
Domestic	2,090	33.5%	2,009	30.4%	1,888	29.1%	1,846	30.3%	7,833	30.8%	2,242	32.5%	2,065	27.8%
Export	4,147	66.5%	4,591	69.6%	4,599	70.9%	4,257	69.7%	17,594	69.2%	4,656	67.5%	5,367	72.2%
Cost of goods sold	4,954	79.4%	5,001	75.8%	5,053	77.9%	4,979	81.6%	19,987	78.6%	5,568	80.7%	5,778	77.7%
Gross profit	1,283	20.6%	1,599	24.2%	1,434	22.1%	1,125	18.4%	5,441	21.4%	1,330	19.3%	1,654	22.3%
Selling & admin expense	1,200	19.2%	1,379	20.9%	1,467	22.6%	1,348	22.1%	5,395	21.2%	1,350	19.6%	1,519	20.4%
Operating income (Loss)	82	1.3%	220	3.3%	(33)	-0.5%	(223)	-3.7%	46	0.2%	(20)	-0.3%	135	1.8%
Financial income (Expense)	(35)	-0.6%	(62)	-0.9%	(76)	-1.2%	(40)	-0.7%	(213)	-0.8%	(35)	-0.5%	(59)	-0.8%
Other non operating income (Expense)	347	5.6%	(24)	-0.4%	34	0.5%	(430)	-7.0%	(72)	-0.3%	88	1.3%	(3)	0.0%
Net profit (Loss) before tax	394	6.3%	135	2.0%	(76)	-1.2%	(693)	-11.3%	(240)	-0.9%	33	0.5%	73	1.0%
Tax	78	1.2%	21	0.3%	(11)	-0.2%	26	0.4%	113	0.4%	1	0.0%	11	0.1%
Net profit (Loss)	316	5.1%	114	1.7%	(65)	-1.0%	(718)	-11.8%	(352)	-1.4%	32	0.5%	62	0.8%

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Balance Sheet

(Unit : KRW bn)

	2012				2013	
	1Q	2Q	3Q	4Q	1Q	2Q
Assets	24,335	23,510	24,648	23,832	25,233	25,069
Current Assets	8,458	7,616	8,621	7,551	8,641	8,308
Cash and cash equivalents	1,409	876	1,508	1,114	978	785
Accounts receivable	5,135	4,919	5,223	4,693	5,700	5,574
Inventory	1,018	1,042	1,012	922	1,070	1,049
Other	896	780	878	822	892	900
Non-current Assets	15,878	15,894	16,027	16,282	16,592	16,760
Investment	7,892	7,918	7,950	7,950	7,953	8,010
PP&E	5,186	5,171	5,265	5,437	5,732	5,857
Intangible assets	906	906	906	962	959	977
Other	1,894	1,899	1,905	1,932	1,949	1,916
Liabilities	13,573	12,669	13,925	13,809	15,268	14,977
Accounts payable	3,936	3,810	4,223	3,996	5,072	4,734
Debt	5,722	4,898	5,465	5,264	5,466	5,176
Other	3,915	3,961	4,237	4,549	4,730	5,067
Equity	10,762	10,841	10,723	10,023	9,965	10,092

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Income Statement

(Unit : KRW bn)

	2012										2013			
	1Q		2Q		3Q		4Q		Total		1Q		2Q	
Sales	13,205	100.0%	13,835	100.0%	13,282	100.0%	14,801	100.0%	55,123	100.0%	14,101	100.0%	15,232	100.0%
Cost of goods sold	10,152	76.9%	10,402	75.2%	10,033	75.5%	11,665	78.8%	42,252	76.7%	10,967	77.8%	11,550	75.8%
Gross profit	3,053	23.1%	3,433	24.8%	3,249	24.5%	3,136	21.2%	12,871	23.3%	3,134	22.2%	3,682	24.2%
Selling & admin expense	2,651	20.1%	2,906	21.0%	3,078	23.2%	3,019	20.4%	11,654	21.1%	2,784	19.7%	3,203	21.0%
Operating income (Loss)	402	3.0%	527	3.8%	171	1.3%	117	0.8%	1,217	2.2%	350	2.5%	479	3.1%
Financial income (Expense)	(92)	-0.7%	(99)	-0.7%	(115)	-0.9%	(84)	-0.6%	(390)	-0.7%	(80)	-0.6%	(106)	-0.7%
Gains (loss) on equity method investment	(52)	-0.4%	(32)	-0.2%	62	0.5%	109	0.7%	87	0.2%	(26)	-0.2%	35	0.2%
Other non operating income (Loss)	200	1.5%	(162)	-1.2%	69	0.5%	(472)	-3.2%	(365)	-0.7%	(67)	-0.5%	(175)	-1.1%
Net income before tax	458	3.5%	235	1.7%	187	1.4%	(331)	-2.2%	549	1.0%	177	1.3%	233	1.5%
Tax	210	1.6%	66	0.5%	22	0.2%	148	1.0%	446	0.8%	155	1.1%	77	0.5%
Net income	248	1.9%	169	1.2%	165	1.2%	(478)	-3.2%	103	0.2%	22	0.2%	156	1.0%
Controlled shares	244		164		157		(472)		93		24		132	
Noncontrolled shares	4		5		8		(6)		10		(2)		24	

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Balance Sheet

(Unit : KRW bn)

	2012				2013	
	1Q	2Q	3Q	4Q	1Q	2Q
Assets	35,242	35,166	36,534	34,766	37,147	37,193
Current Assets	17,309	17,207	18,308	16,312	18,305	18,071
Cash and cash equivalents	3,083	2,673	3,104	2,185	2,454	2,011
Accounts receivable	7,127	7,813	7,482	7,333	8,533	8,621
Inventory	5,284	5,071	5,970	5,075	5,525	5,524
Other	1,815	1,650	1,752	1,719	1,792	1,914
Non-current Assets	17,933	17,959	18,226	18,455	18,842	19,122
Investment	4,087	4,084	4,114	4,183	4,180	4,292
PP&E	9,591	9,578	9,766	9,889	10,265	10,391
Intangible assets	1,152	1,150	1,152	1,222	1,222	1,263
Other	3,103	3,147	3,194	3,161	3,175	3,176
Liabilities	21,838	21,762	23,098	22,060	24,318	24,040
Accounts payable	5,694	5,679	6,358	5,627	6,989	6,819
Debt	9,528	9,097	9,173	8,638	9,397	8,902
Other	6,616	6,986	7,566	7,795	7,932	8,319
Equity	13,404	13,404	13,436	12,706	12,829	13,153

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(Unit : KRW bn)

		1Q'12	2Q'12	3Q'12	4Q'12	'12 Total	1Q'13	2Q'13	QoQ	YoY
Home Entertainment	Sales	5,423	5,557	5,562	6,522	23,064	5,173	5,503	6%	-1%
	Op. Income	162	304	38	12	517	29	107		
	(%)	3.0%	5.5%	0.7%	0.2%	2.2%	0.6%	1.9%		
Mobile Communications	Sales	2,497	2,321	2,448	2,812	10,078	3,210	3,123	-3%	35%
	Op. Income	35	-28	-4	57	59	133	61		
	(%)	1.4%	-1.2%	-0.2%	2.0%	0.6%	4.1%	2.0%		
Handset	Sales	2,452	2,286	2,423	2,779	9,941	3,202	3,123	-2%	37%
	Op. Income	31	-30	-5	56	51	133	61		
	(%)	1.3%	-1.3%	-0.2%	2.0%	0.5%	4.1%	2.0%		
Home Appliance	Sales	2,536	2,875	2,868	2,942	11,221	2,807	3,188	14%	11%
	Op. Income	143	184	122	80	529	102	121		
	(%)	5.7%	6.4%	4.3%	2.7%	4.7%	3.6%	3.8%		
Air Conditioning & Energy Solution	Sales	1,206	1,464	961	669	4,299	1,217	1,734	42%	18%
	Op. Income	77	91	21	-4	185	82	171		
	(%)	6.4%	6.2%	2.1%	-0.6%	4.3%	6.7%	9.9%		
Others	Sales	566	642	538	553	2,299	495	504	2%	-22%
	Op. Income	-41	-43	-30	-36	-150	-12	-17		
LGE Consolidated before including LG Innotek	Sales	12,228	12,859	12,376	13,497	50,960	12,901	14,051	9%	9%
	Op. Income	376	508	147	108	1,140	333	443		
	(%)	3.1%	4.0%	1.2%	0.8%	2.2%	2.6%	3.2%		
LG Innotek earnings excluding internal transactions	Sales	977	976	906	1,304	4,163	1,199	1,181	-2%	21%
	Op. Income	26	18	25	9	77	17	36		
LGE Consolidated	Sales	13,205	13,835	13,282	14,801	55,123	14,101	15,232	8%	10%
	Op. Income	402	527	172	117	1,217	350	479		
	(%)	3.0%	3.8%	1.3%	0.8%	2.2%	2.5%	3.1%		

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