



 **LG U<sup>+</sup> 2Q 2012 Earnings Release**

31 July 2012

**As of January 1, 2010 we adopted the Korean International Financial Reporting Standards (K-IFRS).**

**All financial information contained in this document is based on K-IFRS.**

**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.**

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**In addition, the information contained herein has been prepared in advance, prior to being audited by external auditors, solely for the convenience of investors of the Company, and is subject to change in the process of final auditing by external auditors.**

# 1. Financial Highlights

- In 2Q 2012, Revenues increased by 21.5% YoY and 9.7% QoQ due to increase in handset revenue and service revenue
- Service Revenue increased by 9.6% YoY and 6.1% QoQ due to increase in wireless revenues
- Operating Income decreased by 94.8% YoY and 95.4% QoQ due to increase in marketing expenses

(Unit: KRW billion)

Classification	2Q '11	1Q '12	2Q '12	YoY		QoQ	
				Amount	Growth	Amount	Growth
Revenues	2,303.6	2,552.4	2,799.0	495.5	21.5%	246.7	9.7%
Service Revenue	1,594.4	1,647.4	1,748.3	153.8	9.6%	100.9	6.1%
Handset Revenue	687.1	889.3	1,035.1	348.0	50.7%	145.8	16.4%
Other Revenue	22.0	15.7	15.6	(6.4)	-29.0%	(0.0)	-0.3%
Expenses	2,243.2	2,484.2	2,795.9	552.6	24.6%	311.7	12.5%
Operating Income	60.3	68.2	3.1	(57.2)	-94.8%	(65.0)	-95.4%
OP Margin	3.8%	4.1%	0.2%	-	-3.6%p	-	-4.0%p
Operating Income(Guidance Basis) <sup>(1)</sup>	114.3	122.1	57.1	(57.2)	-50.0%	(65.0)	-53.2%
OP Margin(Guidance Basis) <sup>(2)</sup>	7.2%	7.4%	3.3%	-	-3.9%p	-	-4.1%p
Non-operating Income	16.4	19.4	18.7	2.3	13.9%	(0.7)	-3.8%
Non-operating Expenses	36.9	86.7	73.2	36.4	98.5%	(13.4)	-15.5%
Income Before Tax	39.8	0.9	(51.4)	(91.2)	Turn Red	(52.3)	Turn Red
Income Tax	4.6	(21.1)	(19.3)	(23.9)	-522.1%	1.8	-8.6%
Net Income	35.3	22.1	(32.1)	(67.3)	Turn Red	(54.2)	Turn Red
EBITDA	346.5	392.9	341.5	(4.9)	-1.4%	(51.4)	-13.1%
EBITDA Margin <sup>(3)</sup>	21.7%	23.9%	19.5%	-	-2.2%p	-	-4.3%p
CAPEX	269.6	392.0	438.3	168.7	62.6%	46.3	11.8%
Net Debt	2,988.2	3,807.2	4,290.4	1,302.3	43.6%	483.2	12.7%
Total Shareholders' Equity	3,882.1	3,817.1	3,780.1	(102.0)	-2.6%	(37.0)	-1.0%
Net Debt to Equity Ratio	77.0%	99.7%	113.5%	-	36.5%p	-	13.8%p
Marketing Expenses	394.0	350.6	486.6	92.6	23.5%	136.0	38.8%
Marketing Exp/Service Revenue	24.7%	21.3%	27.8%	-	3.1%p	-	6.6%p

(1) Operating Income(Guidance Basis) : Operating Income + Customer Value related Amortization expenses due to the merger (Amortization ends in 2012)

(2) OP Margin(Guidance Basis) : Operating Income(Guidance Basis)/Service Revenue (3) EBITDA Margin : EBITDA/Service Revenue

## 2. Wireless Business (LG Uplus Only)

- Wireless Revenue up by 16.6% YoY and 10.5% QoQ due to increased service revenue from LTE subscriber growth
- Wireless ARPU up by 9.6% YoY and 7.5% QoQ due to increased number of high value subscribers
- Wireless Churn Rate down to 2.89% due to decrease in high value subscribers' churn out

(Unit: KRW billion)

Classification	2Q '11	1Q '12	2Q '12	YoY	QoQ
Wireless Revenues	846.8	894.1	987.5	16.6%	10.5%
Service Revenue <sup>(1)</sup>	697.4	756.2	853.7	22.4%	12.9%
Interconnection	129.6	121.1	117.2	-9.6%	-3.3%
Sign-up Fee	19.8	16.8	16.6	-16.0%	-0.9%

(1) Service Revenue : Monthly fee + Usage Charges + VAS + Sales Discount + Data

(Unit: KRW)

Classification	2Q '11	1Q '12	2Q '12	YoY	QoQ
Wireless ARPU	30,917	31,504	33,871	9.6%	7.5%
Service ARPU <sup>(2)</sup>	25,462	26,645	29,282	15.0%	9.9%

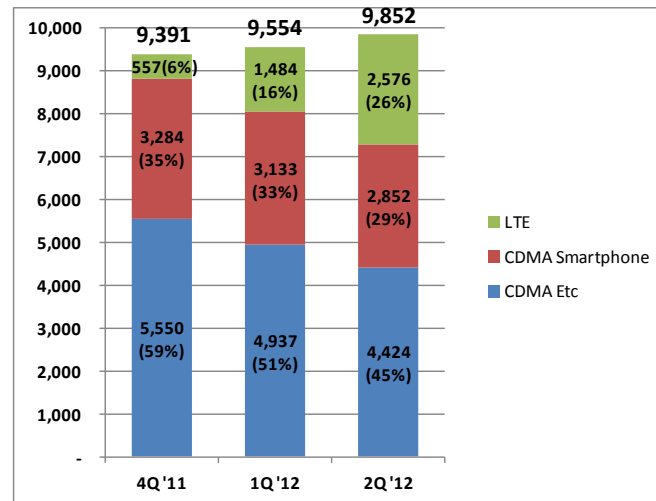
(2) Service ARPU : Service ARPU excludes Interconnection & Sign-up fee from Wireless ARPU

(Unit: Subscribers in thousands)

Classification	2Q '11	1Q '12	2Q '12	YoY	QoQ
Wireless Subscribers	9,185	9,554	9,852	7.3%	3.1%
LTE	-	1,484	2,576	-	73.5%
CDMA	9,185	8,070	7,276	-20.8%	-9.8%
New Subscribers	1,038	997	1,139	9.8%	14.2%
Churn-outs	930	834	842	-9.5%	0.9%
Churn Rate	3.39%	2.94%	2.89%	-0.5%p	-0.1%p
Net Additions	108	163	298	176.0%	82.4%
Average Subscribers	9,129	9,460	9,719	6.5%	2.7%

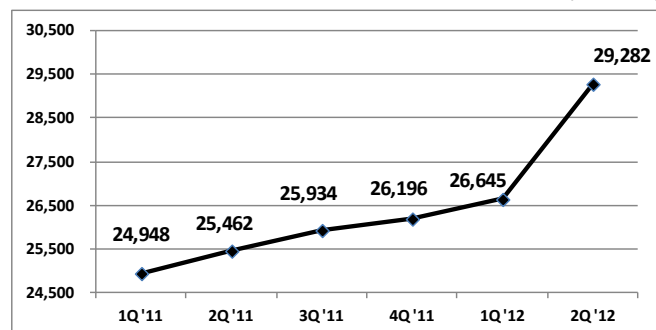
### Wireless Subscriber Trend

(Unit: Subscribers in thousands)



### Service ARPU Trend

(Unit: KRW)



### 3. Wireline Business (LG Uplus Only)

- Wireline Revenues up by 1.3% YoY and 1.4% QoQ due to increase in data revenue
- TPS Revenue up by 1.7% YoY due to increase in IPTV subscribers
- Data Revenue up by 4.4% YoY due to increased e-Biz and IDC, etc.
- Telephony Revenue down by 7.1% YoY due to decreased telephony usage

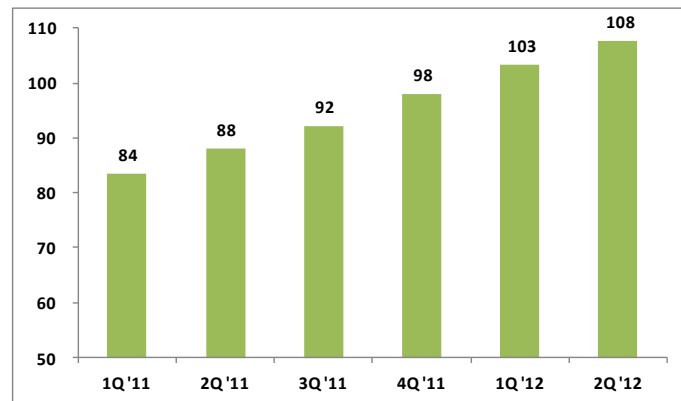
(Unit: KRW billion)

Classification	2Q '11	1Q '12	2Q '12	YoY	QoQ
Wireline Revenues	750.1	749.6	759.7	1.3%	1.4%
TPS Revenue	294.8	299.8	299.8	1.7%	0.0%
IPTV	35.7	47.4	48.7	36.7%	2.9%
VoIP	74.9	73.1	70.5	-5.9%	-3.5%
Broadband	184.3	179.3	180.6	-2.0%	0.7%
Data Revenue	322.9	327.7	337.1	4.4%	2.9%
e-Biz <sup>(1)</sup>	88.2	103.3	107.6	22.1%	4.2%
Leased Line	192.0	188.0	183.6	-4.4%	-2.3%
IDC	31.7	33.1	36.1	14.0%	9.2%
Solution	11.1	3.3	9.7	-12.4%	192.3%
Telephony Revenue	132.3	122.2	122.8	-7.1%	0.5%
Domestic	29.2	30.0	27.7	-5.0%	-7.5%
International	60.0	56.2	58.9	-1.9%	4.9%
Value-Added	43.1	36.1	36.2	-16.0%	0.4%

(1) e-Biz : Webhard, e-Credit(Payment solution), SMS & Digital signage, etc.

■ e-Biz Revenue Trend

(Unit: KRW billion)

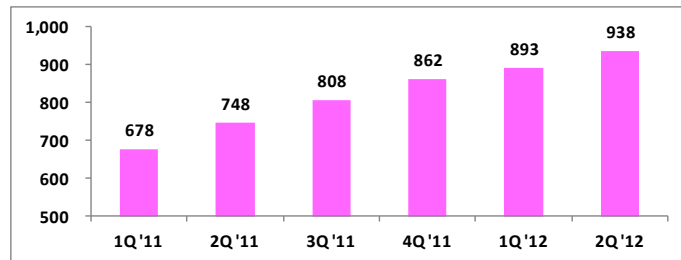


(Unit: Subscribers in thousands)

Classification	2Q '11	1Q '12	2Q '12	YoY	QoQ
TPS Subscribers	6,593	6,957	7,102	7.7%	2.1%
IPTV	748	893	938	25.4%	5.1%
VoIP	3,026	3,299	3,409	12.7%	3.3%
Broadband	2,819	2,765	2,755	-2.3%	-0.3%
PSTN Subscribers	338	360	365	7.8%	1.4%

■ IPTV Subscriber Trend

(Unit: Subscribers in thousands)



## 4. Expenses Breakdown

(Unit: KRW billion)

Classification	2Q '11	1Q '12	2Q '12	YoY	QoQ
<b>Operating Expenses</b>	<b>2,239.6</b>	<b>2,474.0</b>	<b>2,789.2</b>	<b>24.5%</b>	<b>12.7%</b>
Wages	138.8	156.9	157.3	13.3%	0.2%
Depreciation	228.2	256.0	269.8	18.2%	5.4%
Amortization	57.9	68.8	68.6	18.4%	-0.3%
Telecom Circuit Rent	64.6	68.6	68.8	6.6%	0.3%
Rental	69.8	70.8	71.7	2.7%	1.3%
Outsourcing	67.8	67.6	65.0	-4.1%	-3.7%
Electricity Fee	22.2	33.1	26.8	20.7%	-19.0%
Repair Expense	21.8	19.6	26.3	20.7%	34.0%
Interconnection	168.7	162.4	163.9	-2.8%	0.9%
Settlement	40.2	43.0	43.9	9.1%	2.0%
Fees & Charges	212.6	215.5	232.1	9.1%	7.7%
Sales Commission*	497.2	433.9	626.5	26.0%	44.4%
Advertising*	43.0	50.2	68.2	58.5%	36.0%
Cost of Handsets Sold	557.9	764.6	841.3	50.8%	10.0%
Handset Purchase*	540.9	755.8	827.0	52.9%	9.4%
Etc	17.0	8.7	14.3	-15.6%	63.9%
Ordinary R&D Expense	8.4	16.7	18.6	121.6%	11.7%
Taxes & Dues	9.7	9.4	2.9	-69.9%	-68.9%
Others	30.6	37.0	37.3	21.9%	0.8%
<b>Other Operating Expenses</b>	<b>3.7</b>	<b>10.2</b>	<b>6.7</b>	<b>81.5%</b>	<b>-34.6%</b>

\* Marketing Expense items

### ■ Operating Expenses

Up by 24.5% YoY and 12.7% QoQ due to increase in cost of handsets sold and depreciation expense, etc

- Wages
  - Up by 13.3% YoY and 0.2% QoQ due to increased personnel and wage, etc.
- Depreciation
  - Up by 18.2% YoY and 5.4% QoQ due to nationwide LTE network deployment
- Amortization
  - Up by 18.4% YoY due to increase in amortization cost from newly acquired spectrum
- Repair Expense
  - Up by 20.7% YoY and 34.0% QoQ due to site tear down for constructing LG Uplus' new Yongsan building
- Electricity Fee
  - Up by 20.7% YoY due to increased number of LTE base stations
- Fees & Charges
  - Up by 9.1% YoY due to increased e-credit related commissions
- Cost of Handsets Sold
  - Up by 50.8% YoY and 10.0% QoQ due to increased LTE devices sold
- Advertising
  - Up by 58.5% YoY and 36.0% QoQ due to increased LTE related advertisements

(Unit: KRW billion)

Classification	2Q '11	1Q '12	2Q '12	YoY	QoQ
<b>Total Marketing Expenses</b>	<b>394.0</b>	<b>350.6</b>	<b>486.6</b>	<b>23.5%</b>	<b>38.8%</b>
Sales Commission	497.2	433.9	626.5	26.0%	44.4%
Advertising	43.0	50.2	68.2	58.5%	36.0%
Gross Profit from Handset Sales	(146.2)	(133.5)	(208.1)	42.3%	55.9%
<b>Mkt. Exp. / Service Revenue</b>	<b>24.7%</b>	<b>21.3%</b>	<b>27.8%</b>	<b>3.1%p</b>	<b>6.6%p</b>

(1) Gross Profit from Handset Sales = Handset Revenue - Handset Purchase

### ■ Marketing Expenses

Up by 23.5% YoY and 38.8% QoQ respectively due to increase in total size of newly acquired LTE subs and LTE related advertisements

- Gross Profit from Handset Sales
  - Up by 42.3% YoY and 55.9% QoQ respectively due to increased handset revenue and handset sales from new LTE devices

# 5. Non Operating Income & Expenses / CAPEX

(Unit: KRW billion)

Classification	2Q '11	1Q '12	2Q '12	YoY	QoQ
<b>Non-operating Income</b>	16.4	19.4	18.7	13.9%	-3.8%
Interest Income	15.8	18.9	18.1	14.7%	-4.1%
Others	0.6	0.5	0.6	-7.2%	5.3%
<b>Non-operating Expenses</b>	36.9	86.7	73.2	98.5%	-15.5%
Interest Expense	36.6	48.6	51.6	40.9%	6.0%
Loss on A/R sold	-	37.5	19.3	-	-48.5%
Others	0.3	0.5	2.4	650.1%	351.3%
<b>Non-operating Balance</b>	(20.5)	(67.2)	(54.5)	166.4%	-18.9%

## ■ Non-operating Income & Expenses

Net loss down by 18.9% QoQ due to decrease in loss on account receivables sold

- Loss on Account Receivables Sold
  - Down 48.5% QoQ due to decreased amount of handset receivables disposed
- Net Interest Expense
  - Up YoY & QoQ due to increase in net borrowings

(Unit: KRW billion)

Classification	2Q '11	1Q '12	2Q '12	YoY	QoQ
<b>Capital Expenditure<sup>(1)</sup></b>	269.6	392.0	438.3	62.6%	11.8%
Wireless Network	92.8	255.1	308.9	232.8%	21.1%
Wireline Network	85.9	85.4	89.6	4.3%	4.9%
Other (IT, etc)	90.9	51.6	39.9	-56.1%	-22.7%
<b>Capital Expenditure/Service Revenue</b>	16.9%	23.8%	25.1%	8.2%p	1.3%p

(1) Capital Expenditure includes Construction in Progress. □

## ■ Capital Expenditure

Up by 62.6% YoY and 11.8% QoQ due to increase in wireline/wireless network investments

- Wireless Network
  - Up by 232.8% YoY due to increase in LTE network deployment

# 6. Consolidated Statements of Financial Position

(Unit: KRW billion)

Classification	2011. 6	2012. 3	2012. 6	YoY	QoQ
<b>Total Assets</b>	9,422.9	11,296.7	11,371.6	20.7%	0.7%
<b>Current Assets</b>	2,348.9	2,884.4	2,713.5	15.5%	-5.9%
Cash & Cash Equivalents <sup>(1)</sup>	303.0	265.7	169.7	-44.0%	-36.1%
<b>Non-current Assets</b>	7,074.1	8,412.2	8,658.1	22.4%	2.9%
Property, Plant and Equipment	4,860.9	5,765.5	5,930.6	22.0%	2.9%
Intangible Assets	856.8	1,094.0	1,034.9	20.8%	-5.4%
<b>Total Liabilities</b>	5,540.9	7,479.6	7,591.5	37.0%	1.5%
<b>Current Liabilities</b>	3,311.7	3,668.5	3,579.9	8.1%	-2.4%
Short-term Borrowings	270.0	220.0	270.0	0.0%	22.7%
Current Portion of Long-term Debt	1,123.8	546.6	697.2	-38.0%	27.6%
<b>Non-current Liabilities</b>	2,229.1	3,811.1	4,011.5	80.0%	5.3%
Corporate Bond etc. <sup>(2)</sup>	1,897.3	3,306.4	3,493.0	84.1%	5.6%
<b>Total Shareholders' Equity</b>	3,882.1	3,817.1	3,780.1	-2.6%	-1.0%
Retained Earnings	1,181.0	1,118.5	1,086.6	-8.0%	-2.9%
<b>Net Debt</b>	2,988.2	3,807.2	4,290.4	43.6%	12.7%
<b>Net Debt to Equity Ratio<sup>(3)</sup></b>	77.0%	99.7%	113.5%	36.5%p	13.8%p
<b>Debt to Equity Ratio<sup>(4)</sup></b>	142.7%	196.0%	200.8%	58.1%p	4.9%p

(1) Cash & Cash Equivalents=Cash & Cash Equivalents+Short-term AFS financial assets+Financial Institution Deposits

(2) Corporate Bond etc. : Corporate Bond+Long-term borrowings+Capital Lease

(3) Net Debt to Equity Ratio : Net Debt/Total Shareholders' Equity

(4) Debt to Equity Ratio : Total Liabilities/Total Shareholders' Equity

## ■ Assets

- Current Assets
  - Up by 15.5% YoY due to increase in inventories, etc
- Non-current Assets
  - Up by 22.4% YoY due to increased property, plant and equipment from LTE network investments and increased intangible assets from newly acquired spectrum

## ■ Liabilities

- Current Liabilities
  - Up by 8.1% YoY due to increased accounts payable from increased handsets purchases, etc
- Non-current Liabilities
  - Up by 80.0% YoY and 5.3% QoQ due to increase in borrowings

## ■ Shareholders' Equity

- Retained Earnings
  - Down by 2.9% QoQ due to net loss in 2Q



# 7. Consolidated Statements of Income / Financial Position

(Unit: KRW billion)

Consolidated Statements of Income						Consolidated Statements of Financial Position					
	2Q '11	1Q '12	2Q '12	YoY	QoQ	2011. 6	2012. 3	2012. 6	YoY	QoQ	
<b>Revenues</b>	<b>2,303.6</b>	<b>2,552.4</b>	<b>2,799.0</b>	<b>21.5%</b>	<b>9.7%</b>	<b>Current Assets</b>	<b>2,348.9</b>	<b>2,884.4</b>	<b>2,713.5</b>	<b>15.5%</b>	<b>-5.9%</b>
Service Revenue	1,594.4	1,647.4	1,748.3	9.6%	6.1%	Cash and Cash Equivalents	296.7	249.6	153.6	-48.2%	-38.5%
Handset Revenue	687.1	889.3	1,035.1	50.7%	16.4%	Short-term Loans & Accounts Receivables	1,719.9	1,960.5	1,902.5	10.6%	-3.0%
Other Revenue	22.0	15.7	15.6	-29.0%	-0.3%	Inventories	253.3	561.9	540.1	113.3%	-3.9%
<b>Expenses</b>	<b>2,243.2</b>	<b>2,484.2</b>	<b>2,795.9</b>	<b>24.6%</b>	<b>12.5%</b>	Other Current Assets	79.0	112.5	117.3	48.5%	4.3%
Operating Expenses	2,239.6	2,474.0	2,789.2	24.5%	12.7%	<b>Non Current Assets</b>	<b>7,074.1</b>	<b>8,412.2</b>	<b>8,658.1</b>	<b>22.4%</b>	<b>2.9%</b>
Wages	138.8	156.9	157.3	13.3%	0.2%	Available for Sales Securities	76.1	72.4	68.7	-9.7%	-5.1%
Depreciation	228.2	256.0	269.8	18.2%	5.4%	Property, Plant and Equipment	4,860.9	5,765.5	5,930.6	22.0%	2.9%
Amortization	57.9	68.8	68.6	18.4%	-0.3%	Intangible Assets	856.8	1,094.0	1,034.9	20.8%	-5.4%
Telecom Circuit Rent	64.6	68.6	68.8	6.6%	0.3%	Long-term Loans & Long Trade Receivables	760.5	979.8	1,105.7	45.4%	12.9%
Rental	69.8	70.8	71.7	2.7%	1.3%	Investment in Properties	51.0	32.1	30.8	-39.5%	-3.9%
Outsourcing	67.8	67.6	65.0	-4.1%	-3.7%	Other Non-current Assets	468.8	468.6	487.5	4.0%	4.0%
Electricity Fee	22.2	33.1	26.8	20.7%	-19.0%	<b>Total Assets</b>	<b>9,422.9</b>	<b>11,296.7</b>	<b>11,371.6</b>	<b>20.7%</b>	<b>0.7%</b>
Repair Expense	21.8	19.6	26.3	20.7%	34.0%	<b>Current Liabilities</b>	<b>3,311.7</b>	<b>3,668.5</b>	<b>3,579.9</b>	<b>8.1%</b>	<b>-2.4%</b>
Interconnection	168.7	162.4	163.9	-2.8%	0.9%	Accounts Payable and Other Payables	3,024.9	3,352.9	3,326.5	10.0%	-0.8%
Settlement	40.2	43.0	43.9	9.1%	2.0%	Other Current Liabilities	286.8	315.6	253.5	-11.6%	-19.7%
Fees & Charges	212.6	215.5	232.1	9.1%	7.7%	<b>Non-current Liabilities</b>	<b>2,229.1</b>	<b>3,811.1</b>	<b>4,011.5</b>	<b>80.0%</b>	<b>5.3%</b>
Sales Comission	497.2	433.9	626.5	26.0%	44.4%	Non-current Accounts Payable & Other Payables	2,134.6	3,717.0	3,903.8	82.9%	5.0%
Advertising	43.0	50.2	68.2	58.5%	36.0%	Other Non-current Liabilities	94.5	94.1	105.3	11.4%	11.9%
Cost of Handsets Sold	557.9	764.6	841.3	50.8%	10.0%	Others	0.0	0.0	2.4		
Handset Purchase	540.9	755.8	827.0	52.9%	9.4%	<b>Total Liabilities</b>	<b>5,540.9</b>	<b>7,479.6</b>	<b>7,591.5</b>	<b>37.0%</b>	<b>1.5%</b>
Etc	17.0	8.7	14.3	-15.6%	63.9%	<b>Shareholders' Equity</b>	<b>3,880.5</b>	<b>3,815.4</b>	<b>3,778.4</b>	<b>-2.6%</b>	<b>-1.0%</b>
Ordinary R&D Expense	8.4	16.7	18.6	121.6%	11.7%	Capital Stock	2,574.0	2,574.0	2,574.0	0.0%	0.0%
Taxes & Dues	9.7	9.4	2.9	-69.9%	-68.9%	Capital Surplus	836.6	836.6	836.6	0.0%	0.0%
Others	30.6	37.0	37.3	21.9%	0.8%	Retained Earnings	1,181.0	1,118.5	1,086.6	-8.0%	-2.9%
Other Operating Expense	3.7	10.2	6.7	81.5%	-34.6%	Accumulated Other Comprehensive Income	(7.1)	(9.7)	(14.8)	106.6%	51.4%
<b>Operating Income</b>	<b>60.3</b>	<b>68.2</b>	<b>3.1</b>	<b>-94.8%</b>	<b>-95.4%</b>	Other Shareholders' Equity	(703.9)	(703.9)	(703.9)	0.0%	0.0%
<b>Non-operating Income</b>	<b>16.4</b>	<b>19.4</b>	<b>18.7</b>	<b>13.9%</b>	<b>-3.8%</b>	<b>Non-controlling Interest</b>	<b>1.5</b>	<b>1.7</b>	<b>1.6</b>	<b>6.5%</b>	<b>-2.2%</b>
<b>Non-operating Expenses</b>	<b>36.9</b>	<b>86.7</b>	<b>73.2</b>	<b>98.5%</b>	<b>-15.5%</b>	<b>Total Shareholders' Equity</b>	<b>3,882.1</b>	<b>3,817.1</b>	<b>3,780.1</b>	<b>-2.6%</b>	<b>-1.0%</b>
<b>Income Before Tax</b>	<b>39.8</b>	<b>0.9</b>	<b>(51.4)</b>	<b>Turn Red</b>	<b>Turn Red</b>	<b>Total Liabilities and Shareholders' Equity</b>	<b>9,422.9</b>	<b>11,296.7</b>	<b>11,371.6</b>	<b>20.7%</b>	<b>0.7%</b>
Income Tax	4.6	(21.1)	(19.3)	-522.1%	-8.6%						
<b>Net Income</b>	<b>35.3</b>	<b>22.1</b>	<b>(32.1)</b>	<b>Turn Red</b>	<b>Turn Red</b>						

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