

4Q14 Earnings Release

January 29th 2015

All information regarding management performance and financial results of LG Electronics (the “Company”) during the 4th 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 Company has discontinued the PDP business during 2014 and has separated all its profit and loss line items of PDP business operations from the continuing operations and has reclassified them into a separate account called “Income(Loss) from discontinued operations”, and also has restated the comparative information in conformity with the same classification in the current period.

In addition, the information regarding results of 4th 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 1st quarter of 2015.

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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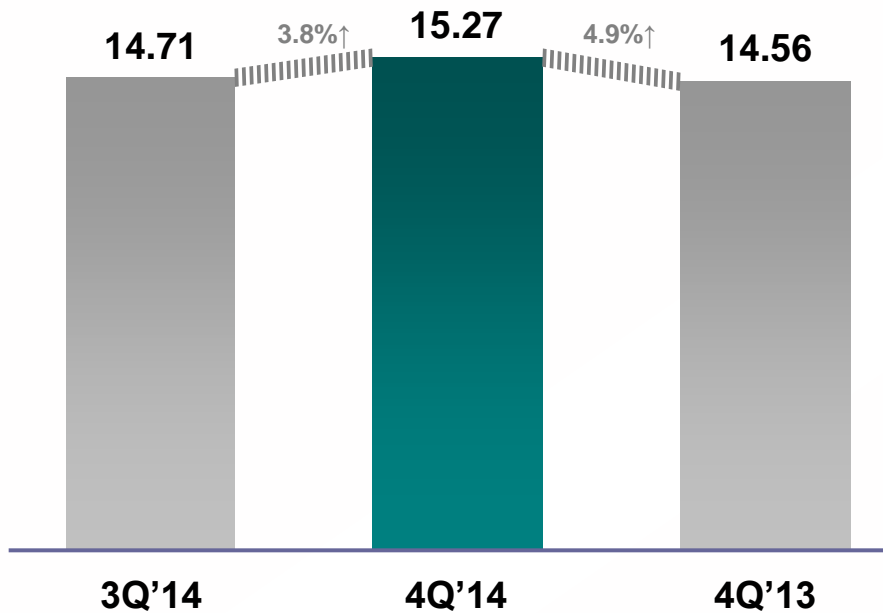
4Q14 Results

I . 4Q14 Results (Consolidated)

Sales/Profit

Sales

(Unit : KRW tn)



Profit

(Unit : KRW bn)

	3Q'14	4Q'14	4Q'13
Operating Profit	465	275	214
EBITDA	956	775	710
Net Profit	203	-206	- 63

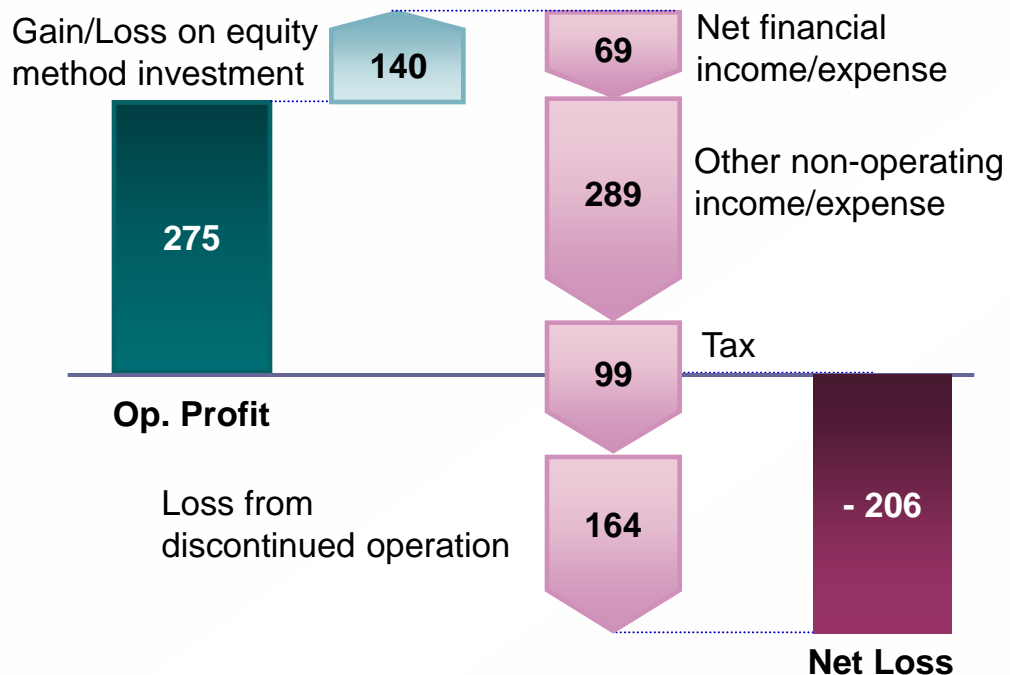
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I . 4Q14 Results (Consolidated)

Net Profit

Net Profit

(Unit : KRW bn)



Investment Income

(Unit : KRW bn)

	3Q'14	4Q'14
LG Display	124	148
Others	- 3	- 8
Gain/Loss on equity method investment	121	140

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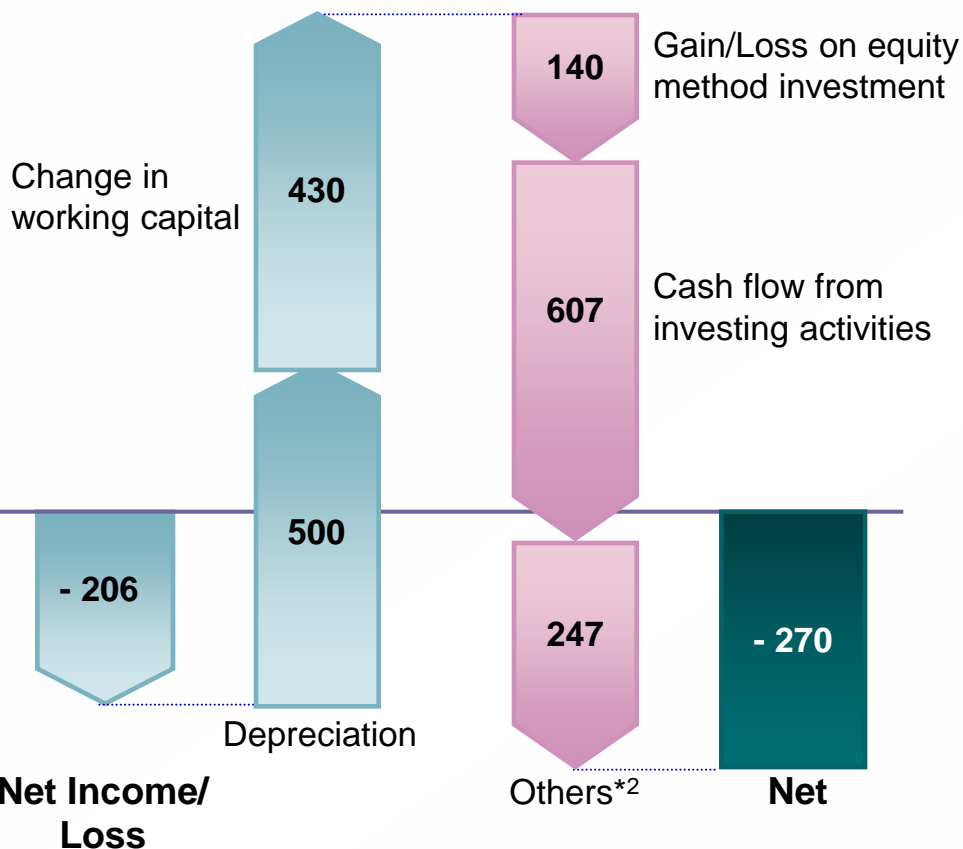
I . 4Q14 Results (Consolidated)

Cash Flow Statement

4Q Net Cash Flow *1

(Unit : KRW bn)

Cash In Cash Out



Cash Flow Statement

(Unit : KRW bn)

	3Q'14	4Q'14
Cash at beginning of period	2,701	2,950
Cash flow from operating activities	915	335
Net income/loss	203	-206
Depreciation	491	500
Gain/Loss on equity method investment	-121	-140
Change in working capital	-99	430
Others	441	-249
Cash flow from investing activities	-535	-607
Increase in tangible assets	-447	-549
Increase in intangible assets	-72	-87
Cash flow from financing activities	-97	-435
Increase/Decrease in debt	-72	-427
FX effect from foreign currency denominated cash	-34	1
Net changes in cash	249	-706
Cash at end of period	2,950	2,244

* Net= Excluding Cash flow from financing activities

* Others includes FX effect from foreign currency denominated cash

I . 4Q14 Results (Consolidated)

Financial Structure

Balance Sheet

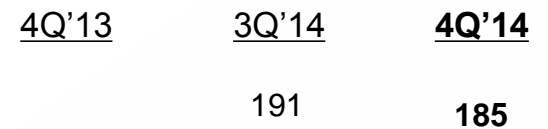
(Unit: KRW tn)

	4Q'13	3Q'14	4Q'14
Assets	35.53	38.50	37.07
Current Assets	16.33	19.32	17.48
Cash	2.65	2.95	2.24
Inventory	4.84	6.29	5.71
Non-Current Assets	19.20	19.18	19.59
Liabilities	22.84	25.25	24.08
Current Liabilities	15.01	16.60	15.76
Non-Current Liabilities	7.82	8.65	8.32
Equity	12.69	13.25	12.99
Debt	9.21	9.43	9.00
Net Debt	6.57	6.48	6.76

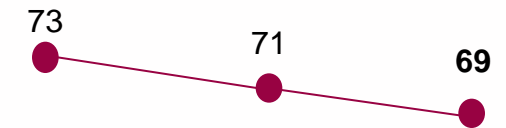
Financial Ratio

(Unit : %)

Total Liability to Equity



Debt to Equity



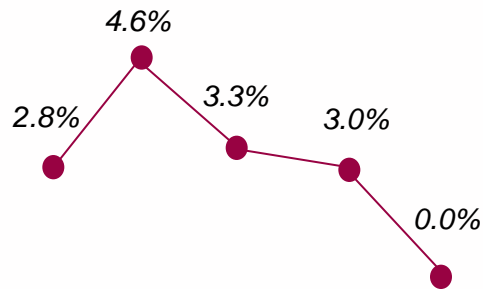
Net Debt to Equity



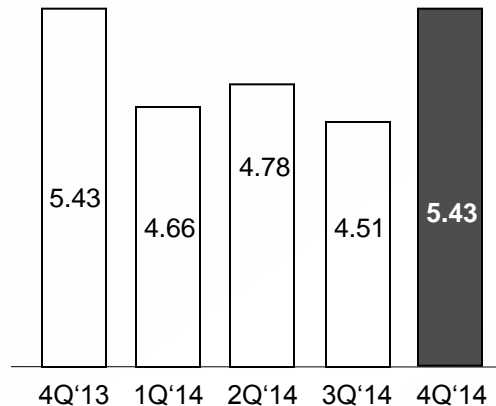
Performance and Outlook

Business Performance (KRW tn)

Op. Margin



Sales



4Q14 Performance

- ❖ **Sales: Increased 20% QoQ due to seasonality and was flat YoY**
 - LCD TV: Sales increased QoQ in Europe, CIS, and North America due to increased shipments for the peak season
- ❖ **Profitability: Operating profit margins declined QoQ due to weaker currency movements in emerging markets such as Russia and Brazil, and intensified competition for the peak season**

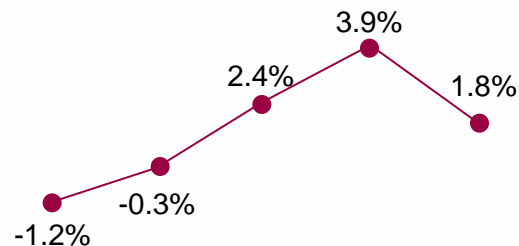
2015 Outlook

- ❖ **Market: Expect demands for premium TVs such as OLED TV and UHD TV to increase continuously. Also we expect the B2B markets, mainly for monitor signage, to grow**
- ❖ **LGE: Although we expect instable economic conditions in the emerging markets and intensifying competition in developed market to continue, plan to manage profitability with better product mix and optimizing cost structure by leading the premium TV market**

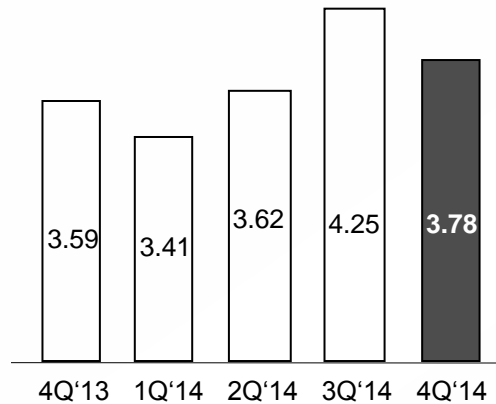
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Business Performance (KRW tn)

Op. Margin



Sales



4Q14 Performance

❖ Sales: Increased by 5% YoY and decreased by 11% QoQ to 3.8 trillion won

- Achieved 15.6M units of smartphone shipments (YoY 18%↑, QoQ 7%↓)
- Total shipments in North America were 5.7M (YoY 78%↑, QoQ 6%↓)
- Total shipments in domestic market decreased QoQ due to weaker demand driven by the handset distribution reform law

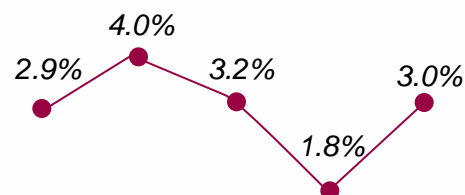
❖ Profitability: Operating profit margins decreased QoQ due to lower ASP driven by intensifying competition, weaker demand in the domestic market, and unfavorable FX movements

2015 Outlook

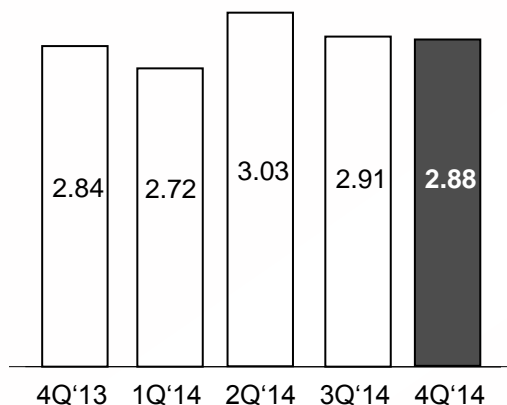
- ❖ Market: Expect smartphone market to grow continuously, especially for the LTE market. However, competition to gain market share will be intensified in all regions with stronger lineups from global handset players
- ❖ LGE: Plan to improve profitability along with better brand equity while strengthening our presence in the premium market by launching market leading products, running models more efficiently, and concentrating more on selective markets

Business Performance (KRW tn)

Op. Margin



Sales



4Q14 Performance

❖ Sales: Increased by 1% YoY to 2.9 trillion won

- Domestic: Sales increased by 1% YoY due to stronger sales in premium refrigerators
- Overseas: Sales increased by 1% YoY due to stronger sales in Europe and emerging markets such as the Middle East, and Southeast Asia despite weaker sales in North America

❖ Profitability: Profit improved YoY due to stronger sales in premium products and optimizing cost structure inspite of Increasing marketing expense

2015 Outlook

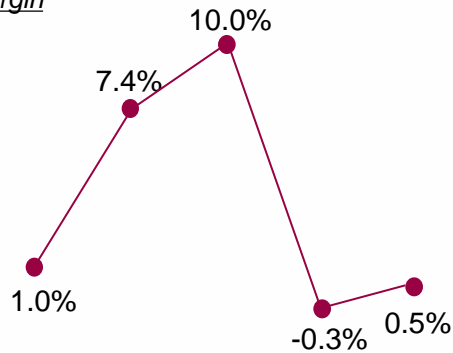
❖ Market: Expect demand recovery to be limited due to slower economic growth in developed market, lower oil prices, and unpredictable FX movement

❖ LGE: Plan to lead the premium markets continuously with differentiated technology for customers together with leadership in energy efficiency. Also, plan to improve cost competitiveness with lower the raw material costs

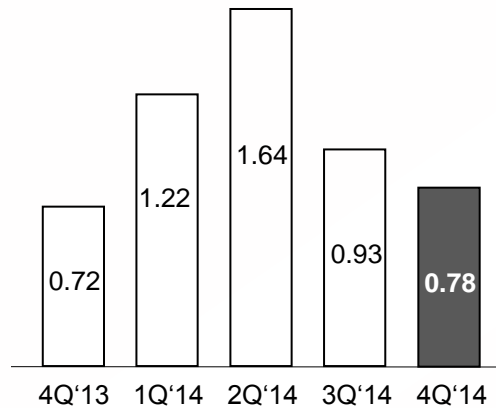
II. Performance and Outlook by Division Air-Conditioning & Energy Solution

Business Performance (KRW tn)

Op. Margin



Sales



4Q14 Performance

- ❖ **Sales** : Increased by 9% YoY due to incremental growth in commercial air-conditioners to 0.8 trillion won but decreased by 16% QoQ due to seasonality
 - Domestic: Sales increased by 6% YoY due to stronger commercial air-conditioner sales
 - Overseas: Sales increased by 10% due to stronger sales in the Middle East and Central and South America
- ❖ **Profitability**: Achieved operating profit in 4Q for two consecutive years despite it being the off-season due to continuous growth in sales for commercial air-conditioners

2015 Outlook

- ❖ **Market**: Expect market conditions mainly for the US to improve and also demand for high energy efficient products to grow as importance of energy efficiency is emphasized while there is still remaining concerns for uncertainty in the global economy
- ❖ **LGE**: Plan to improve cost and product competitiveness with higher energy efficient products. Also, plan to lead the market with market customized products



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Income Statement

(Unit : KRW bn)

	2013					2014														
	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total										
Sales	13,770.7	100%	14,882.7	100%	13,562.7	100%	14,556.2	100%	56,772.3	100%	13,988.8	100%	15,066.9	100%	14,713.0	100%	15,272.1	100%	59,040.8	100%
Cost of goods sold	10,682.4	77.6%	11,254.1	75.6%	10,339.4	76.2%	11,320.2	77.8%	43,596.1	76.8%	10,763.8	76.9%	11,399.2	75.7%	11,150.3	75.8%	11,985.8	78.5%	45,299.1	76.7%
Gross profit	3,088.3	22.4%	3,628.6	24.4%	3,223.3	23.8%	3,236.0	22.2%	13,176.2	23.2%	3,225.0	23.1%	3,667.7	24.3%	3,562.7	24.2%	3,286.3	21.5%	13,741.7	23.3%
Selling & admin expense	2,732.9	19.8%	3,146.4	21.1%	3,026.2	22.3%	3,021.7	20.8%	11,927.2	21.0%	2,746.2	19.6%	3,058.0	20.3%	3,097.7	21.1%	3,011.2	19.7%	11,913.1	20.2%
Operating income (Loss)	355.4	2.6%	482.2	3.2%	197.1	1.5%	214.3	1.5%	1,249.0	2.2%	478.8	3.4%	609.7	4.0%	465.0	3.2%	275.1	1.8%	1,828.6	3.1%
Financial income (Expense)	-74.8	-0.5%	-95.8	-0.6%	-106.8	-0.8%	-91.2	-0.6%	-368.6	-0.6%	-101.0	-0.7%	-97.5	-0.6%	-68.0	-0.5%	-69.3	-0.5%	-335.8	-0.6%
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	-0.4%	98.3	0.7%	120.7	0.8%	140.1	0.9%	304.4	0.5%
Other non operating income (Loss)	-68.9	-0.5%	-169.5	-1.1%	-44.6	-0.3%	-133.9	-0.9%	-416.9	-0.7%	-54.0	-0.4%	10.1	0.1%	-246.4	-1.7%	-288.6	-1.9%	-578.9	-1.0%
Net income before tax	186.1	1.4%	251.8	1.7%	131.6	1.0%	20.0	0.1%	589.5	1.0%	269.1	1.9%	620.6	4.1%	271.3	1.8%	57.3	0.4%	1,218.3	2.1%
Tax	158.0	1.1%	81.8	0.5%	29.3	0.2%	89.3	0.6%	358.4	0.6%	191.9	1.4%	196.9	1.3%	51.8	0.4%	99.2	0.6%	539.8	0.9%
Income (Loss) from continuing operations	28.1	0.2%	170.0	1.1%	102.3	0.8%	-69.3	-0.5%	231.1	0.4%	77.2	0.6%	423.7	2.8%	219.5	1.5%	-41.9	-0.3%	678.5	1.1%
Income (Loss) from discontinued operations	-6.0	0.0%	-14.5	-0.1%	6.2	0.0%	5.9	0.0%	-8.4	0.0%	15.4	0.1%	-11.9	-0.1%	-16.8	-0.1%	-163.8	-1.1%	-177.1	-0.3%
Net income	22.1	0.2%	155.5	1.0%	108.5	0.8%	-63.4	-0.4%	222.7	0.4%	92.6	0.7%	411.8	2.7%	202.7	1.4%	-205.7	-1.3%	501.4	0.8%
Controlled shares	24.2		132.0		84.0		-63.4		176.8		74.9		369.1		159.7		-204.3		399.4	
Noncontrolled shares	-2.1		23.5		24.5		0.0		45.9		17.7		42.7		43.0		-1.4		102.0	

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Balance Sheet

(Unit : KRW bn)

	2013				2014			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Assets	37,146.6	37,192.8	36,413.3	35,528.1	37,158.2	37,433.8	38,503.5	37,068.4
Current Assets	18,301.5	18,067.5	17,423.8	16,325.1	18,204.5	18,446.6	19,320.8	17,482.7
Cash and cash equivalents	2,453.9	2,011.0	2,339.1	2,645.3	2,713.8	2,701.1	2,949.7	2,244.4
Accounts receivable	8,533.4	8,621.1	7,388.1	7,117.4	8,147.9	8,406.6	8,277.7	7,683.9
Inventory	5,525.3	5,524.0	5,857.1	4,838.8	5,572.6	5,548.8	6,288.1	5,711.3
Other	1,788.9	1,911.4	1,839.5	1,723.6	1,770.2	1,790.1	1,805.3	1,843.1
Non-current Assets	18,845.1	19,125.3	18,989.5	19,203.0	18,953.7	18,987.2	19,182.7	19,585.7
Investment	4,179.6	4,292.2	4,311.2	4,329.6	4,248.8	4,287.2	4,450.7	4,594.5
PP&E	10,265.0	10,390.9	10,221.2	10,342.0	10,306.8	10,429.1	10,504.1	10,596.9
Intangible assets	1,221.6	1,262.7	1,283.9	1,363.7	1,335.2	1,330.3	1,309.4	1,394.3
Other	3,178.9	3,179.5	3,173.2	3,167.7	3,062.9	2,940.6	2,918.5	3,000.0
Liabilities	24,317.5	24,040.2	23,535.0	22,838.7	24,368.0	24,377.0	25,247.9	24,077.3
Accounts payable	6,989.3	6,819.4	6,533.1	5,691.1	6,875.7	6,725.1	7,404.9	6,741.7
Debt	9,396.9	8,902.2	8,974.3	9,211.0	9,654.0	9,524.0	9,429.7	9,002.4
Other	7,931.3	8,318.6	8,027.6	7,936.6	7,838.3	8,127.9	8,413.3	8,333.2
Equity	12,829.1	13,152.6	12,878.3	12,689.4	12,790.2	13,056.8	13,255.6	12,991.1

(Unit : KRW bn)

		1Q'13	2Q'13	3Q'13	4Q'13	'13 Total	1Q'14	2Q'14	3Q'14	4Q'14	QoQ	YoY	'14 Total	YoY	
HE (Home Entertainment)	Sales	4,489.1	4,766.0	4,522.3	5,430.5	19,207.9	4,661.4	4,783.2	4,507.0	5,427.0	20%	0%	19,378.6	1%	
	Op. Income	23.4	102.2	109.5	153.0	388.1	215.1	158.0	134.2	1.7			509.0		
	(%)	0.5%	2.1%	2.4%	2.8%	2.0%	4.6%	3.3%	3.0%	0.0%			2.6%		
MC (Mobile Communications)	Sales	3,202.3	3,123.1	3,045.4	3,591.5	12,962.3	3,407.0	3,620.3	4,247.0	3,783.1	-11%	5%	15,057.4	16%	
	Op. Income	132.5	61.2	-79.7	-43.4	70.6	-8.8	85.9	167.4	67.4			311.9		
	(%)	4.1%	2.0%	-2.6%	-1.2%	0.5%	-0.3%	2.4%	3.9%	1.8%			2.1%		
HA (Home Appliance)	Sales	2,806.1	3,187.0	2,966.8	2,838.9	11,798.8	2,717.9	3,030.5	2,911.5	2,880.3	-1%	1%	11,540.2	-2%	
	Op. Income	101.7	121.6	108.7	83.3	415.3	109.2	97.8	51.8	85.0			343.8		
	(%)	3.6%	3.8%	3.7%	2.9%	3.5%	4.0%	3.2%	1.8%	3.0%			3.0%		
AE (Air Conditioning & Energy Solution)	Sales	1,216.6	1,733.5	973.2	719.7	4,643.0	1,220.1	1,635.0	925.6	781.4	-16%	9%	4,562.1	-2%	
	Op. Income	81.7	171.0	19.5	7.3	279.5	89.8	164.2	-2.5	3.6			255.1		
	(%)	6.7%	9.9%	2.0%	1.0%	6.0%	7.4%	10.0%	-0.3%	0.5%			5.6%		
Others	Sales	857.3	892.2	809.7	802.0	3,361.2	871.7	841.8	892.3	945.6	6%	18%	3,551.4	6%	
	Op. Income	-0.4	-9.9	-17.6	-16.3	-44.2	13.8	16.6	11.6	56.2			98.2		
LGE Consolidated before including LG Innotek (①)		Sales	12,571.4	13,701.8	12,317.4	13,382.6	51,973.2	12,878.1	13,910.8	13,483.4	13,817.4	2%	3%	54,089.7	4%
		Op. Income	338.9	446.1	140.4	183.9	1,109.3	419.1	522.5	362.5	213.9			1,518.0	
		(%)	2.7%	3.3%	1.1%	1.4%	2.1%	3.3%	3.8%	2.7%	1.5%		2.8%		
LG Innotek earnings excluding internal transactions with LGE (②)		Sales	1,550.9	1,521.1	1,595.5	1,544.0	6,211.5	1,458.8	1,542.9	1,649.3	1,815.1	10%	18%	6,466.1	4%
		Op. Income	15.8	35.7	55.7	28.9	136.1	63.1	89.9	103.0	58.0			314.0	
LGE earnings from LG innotek (③)		Sales	351.6	340.2	350.2	370.4	1,412.4	348.1	386.8	419.7	360.4	-14%	-3%	1,515.0	7%
		Op. Income	-0.7	-0.4	-1.0	-1.5	-3.6	3.4	2.7	0.5	-3.2			3.4	
LGE Consolidated (①+②-③)		Sales	13,770.7	14,882.7	13,562.7	14,556.2	56,772.3	13,988.8	15,066.9	14,713.0	15,272.1	4%	5%	59,040.8	4%
		Op. Income	355.4	482.2	197.1	214.3	1,249.0	478.8	609.7	465.0	275.1			1,828.6	
		(%)	2.6%	3.2%	1.5%	1.5%	2.2%	3.4%	4.0%	3.2%	1.8%		3.1%		

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