

# 1Q'11 Earnings Release

April 27<sup>th</sup> 2011

All information regarding management performance and financial results of LG Electronics (the “Company”) during the 1<sup>st</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 1<sup>st</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 2<sup>nd</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 1Q'11 Results

✓ Comment on 2Q'11 Outlook

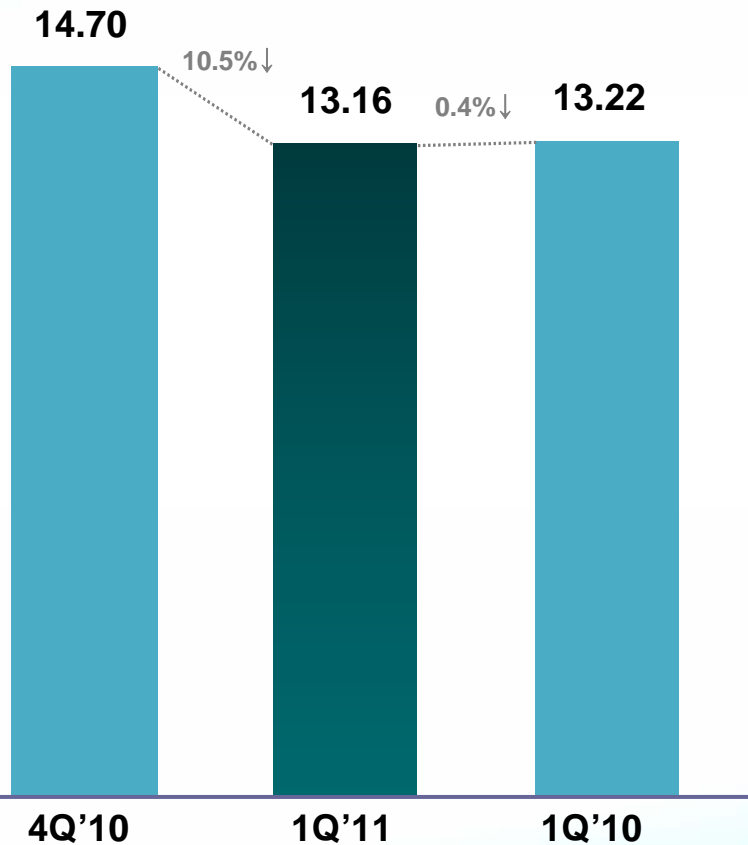
# ***1Q'11 Results***

## II. 1Q'11 Results (LGE Consolidated, IFRS)

Sales/Profit

### Sales

(Unit : KRW tn)



### Profit

(Unit : KRW bn)

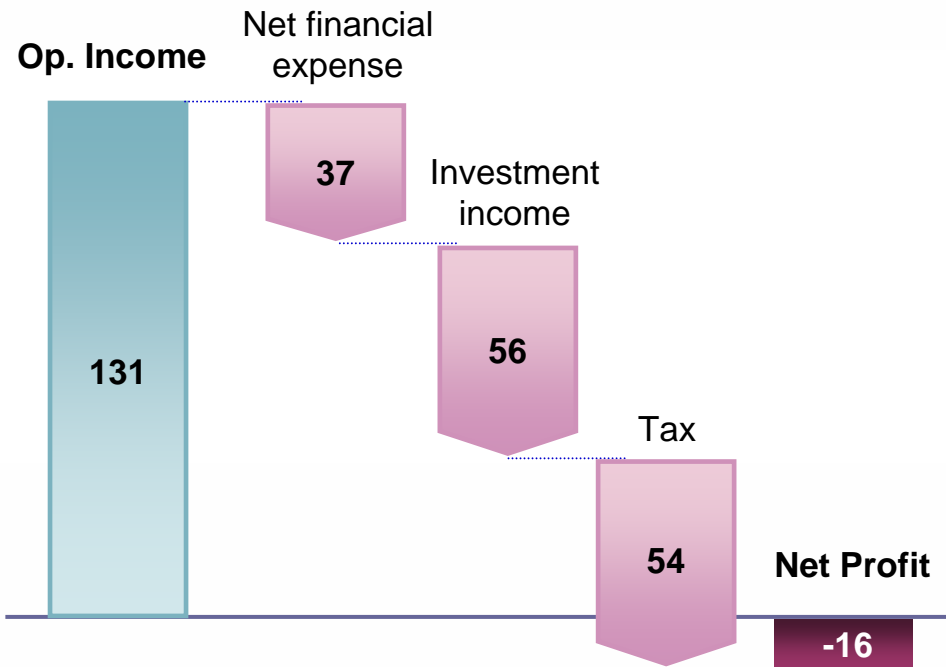
	4Q'10	QoQ	1Q'11	YoY	1Q'10
Operating Income	-246	n/a	131	↓ 73%	481
EBITDA	74	↑ 479%	429	↓ 48%	831
Net Profit	-256	n/a	-16	n/a	675

## II. 1Q'11 Results (LGE Consolidated, IFRS)

Net Profit

### Net Profit

(Unit: KRW bn)



### Investment Income

(Unit: KRW bn)

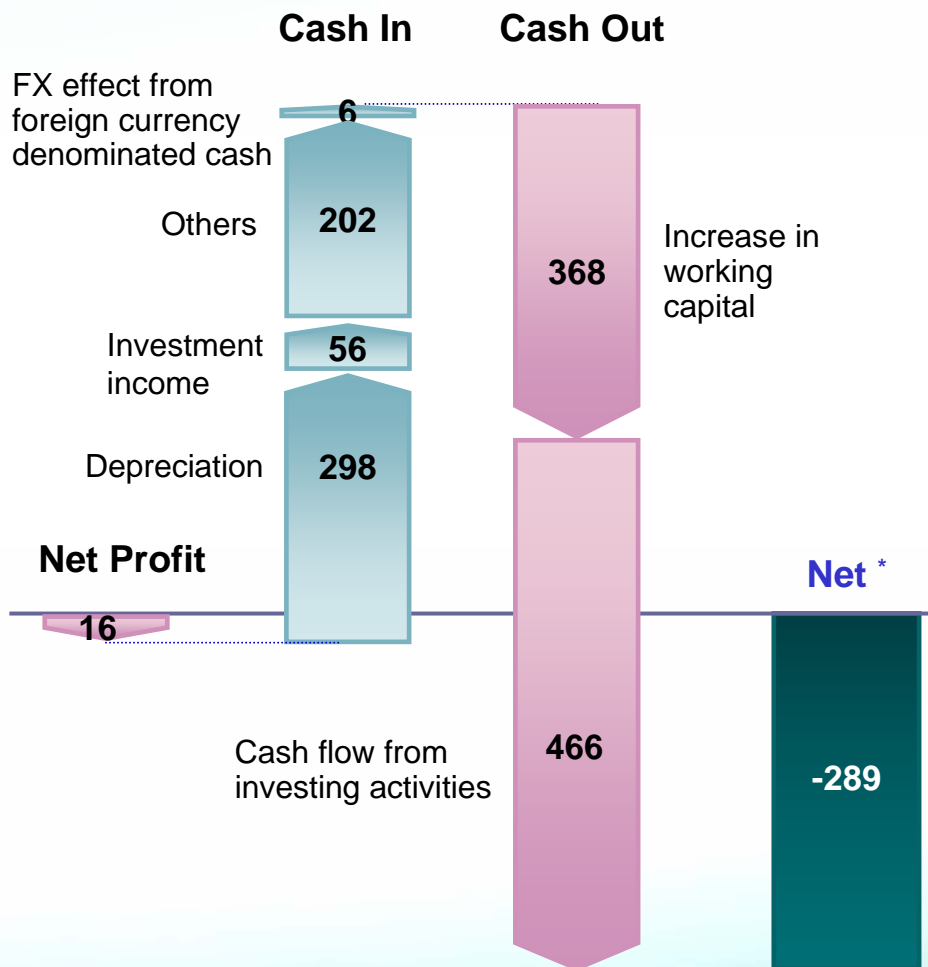
	4Q'10	1Q'11
LG Display	-90	-48
LG Innotek	-18	-15
Others	34	7
Investment Income	-74	-56

## II. 1Q'11 Results (LGE Consolidated, IFRS)

## Cash Flow Statement

### 1Q Net\* Cash Flow

(Unit : KRW bn)



### Cash Flow Statement

(Unit : KRW bn)

	4Q'10	1Q'11
Cash at beginning of period	1,785	1,944
Cash flow from operating activities	1,090	172
Net income	-256	-16
Depreciation	320	298
Investment income	74	56
Increase in working capital	1,265	-368
Others	-313	202
Cash flow from investing activities	-369	-466
Increase in tangible assets	-434	-388
Cash flow from financing activities	-551	557
Increase in debt	-551	557
FX effect from foreign currency denominated cash	-10	6
<b>Net changes in cash</b>	<b>159</b>	<b>268</b>
Cash at end of period	1,944	2,212

\*Net= Excluding Cash flow from financing activities



## II. 1Q'11 Results (LGE Consolidated, IFRS)

## Financial Structure

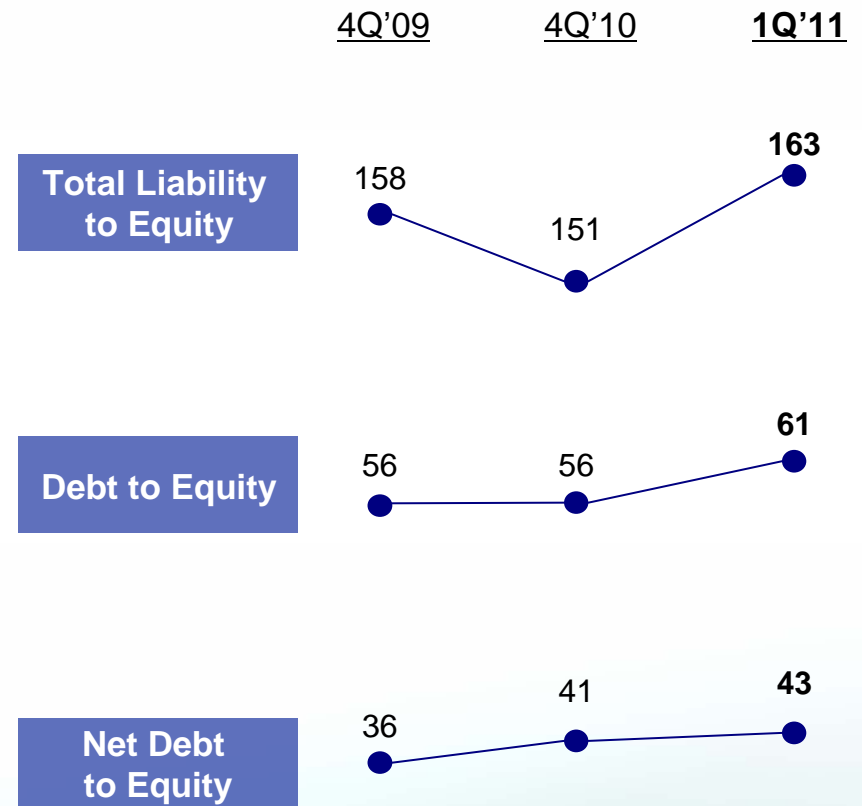
### Balance Sheet

(Unit: KRW tn)

	4Q'09	4Q'10	1Q'11
<b>Assets</b>	32.11	32.32	<b>33.53</b>
Current Assets	16.91	16.51	<b>17.66</b>
Cash	2.42	1.94	<b>2.21</b>
Inventory	4.90	5.87	<b>6.38</b>
Non-Current Assets	15.20	15.80	<b>15.87</b>
<b>Liabilities</b>	19.69	19.46	<b>20.80</b>
Current Liabilities	16.17	15.39	<b>16.30</b>
Non-Current Liabilities	3.52	4.07	<b>4.51</b>
<b>Equity</b>	12.43	12.86	<b>12.73</b>
<b>Debt</b>	6.91	7.19	<b>7.72</b>
<b>Net Debt</b>	4.48	5.25	<b>5.51</b>

### Financial Ratio

(Unit : %)



# ***Performance and Outlook***

# III. Performance and Outlook by Sector \*

Sales/Profit

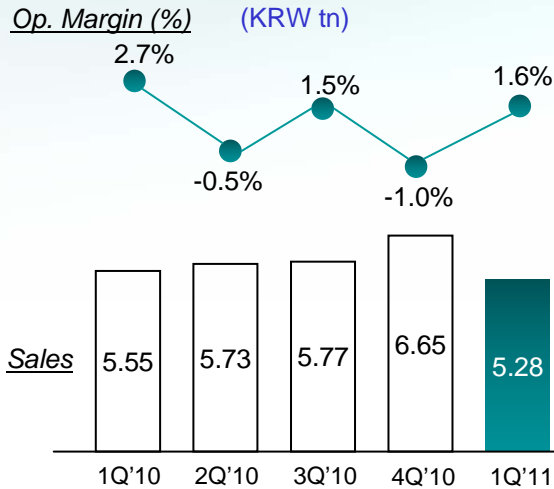
## Consolidated Sales and Profit by Division

(Unit : KRW bn)

		4Q'10	QoQ	1Q'11	YoY	1Q'10
Home Entertainment	Sales	6,648	↓ 20.6%	5,280	↓ 4.8%	5,548
	Op. Income	-65		82		150
Mobile Communications	Sales	3,381	↓ 13.9%	2,910	↓ 8.3%	3,172
	Op. Income	-261		-101		29
Handset	Sales	3,328	↓ 14.3%	2,852	↓ 9.2%	3,140
	Op. Income	-262		-101		28
Home Appliance	Sales	2,819	↓ 4.3%	2,699	↑ 13.4%	2,381
	Op. Income	78		103		207
Air Conditioning & Energy Solution	Sales	913	↑ 59.1%	1,452	↑ 23.8%	1,172
	Op. Income	10		39		43

\* Divisional sales includes internal transactions between divisions

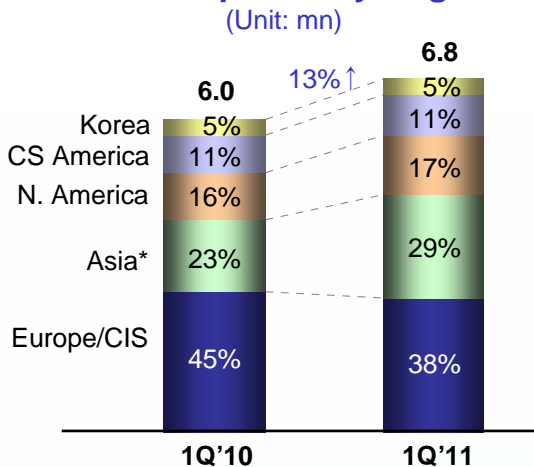
### Business Performance



### 1Q'11 Performance

- ❖ **Sales : Shipments increased YoY but revenue declined QoQ and YoY due to slower season and decreased ASP**
  - LCD TV : Shipments increased mainly due to demand pick-up in developing markets
  - PDP TV : Sales growth YoY especially in N. America and Asia
  - Monitor : Sales decreased with demand decline but market share grew QoQ
- ❖ **Profitability : Improved QoQ due to cost reduction**

### FPTV Shipment by Region



### 2Q'11 Outlook

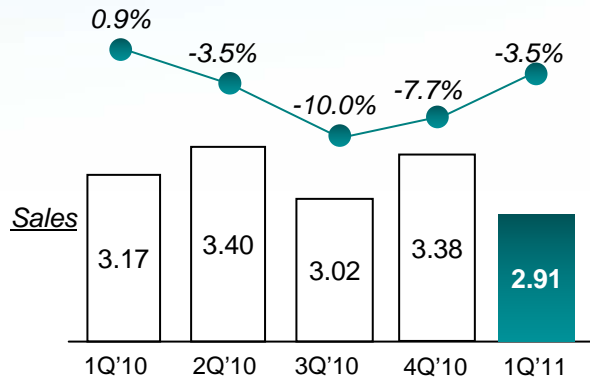
- ❖ **Market : Expect expansion in demand due to rising penetration of flat screen TVs in developing markets and growth in supply for 3D / Smart TV**
- ❖ **LGE : Plan to strengthen marketing of premium products (Cinema 3D, Smart TV) while expanding market share with customer friendly products. Also, focus on securing profitability by continuing cost cutting efforts.**

\* Includes MEA

### Business Performance

(KRW tn)

Op. Margin (%)



### 1Q'11 Performance

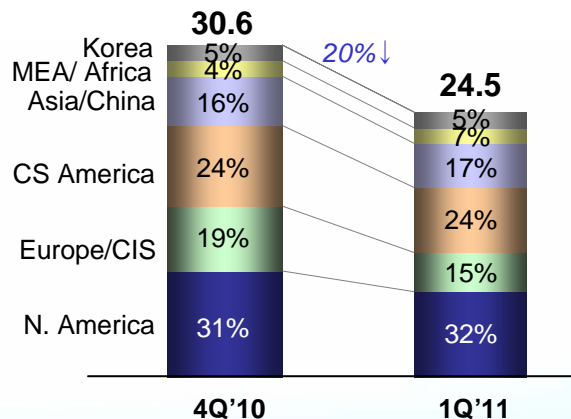
#### ❖ Sales : Shipments declined 20% QoQ and 10% YoY to 24.5M units

- Declined QoQ due to seasonality
  - N. America / Korea : Strong sales of smartphones such as Optimus One / 2X
  - Europe : Increased sales in Optimus 2X / Me
  - Emerging markets : Shipments increased in China and MEA but other regions declined QoQ due to efforts to improve product mix and seasonality

#### ❖ Profitability : Profitability improved due to increased smartphone portion and efforts to cut down overhead costs

### Handset Shipment by Region

(Unit: mn)



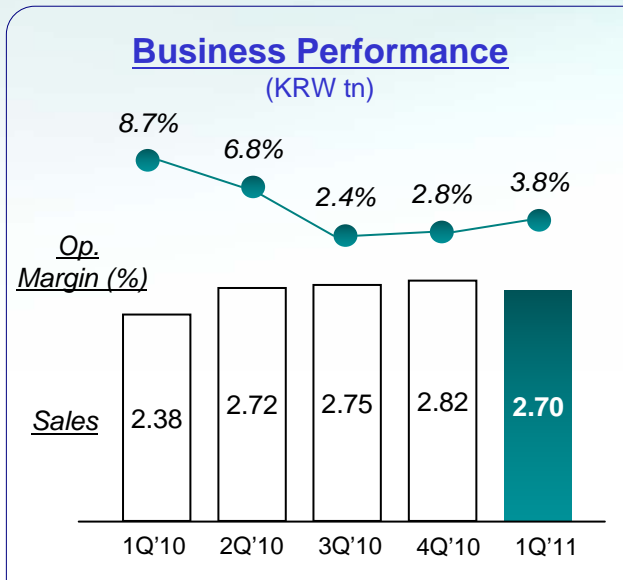
### 2Q'11 Outlook

#### ❖ Market : Competition is expected to intensify with competitors launching new smartphone models along with handset makers striving for growth

#### ❖ LGE : Improve product mix by launching key new smartphone models and gain profitability by cutting costs

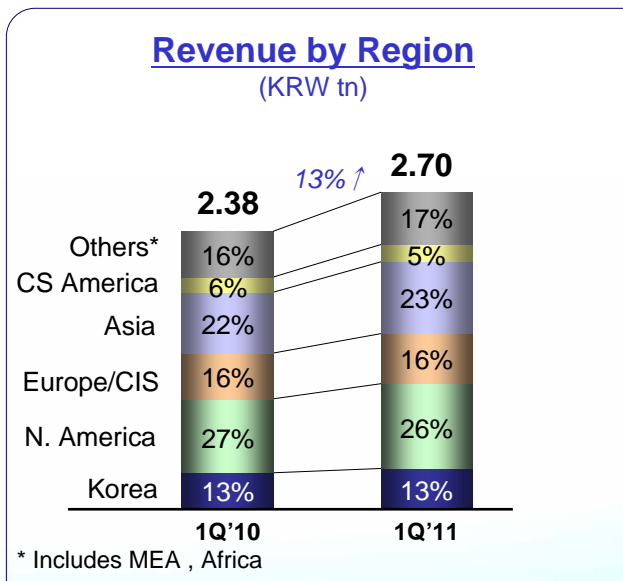
- Key new models in 2Q : Optimus Black/ Big/ 3D, LTE Revolution, etc

# III. Performance and Outlook by Sector



## 1Q'11 Performance

- ❖ **Sales : Increased 13% YoY to KRW 2.7 trillion due to rising sales in N. America and emerging markets**
  - Korea : 21% YoY growth with the launch of 850 liter large size refrigerator and TROMM Styler
  - Overseas : Grew 16% YoY based on USD due to an increase in N. America OEM and stronger sales in emerging markets such as Russia, India, Asia
- ❖ **Profitability : FX rate, rising raw material cost, and increase in R&D staff resulted in an operating profit margin of 3.8%**



## 2Q'11 Outlook

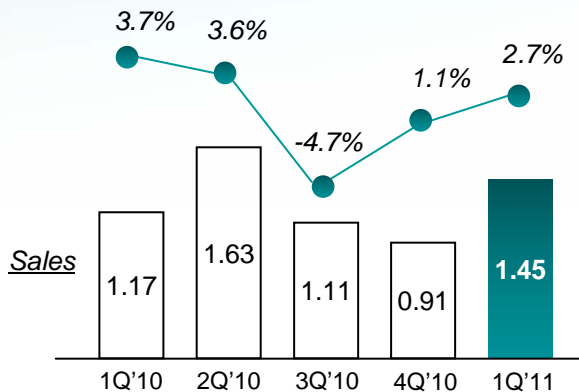
- ❖ **Market : Anticipate market demand to increase despite risks such as the aftermath of the earthquake in Japan and financial instability in Southern Europe.**
- ❖ **LGE**
  - Sales : Continuously launch market leading products that are larger and more energy efficient while pushing ahead new businesses
  - Profitability : Plan to secure profitability by increasing revenue and cutting costs despite negative factors such as raw material price increase and FX rate

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

## Business Performance

(KRW tn)

Op. Margin (%)



## 1Q'11 Performance

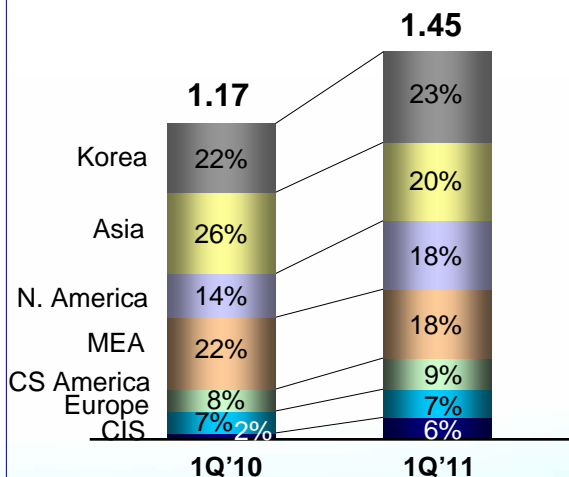
❖ **Sales** : Increased 24% YoY to KRW 1.45 trillion due to strong growth in Korea, North America, CS America, and CIS

- Korea : 22% growth YoY by launching products with superior functions and dominating the market in advance
- Overseas : Up 28% YoY with strong sales of strategic products such as Multi V and Inverter type

❖ **Profitability** : Despite rising raw material costs and FX rates maintained operating profit level similar to 1Q'10 through increased revenue and cost saving efforts

## Revenue by Region

(KRW tn)



## 2Q'11 Outlook

❖ **Market** : Risks such as instability in the MEA region and cool weather in Asia exist but with the peak season approaching, expect demand to increase for air conditioners

❖ **LGE** : Strengthen market leadership with competitive advantage in strategic products such as Multi V and Inverter type while continuing investments in B2B infrastructure and new businesses



<http://www.lg.com>



# Appendix. 2011 Business Reorganization

- Realigned to 4 business units (vs. previous 5 units) and renamed Regional Headquarters to Regional Representatives
- BS Company has been dissolved with the Monitor and Commercial Display & Security business units transferring to HE Company while the rest became independent business units
- AC Company took on a new name of Air-Conditioning and Energy Solution (AE) Company
- Changes in effect as of December 1, 2010

- Digital Storage (DS)  
(to Independent Business Unit)

*Home Entertainment*

*Home Entertainment*

- LCD/ CRT TV
- PDP TV/ Module
- Media
- CEM (previously RMC)\*\*
- Monitor (from BS)
- Commercial Display & Security (from BS)

- PC  
(to Independent Business Unit)

*Mobile Communications*

*Mobile Communications*

- Handset
- Network

- Monitor (to HE)  
- Commercial Display & Security (to HE)  
- Car (to Independent Business Unit)

*Home Appliance*

*Home Appliance*

- Refrigerator
- Washing machine
- Cooking & Cleaning
- Compressor & Motor
- Healthcare
- Water Treatment

*Air Conditioning*

*Air-Conditioning & Energy Solution*

- Residential Air-Con.
- Commercial Air-Con.
- Air-Con. Compressor
- Solar cell
- LED lighting

*Business Solution*

*Independent Business Unit*

- DS (from HE)
- PC (from MC)
- Car (from BS)

\* 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	
<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%
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%
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%
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%
<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%
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%
Other operating gain (Loss)	52	0.7%	(19)	-0.2%	(66)	-0.9%	14	0.2%	(19)	-0.1%	(34)	-0.5%
<b>Operating income (Loss)</b>	93	1.3%	(213)	-2.8%	(393)	-5.4%	(593)	-8.2%	(1,105)	-3.8%	(49)	-0.7%
Financial income (Expense)	143	2.0%	(182)	-2.4%	85	1.2%	(18)	-0.2%	28	0.1%	65	0.9%
<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%
Tax	7	0.1%	(144)	-1.9%	(121)	-1.7%	(184)	-2.5%	(441)	-1.5%	1	0.0%
<b>Net profit (Loss)</b>	229	3.2%	(251)	-3.3%	(187)	-2.6%	(427)	-5.9%	(636)	-2.2%	15	0.2%

## Balance Sheet

(Unit : KRW bn)

	2010				2011
	1Q	2Q	3Q	4Q	1Q
Assets	23,428	24,230	24,021	22,975	23,970
Current Assets	9,021	9,742	9,294	8,094	8,990
Cash and cash equivalents	715	716	561	869	903
Accounts receivable	6,070	6,983	6,637	5,488	6,074
Inventory	1,049	1,184	1,172	1,065	1,259
Other	1,187	859	924	673	754
Non-current Assets	14,407	14,488	14,727	14,881	14,980
Investment	7,897	7,909	7,919	7,845	7,845
PP&E	4,594	4,559	4,654	4,661	4,732
Intangible assets	696	722	737	726	728
Other	1,220	1,298	1,417	1,649	1,676
Liabilities	12,595	13,647	13,684	13,049	14,064
Accounts payable	4,888	4,925	4,235	4,285	4,564
Debt	3,919	4,957	5,726	5,000	5,665
Other	3,787	3,765	3,723	3,764	3,834
Equity	10,833	10,583	10,337	9,926	9,906

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

## Income Statement

(Unit : KRW bn)

	2010										2011	
	1Q		2Q		3Q		4Q		Total		1Q	
<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>
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%
<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>
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%
Other operating gain (Loss)	35	0.3%	(11)	-0.1%	(128)	-1.0%	16	0.1%	(88)	-0.2%	(61)	-0.5%
<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>
Financial income (Expense)	59	0.4%	(270)	-1.9%	45	0.3%	(54)	-0.4%	(219)	-0.4%	(37)	-0.3%
Investment income (Loss)	219	1.7%	210	1.5%	123	0.9%	(74)	-0.5%	477	0.9%	(55)	-0.4%
<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>
Tax	117	0.9%	25	0.2%	(24)	-0.2%	(117)	-0.8%	0	0.0%	54	0.4%
Profit (Loss) from discontinued operations	32	0.2%	815	5.7%	0	0.0%	0	0.0%	848	1.5%	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>
Controlled shares	650		842		(6)		(260)		1,227		(30)	
Noncontrolled shares	24		14		14		3		55		14	

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\* 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
Assets	33,794	34,036	33,822	32,318	33,534
Current Assets	18,409	18,635	18,195	16,515	17,660
Cash and cash equivalents	1,977	1,684	1,785	1,944	2,212
Accounts receivable	8,042	8,629	7,477	7,002	7,376
Inventory	6,011	6,379	7,025	5,872	6,376
Other	2,379	1,943	1,908	1,696	1,697
Non-current Assets	15,386	15,401	15,627	15,804	15,874
Investment	4,512	6,063	6,158	6,008	5,868
PP&E	7,736	6,256	6,326	6,500	6,645
Intangible assets	820	758	773	763	766
Other	2,318	2,323	2,371	2,532	2,594
Liabilities	21,139	20,774	20,738	19,459	20,802
Accounts payable	6,728	6,707	6,174	5,824	6,367
Debt	6,907	7,083	7,723	7,193	7,721
Other	7,505	6,984	6,842	6,442	6,714
Equity	12,655	13,261	13,084	12,860	12,732

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

\* 1Q 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		
								QoQ	YoY
HE	Sales	5,548	5,727	5,772	6,648	23,695	5,280	-21%	-5%
	Op. Income	150	-26	86	-65	145	82		
	(%)	2.7%	-0.5%	1.5%	-1.0%	0.6%	1.6%		
MC	Sales	3,172	3,403	3,020	3,381	12,975	2,909	-14%	-8%
	Op. Income	29	-119	-303	-261	-654	-101		
	(%)	0.9%	-3.5%	-10.0%	-7.7%	-5.0%	-3.5%		
Handset	Sales	3,140	3,373	2,971	3,328	12,811	2,852	-14%	-9%
	Op. Income	28	-120	-304	-262	-658	-101		
	(%)	0.9%	-3.5%	-10.2%	-7.9%	-5.1%	-3.5%		
HA	Sales	2,381	2,722	2,750	2,819	10,673	2,699	-4%	13%
	Op. Income	207	185	67	78	538	103		
	(%)	8.7%	6.8%	2.4%	2.8%	5.0%	3.8%		
AE *	Sales	1,172	1,628	1,107	913	4,820	1,452	59%	24%
	Op. Income	43	59	-52	10	60	39		
	(%)	3.7%	3.6%	-4.7%	1.1%	1.2%	2.7%		
Others	Sales	944	929	780	937	3,591	821	-12%	-13%
	Op. Income	53	27	17	-8	88	7		
Total	Sales	13,217	14,410	13,429	14,698	55,754	13,160	-10%	0%
	Op. Income	481	126	-185	-246	176	131		
	(%)	3.6%	0.9%	-1.4%	-1.7%	0.3%	1.0%		

\* AE (Air-Conditioning &amp; Energy Solution)

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

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