



# 3Q13 Earnings Release

October 24<sup>th</sup> 2013

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

✓ **Comment on 3Q13 Results**

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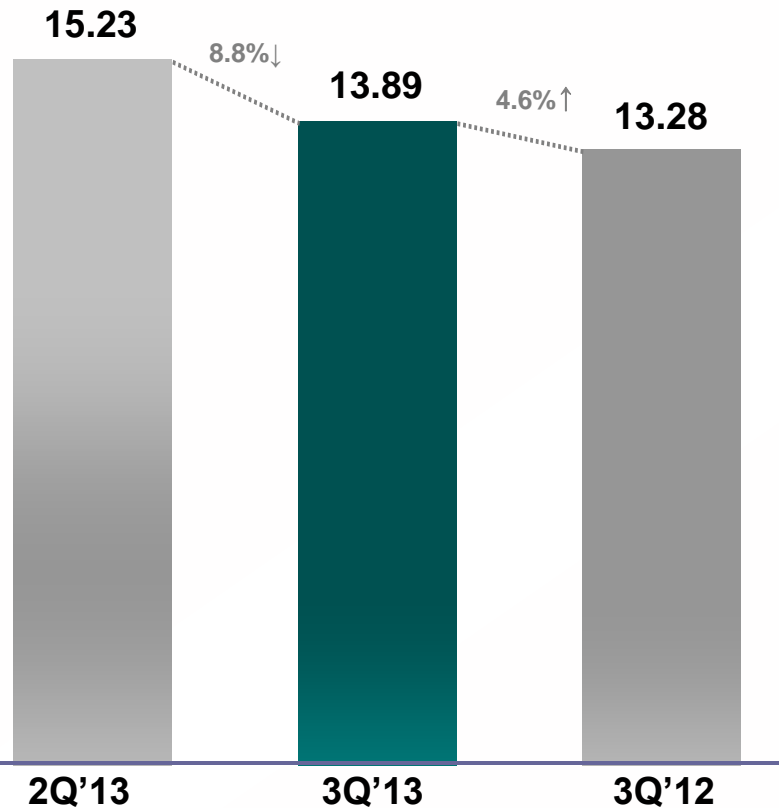
# ***3Q13 Results***

# II. 3Q13 Results (Consolidated)

## Sales/Profit

### Sales

(Unit : KRW tn)



### Profit

(Unit : KRW bn)

	2Q13	QoQ	3Q13	YoY	3Q12
<b>Operating Profit</b>	479	↓ 261bn	<b>218</b>	↑ 46bn	172
<b>EBITDA</b>	950	↓ 228bn	<b>722</b>	↑ 98bn	624
<b>Net Profit</b>	156	↓ 47bn	<b>109</b>	↓ 56bn	165

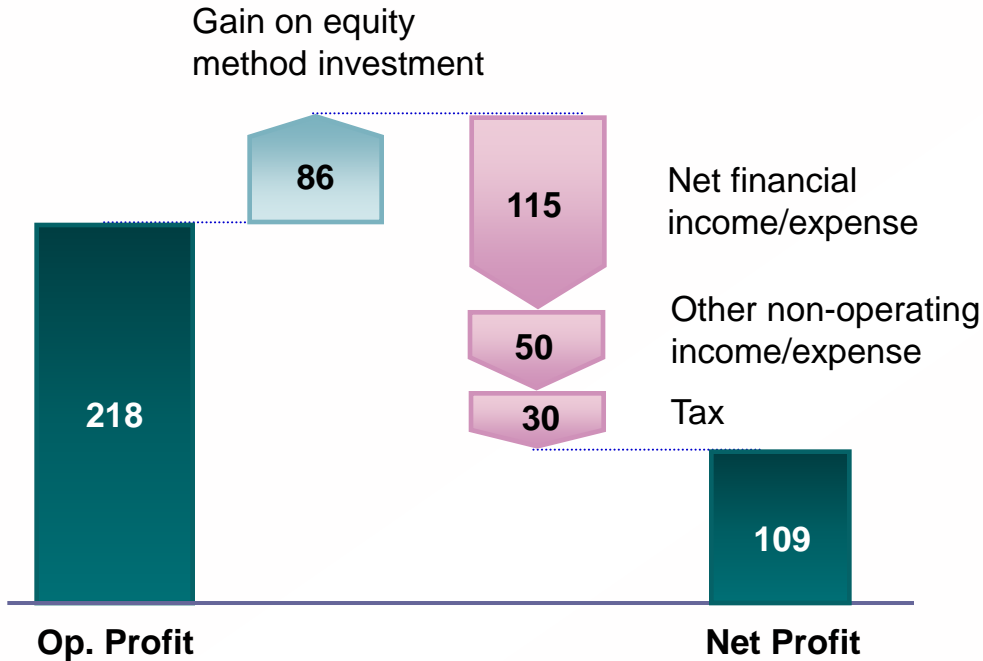
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# II. 3Q13 Results (Consolidated)

## Net Profit

### Net Profit

(Unit : KRW bn)



### Investment Income

(Unit : KRW bn)

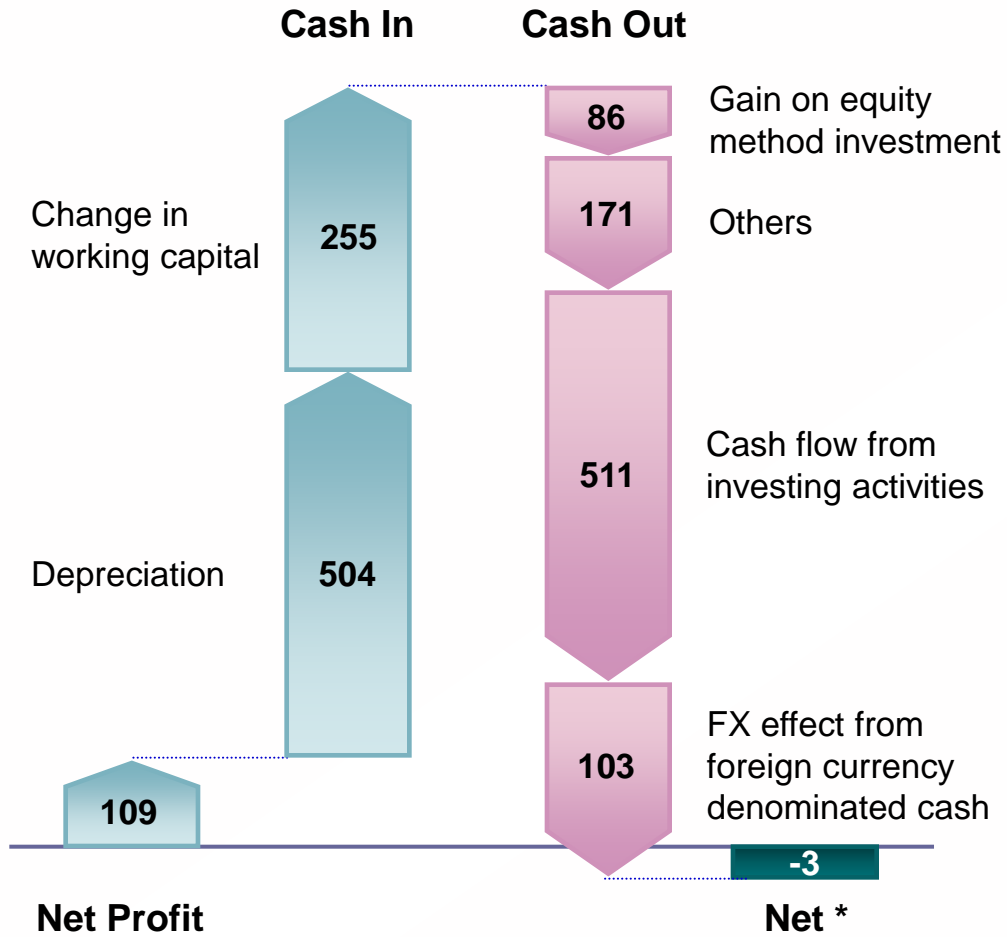
	<u>2Q13</u>	<u>3Q13</u>
LG Display	34	93
Others	1	-7
Gain/Loss on equity method investment	35	86

## II. 3Q13 Results (Consolidated)

## Cash Flow Statement

### 3Q Net\* Cash Flow

(Unit : KRW bn)



### Cash Flow Statement

(Unit : KRW bn)

	2Q13	3Q13
Cash at beginning of period	2,454	2,011
<b>Cash flow from operating activities</b>	726	611
Net income/loss	156	109
Depreciation	471	504
Gain/Loss on equity method investment	-35	-86
Change in working capital	-280	255
Others	414	-171
<b>Cash flow from investing activities</b>	-594	-511
Increase in tangible assets	-451	-437
Increase in intangible assets	-75	-103
Decrease in cash and cash equivalents due to changes in scope of subsidiaries	-4	0
<b>Cash flow from financing activities</b>	-578	331
Increase/Decrease in debt	-533	337
<b>FX effect from foreign currency denominated cash</b>	3	-103
<b>Net changes in cash</b>	-443	328
Cash at end of period	2,011	2,339

\* Net= Excluding Cash flow from financing activities



## II. 3Q13 Results (Consolidated)

## Financial Structure

### Balance Sheet

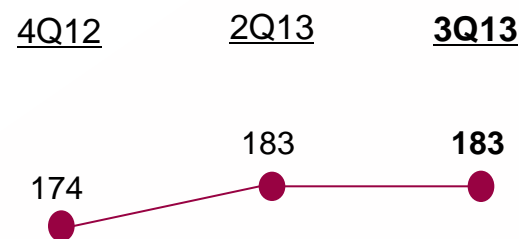
(Unit: KRW tn)

	4Q12	2Q13	3Q13
<b>Assets</b>	34.77	37.19	36.41
Current Assets	16.31	18.07	17.43
Cash	2.19	2.01	2.34
Inventory	5.07	5.52	5.86
Non-Current Assets	18.46	19.12	18.98
<b>Liabilities</b>	22.06	24.04	23.53
Current Liabilities	14.51	16.69	15.44
Non-Current Liabilities	7.55	7.35	8.09
<b>Equity</b>	12.71	13.15	12.88
<b>Debt</b>	8.64	8.90	8.97
<b>Net Debt</b>	6.45	6.89	6.64

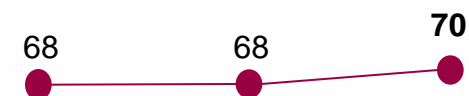
### Financial Ratio

(Unit : %)

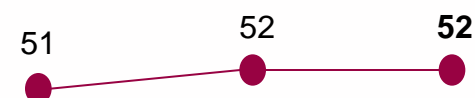
Total Liability  
to Equity



Debt to Equity



Net Debt  
to Equity

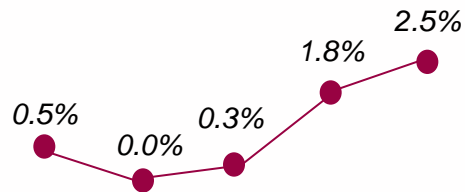


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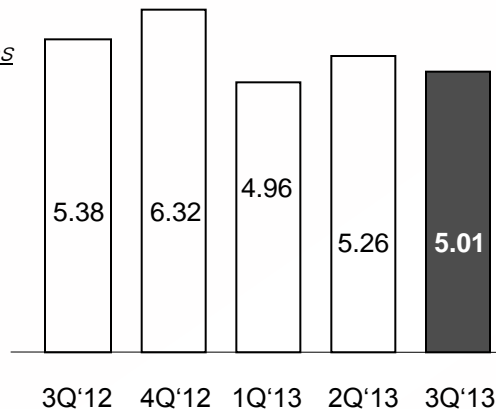
# ***Performance and Outlook***

## Business Performance (KRW tn)

*Op. Margin*



*Sales*



### 3Q13 Performance

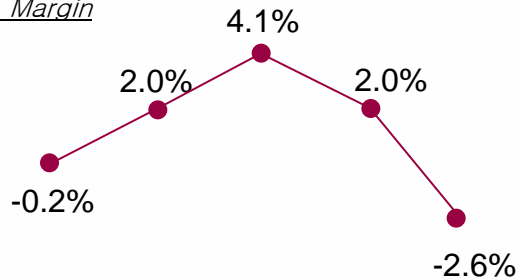
- ❖ **Sales: Decreased both QoQ and YoY due to slow market demand**
  - LCD TV : Sales increased in developing markets such as Asia and CIS, but decreased in developed markets such as Europe
- ❖ **Profitability: Improved QoQ due to efficient management of operating and marketing expenses**

### 4Q13 Outlook

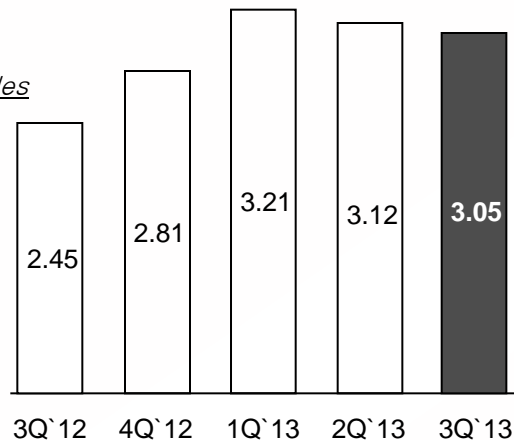
- ❖ **Market: Expect LCD TV demand to increase QoQ due to seasonality, but expect to decrease YoY**
- ❖ **LGE: Plan to expand global sales of premium products such as OLED TV and Ultra HD TV, while continuing cost reduction efforts**

### Business Performance (KRW tn)

*Op. Margin*



*Sales*



### 3Q13 Performance

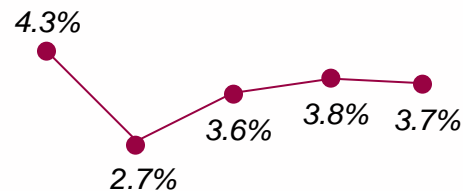
- ❖ **Sales:** Increased 24% YoY, but declined 2% QoQ to KRW 3.0 trillion
  - Achieved 12.0M units of smartphone shipments
    - Improved LTE sales by 31% QoQ due to the launching of G2
    - 3G sales declined due to intensified competition in developing markets
- ❖ **Profitability:** Declined due to increase in marketing expense for G2 and decrease in ASP as a result of intensified competition

### 4Q13 Outlook

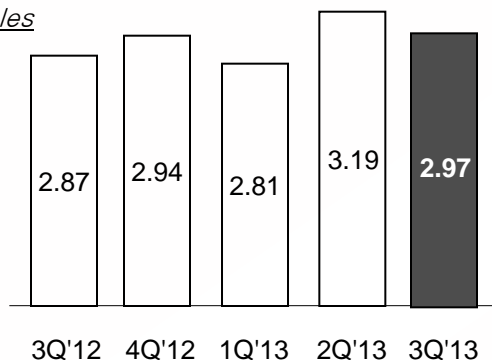
- ❖ **Market:** Expect smartphone market to grow continuously, especially for the LTE phone market. However, overall market competition will be intensified due to handset makers diversifying their portfolio in order to gain market share
- ❖ **LGE:** Plan to increase sales in the premium segment with the full fledged global launch of the G2, while enhancing marketing for both Mass LTE and 3G smartphones in order to maximize sales during the peak season and to improve brand power and market position

### Business Performance (KRW tn)

*Op. Margin*



*Sales*



### 3Q13 Performance

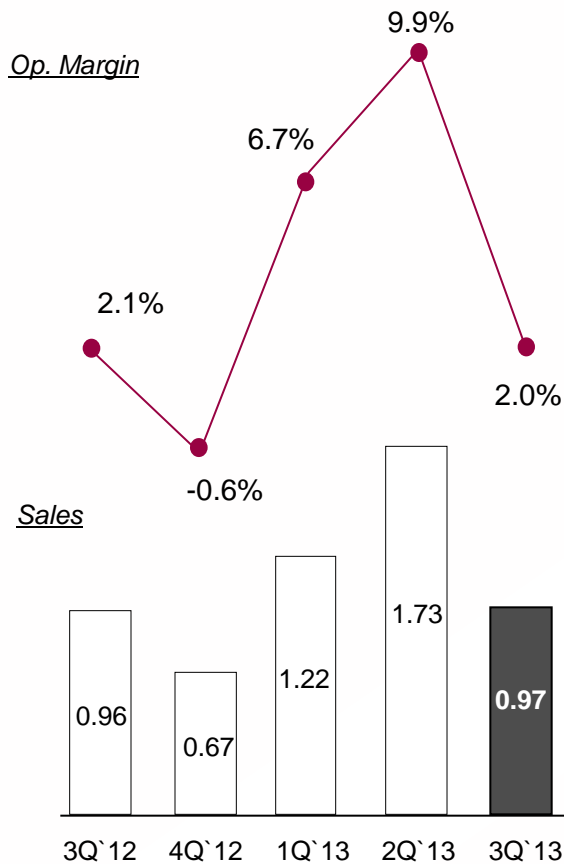
- ❖ **Sales: Increased by 3% YoY but declined by 7% QoQ to KRW 3.0 trillion**
  - Domestic: Revenue increased by 8% YoY due to good response from new models for both washing machines and refrigerators launched during 2<sup>nd</sup> quarter of this year
  - Overseas: Increased 5% YoY due to improving sales in both North America and China despite slow market growth in developing markets due to decrease of demand
- ❖ **Profitability: Despite stronger sales and improving cost structure, profit declined YoY due to effect of unfavorable FX movements**

### 4Q13 Outlook

- ❖ **Market: Expect demand to gradually increase in developed markets such as North America and Europe as a result of positive economy recovery trend of the market. However, in major developing markets, recovery trend will be limited due to unfavorable FX movements**
- ❖ **LGE: Plan to continuously grow faster than the market by launching market leading products for washing machines and refrigerators, and improve profitability by cost innovation**

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

## Business Performance (KRW tn)



### 3Q13 Performance

- ❖ **Sales** : Decreased by 44% QoQ due to seasonality, but increased by 1% YoY to KRW 1 trillion
  - Domestic: Revenue increased by 24% YoY due to stronger products sales
  - Overseas: Declined by 9% YoY due to weaker sales in major emerging and developing markets as a result of weaker market conditions
- ❖ **Profitability** : Despite better cost structure due to cost innovations and product competitiveness, operating profit margin was flat YoY due to increased R&D spending

### 4Q13 Outlook

- ❖ **Market**: Expect continuous weak market conditions due to off-season effect and unstable political and economical conditions to continue in the Middle East and Africa
- ❖ **LGE**: Plan to increase sales by strengthening marketing for non seasonal products along with globally launching of new models for commercial air-conditioner



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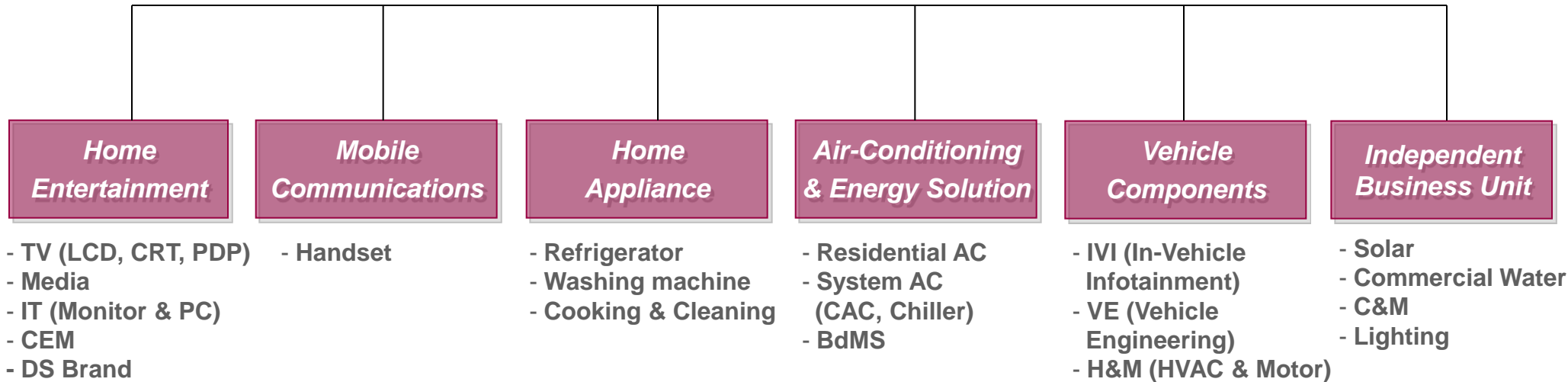
**Dow Jones  
Sustainability Indices**

In Collaboration with RobecoSAM 

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# Appendix. LG Electronics Business Organization

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



\* CEM= Chemical & Electronic Material



### Income Statement

(Unit : KRW bn)

	2012					2013		
	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q
<b>Sales</b>	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%	6,835 100.0%
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%	2,041 29.9%
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%	4,794 70.1%
Cost of goods sold	4,954 79.4%	5,001 75.8%	5,053 77.9%	4,979 81.6%	19,986 78.6%	5,568 80.7%	5,778 77.7%	5,578 81.6%
<b>Gross profit</b>	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%	1,257 18.4%
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%	1,418 20.7%
<b>Operating income (Loss)</b>	82 1.3%	220 3.3%	(33) -0.5%	(223) -3.7%	46 0.2%	(20) -0.3%	135 1.8%	(161) -2.4%
Financial income (Expense)	(35) -0.6%	(62) -0.9%	(76) -1.2%	(40) -0.7%	(213) -0.8%	(35) -0.5%	(59) -0.8%	(55) -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%	4 0.1%
<b>Net profit (Loss) before tax</b>	394 6.3%	135 2.0%	(75) -1.2%	(693) -11.3%	(240) -0.9%	33 0.5%	73 1.0%	(212) -3.1%
Tax	78 1.2%	21 0.3%	(11) -0.2%	26 0.4%	113 0.4%	1 0.0%	11 0.1%	(69) -1.0%
<b>Net profit (Loss)</b>	316 5.1%	114 1.7%	(64) -1.0%	(718) -11.8%	(352) -1.4%	32 0.5%	62 0.8%	(143) -2.1%

\* 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)

	2012년				2013년		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Assets	24,335	23,510	24,648	23,832	25,233	25,069	25,096
Current Assets	8,458	7,616	8,621	7,551	8,640	8,308	8,195
Cash and cash equivalents	1,409	876	1,508	1,114	978	785	937
Accounts receivable	5,135	4,919	5,223	4,693	5,700	5,574	5,151
Inventory	1,018	1,042	1,012	922	1,070	1,049	1,123
Other	896	780	878	822	892	900	984
Non-current Assets	15,878	15,894	16,027	16,282	16,593	16,761	16,901
Investment	7,892	7,918	7,950	7,950	7,953	8,011	8,034
PP&E	5,186	5,171	5,265	5,437	5,732	5,857	5,904
Intangible assets	906	906	906	962	959	977	1,011
Other	1,894	1,899	1,905	1,932	1,949	1,916	1,952
Liabilities	13,573	12,669	13,925	13,809	15,268	14,977	15,132
Accounts payable	3,936	3,810	4,223	3,996	5,072	4,734	4,678
Debt	5,722	4,898	5,465	5,264	5,466	5,176	5,491
Other	3,915	3,961	4,237	4,549	4,730	5,067	4,964
Equity	10,762	10,841	10,723	10,023	9,965	10,092	9,964

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### Income Statement

(Unit : KRW bn)

	2012					2013		
	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q
<b>Sales</b>	<b>13,205</b> 100.0%	<b>13,835</b> 100.0%	<b>13,282</b> 100.0%	<b>14,801</b> 100.0%	<b>55,123</b> 100.0%	<b>14,101</b> 100.0%	<b>15,232</b> 100.0%	<b>13,892</b> 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%	10,599 76.3%
<b>Gross profit</b>	<b>3,053</b> 23.1%	<b>3,433</b> 24.8%	<b>3,249</b> 24.5%	<b>3,136</b> 21.2%	<b>12,871</b> 23.3%	<b>3,134</b> 22.2%	<b>3,682</b> 24.2%	<b>3,293</b> 23.7%
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%	3,075 22.1%
<b>Operating income (Loss)</b>	<b>402</b> 3.0%	<b>527</b> 3.8%	<b>171</b> 1.3%	<b>117</b> 0.8%	<b>1,217</b> 2.2%	<b>350</b> 2.5%	<b>479</b> 3.1%	<b>218</b> 1.6%
Financial income (Expense)	(92) -0.7%	(99) -0.7%	(115) -0.9%	(84) -0.6%	(390) -0.7%	(80) -0.6%	(106) -0.7%	(115) -0.8%
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%	86 0.6%
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%	(50) -0.4%
<b>Net income before tax</b>	<b>458</b> 3.5%	<b>235</b> 1.7%	<b>187</b> 1.4%	<b>(331)</b> -2.2%	<b>549</b> 1.0%	<b>177</b> 1.3%	<b>233</b> 1.5%	<b>139</b> 1.0%
Tax	210 1.6%	66 0.5%	22 0.2%	148 1.0%	446 0.8%	155 1.1%	77 0.5%	30 0.2%
<b>Net income</b>	<b>248</b> 1.9%	<b>169</b> 1.2%	<b>165</b> 1.2%	<b>(478)</b> -3.2%	<b>103</b> 0.2%	<b>22</b> 0.2%	<b>156</b> 1.0%	<b>109</b> 0.8%
Controlled shares	244	164	157	(472)	93	24	132	84
Noncontrolled shares	4	5	8	(6)	10	(2)	24	25

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### Balance Sheet

(Unit : KRW bn)

	2012				2013		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
<b>Assets</b>	35,242	35,166	36,534	34,766	37,147	37,193	36,413
<b>Current Assets</b>	17,309	17,207	18,308	16,312	18,305	18,071	17,427
Cash and cash equivalents	3,083	2,673	3,104	2,185	2,454	2,011	2,339
Accounts receivable	7,127	7,813	7,482	7,333	8,534	8,621	7,388
Inventory	5,284	5,071	5,970	5,075	5,525	5,524	5,857
Other	1,815	1,650	1,752	1,719	1,792	1,915	1,843
<b>Non-current Assets</b>	17,933	17,959	18,226	18,455	18,842	19,122	18,986
Investment	4,087	4,084	4,114	4,183	4,180	4,292	4,311
PP&E	9,591	9,578	9,766	9,889	10,265	10,391	10,221
Intangible assets	1,152	1,150	1,152	1,222	1,222	1,263	1,284
Other	3,103	3,147	3,194	3,161	3,175	3,176	3,170
<b>Liabilities</b>	21,838	21,762	23,098	22,060	24,318	24,040	23,535
Accounts payable	5,694	5,679	6,358	5,627	6,989	6,819	6,533
Debt	9,528	9,097	9,173	8,638	9,397	8,902	8,974
Other	6,616	6,986	7,566	7,795	7,932	8,319	8,028
<b>Equity</b>	13,404	13,404	13,436	12,706	12,829	13,153	12,878

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# Appendix

## Divisional Sales (Consolidated)

(Unit : KRW bn)

		1Q'12	2Q'12	3Q'12	4Q'12	'12 Total	1Q'13	2Q'13	3Q'13	QoQ	YoY	
<b>Home Entertainment</b>	Sales	5,248	5,381	5,384	6,319	22,331	4,959	5,258	5,007	-5%	-7%	
	Op. Income	150	287	29	1	468	13	93	124			
	(%)	2.9%	5.3%	0.5%	0.0%	2.1%	0.3%	1.8%	2.5%			
<b>Mobile Communications</b>	Sales	2,497	2,321	2,448	2,812	10,078	3,210	3,123	3,045	-2%	24%	
	Op. Income	35	-28	-4	57	59	133	61	-80			
	(%)	1.4%	-1.2%	-0.2%	2.0%	0.6%	4.1%	2.0%	-2.6%			
	<b>Handset</b>	Sales	2,452	2,286	2,423	2,779	9,941	3,202	3,123	3,045	-2%	26%
		Op. Income	31	-30	-5	56	51	133	61	-80		
(%)	1.3%	-1.3%	-0.2%	2.0%	0.5%	4.1%	2.0%	-2.6%				
<b>Home Appliance</b>	Sales	2,536	2,875	2,868	2,942	11,221	2,807	3,188	2,967	-7%	3%	
	Op. Income	143	184	122	80	529	102	121	109			
	(%)	5.7%	6.4%	4.3%	2.7%	4.7%	3.6%	3.8%	3.7%			
<b>Air Conditioning &amp; Energy Solution</b>	Sales	1,206	1,464	961	669	4,299	1,217	1,734	973	-44%	1%	
	Op. Income	77	91	21	-4	185	82	171	20			
	(%)	6.4%	6.2%	2.1%	-0.6%	4.3%	6.7%	9.9%	2.0%			
<b>Others</b>	Sales	742	818	716	756	3,032	709	749	654	-13%	-9%	
	Op. Income	-29	-26	-21	-25	-101	3	-3	-12			
<b>LGE Consolidated before including LG Innotek</b>	Sales	12,228	12,859	12,376	13,497	50,960	12,901	14,051	12,647	-10%	2%	
	Op. Income	376	508	147	108	1,140	333	443	161			
	(%)	3.1%	4.0%	1.2%	0.8%	2.2%	2.6%	3.2%	1.3%			
<b>LG Innotek earnings excluding internal transactions</b>	Sales	977	976	906	1,304	4,163	1,199	1,181	1,245	5%	37%	
	Op. Income	26	18	25	9	77	17	36	57			
<b>LGE Consolidated</b>	Sales	13,205	13,835	13,282	14,801	55,123	14,101	15,232	13,892	-9%	5%	
	Op. Income	402	527	172	117	1,217	350	479	218			
	(%)	3.0%	3.8%	1.3%	0.8%	2.2%	2.5%	3.1%	1.6%			

\* 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.

\* Due to the establishment of Vehicle Components division(VC), the divisional financial data has been restated accordingly.

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