



2014 1Q Earnings Release

April 28, 2014



Korea's Largest 80MHz Spectrum

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

- Revenues in 1Q decreased by 2.8% YoY and 5.7% QoQ due to decline in handset revenue, etc
- Service Revenue increased by 9.1% YoY and decreased by 2.2% QoQ due to changes in wireless and wireline revenue
- Operating Income down by 8.1% YoY and 9.4% QoQ due to increase in marketing expense, recording KRW 113.2 billion

(Unit: KRW billion)

Classification	1Q '13	4Q '13	1Q '14	YoY		QoQ	
Revenues	2,859.7	2,948.0	2,780.4	(79.2)	-2.8%	(167.6)	-5.7%
Service Revenue	1,848.3	2,061.3	2,015.6	167.3	9.1%	(45.7)	-2.2%
Handset Revenue	1,006.3	883.5	760.3	(246.0)	-24.4%	(123.2)	-13.9%
Rental Revenue	5.0	3.3	4.5	(0.5)	-9.5%	1.2	38.3%
Expenses	2,736.5	2,823.1	2,667.2	(69.3)	-2.5%	(155.9)	-5.5%
Operating Income	123.2	124.9	113.2	(10.0)	-8.1%	(11.8)	-9.4%
OP Margin ⁽¹⁾	6.7%	6.1%	5.6%	-	-1.0%p	-	-0.4%p
Non-operating Income	31.2	43.5	21.0	(10.2)	-32.7%	(22.5)	-51.8%
Non-operating Expenses	66.1	109.2	76.9	10.8	16.3%	(32.4)	-29.6%
Income Before Tax	88.2	59.2	57.3	(30.9)	-35.1%	(1.9)	-3.3%
Income Tax	13.9	11.1	30.5	16.5	118.6%	19.4	174.3%
Net Income	74.3	48.1	26.8	(47.5)	-63.9%	(21.3)	-44.2%
EBITDA	443.1	465.5	465.6	22.5	5.1%	0.1	0.0%
EBITDA Margin ⁽²⁾	24.0%	22.6%	23.1%	-	-0.9%p	-	0.5%p
CAPEX	361.6	473.6	597.6	236.0	65.3%	124.0	26.2%
Net Debt	4,003.5	4,103.8	4,507.6	504.1	12.6%	403.8	9.8%
Total Shareholders' Equity	3,820.2	4,022.6	3,983.6	163.4	4.3%	(39.0)	-1.0%
Net Debt to Equity Ratio	104.8%	102.0%	113.2%	-	8.4%p	-	11.1%p
Marketing Expenses	449.7	477.2	551.1	101.4	22.6%	73.9	15.5%
Marketing Exp/Service Revenue	24.3%	23.2%	27.3%	-	3.0%p	-	4.2%p

(1) OP Margin : Operating Income/Service Revenue (2) EBITDA Margin : EBITDA/Service Revenue

2. Wireless Business (LG Uplus Only)

- Wireless Revenues up by 12.8% YoY due to increased service revenue from LTE subscriber growth
- Wireless Service ARPU up by 8.4% YoY, recording KRW 35,362 due to increased number of high value customers
- LTE Subscribers increased by 43.4% YoY to 7.46 million

(Unit: KRW billion)

Classification	1Q '13	4Q '13	1Q '14	YoY	QoQ
Wireless Revenues	1,107.2	1,270.1	1,248.5	12.8%	-1.7%
Service Revenue ⁽¹⁾	974.5	1,122.2	1,131.5	16.1%	0.8%
Interconnection	115.6	131.2	99.4	-14.0%	-24.2%
Sign-up Fee	17.0	16.7	17.5	2.9%	5.0%

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

(Unit: KRW)

Classification	1Q '13	4Q '13	1Q '14	YoY	QoQ
Wireless ARPU ⁽¹⁾	37,063	40,063	39,021	5.3%	-2.6%
Service ARPU ⁽²⁾	32,616	35,388	35,362	8.4%	-0.1%

(1) LG Uplus subscribers only

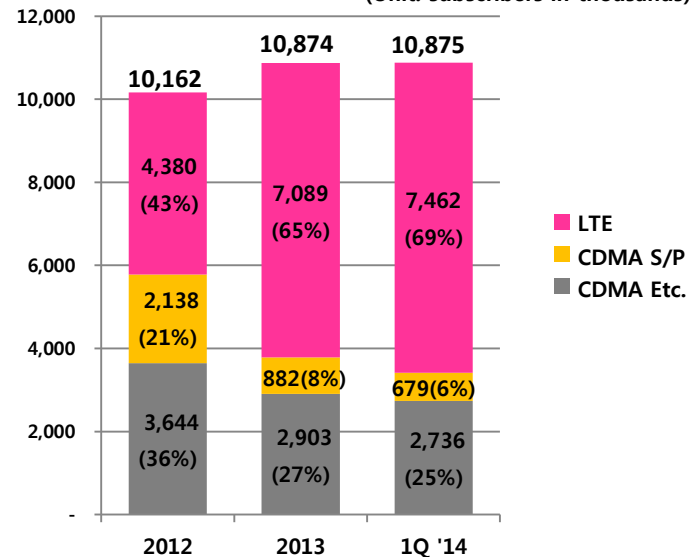
(2) Service ARPU : Excludes Interconnection & Sign-up fee from Wireless ARPU

(Unit: Subscribers in thousands)

Classification	1Q '13	4Q '13	1Q '14	YoY	QoQ
Wireless Subscribers	10,363	10,874	10,875	4.9%	0.0%
LTE	5,202	7,089	7,462	43.4%	5.3%
CDMA	5,161	3,785	3,413	-33.9%	-9.8%
New Subscribers	1,003	1,004	931	-7.1%	-7.3%
Churn-outs	802	843	930	16.0%	10.3%
Churn Rate	2.6%	2.6%	2.8%	0.2%p	0.2%p
Net Additions	201	161	1	-99.4%	-99.2%
Average Subscribers	10,163	10,795	10,905	7.3%	1.0%

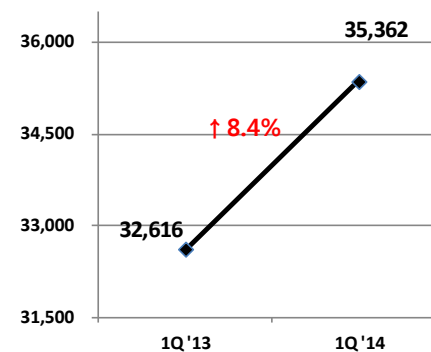
Wireless Subscriber Trend

(Unit: subscribers in thousands)



Service ARPU Trend

(Unit: KRW)



2. Wireless Business (LG Uplus Only)

- Wireline Revenues up by 4.1% YoY due to growth in TPS revenue and down by 2.4% QoQ due to decrease in data and telephony revenue
- TPS Revenue up by 10.9% YoY and 1.9% QoQ due to increase in IPTV revenue
- Data Revenue up by 2.1% YoY and down by 5.3% QoQ due to changes in e-Biz and solution revenue
- Telephony Revenue down by 7.3% YoY and 5.0% QoQ due to decreased domestic/international telephony usage

(Unit: KRW billion)

Classification	1Q '13	4Q '13	1Q '14	YoY	QoQ
Wireline Revenues	738.7	788.0	769.3	4.1%	-2.4%
TPS Revenue	291.9	317.9	323.8	10.9%	1.9%
IPTV	55.8	79.8	85.9	53.9%	7.7%
VoIP	72.6	69.8	69.6	-4.1%	-0.2%
Broadband	163.5	168.3	168.3	2.9%	0.0%
Data Revenue	335.1	361.1	342.0	2.1%	-5.3%
e-Biz ⁽¹⁾	114.3	130.4	124.9	9.3%	-4.2%
IDC	35.3	36.7	36.3	2.8%	-1.0%
Leased Line Solution	180.2	180.7	174.0	-3.5%	-3.7%
Solution	5.2	13.3	6.8	30.5%	-49.0%
Telephony Revenue	111.7	109.0	103.6	-7.3%	-5.0%
Value-Added	37.7	40.5	40.5	7.5%	0.0%
Domestic	28.0	26.3	25.7	-8.2%	-2.4%
International	46.1	42.2	37.4	-18.8%	-11.5%

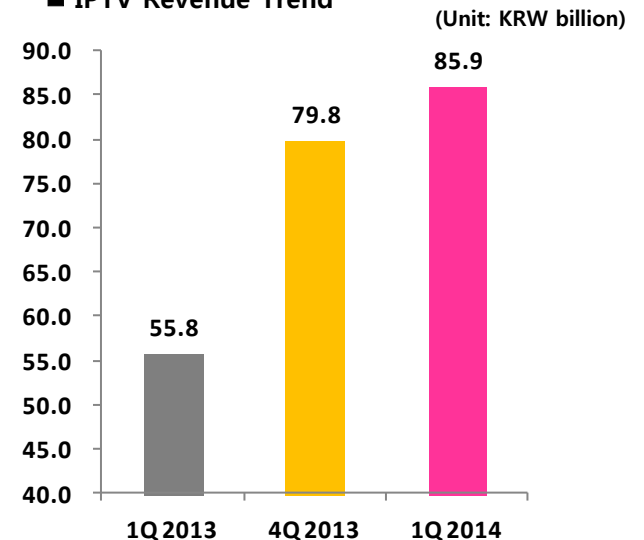
(1) e-Biz : Webhard, e-Credit(Payment solution), SMS & Digital Signage, etc.

(Unit: Subscribers in thousands)

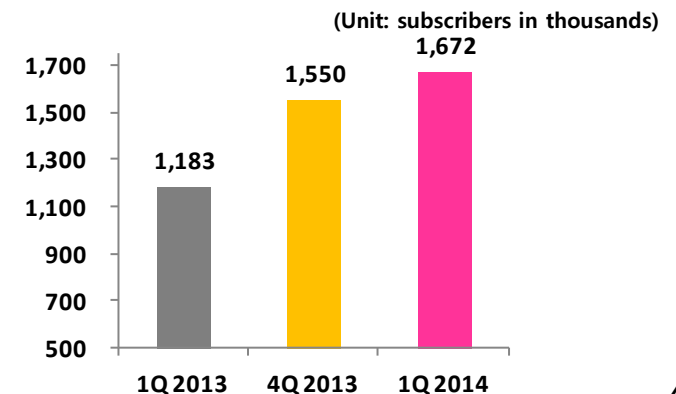
Classification	1Q '13	4Q '13	1Q '14	YoY	QoQ
TPS Subscribers	7,793	8,599	8,881	14.0%	3.3%
IPTV ⁽¹⁾	1,183	1,550	1,672	41.4%	7.9%
VoIP	3,808	4,121	4,246	11.5%	3.0%
Broadband	2,802	2,928	2,963	5.8%	1.2%
PSTN Subscribers	502	516	512	2.0%	-0.9%

(1) B2B IPTV subscribers are included

■ IPTV Revenue Trend



■ IPTV Subscriber Trend



4. Expense Breakdown

(Unit: KRW billion)

Classification	1Q '13	4Q '13	1Q '14	YoY	QoQ
Operating Expenses	2,736.5	2,823.1	2,667.2	-2.5%	-5.5%
Wages	167.9	222.7	184.0	9.6%	-17.4%
Depreciation	293.7	309.3	310.3	5.7%	0.3%
Amortization	26.2	31.2	42.1	60.4%	35.0%
Telecom Circuit Rent	67.1	85.0	68.9	2.7%	-18.9%
Rental	75.1	79.2	78.3	4.3%	-1.1%
Outsourcing	75.4	87.7	75.4	0.0%	-14.0%
Electricity Fee	39.0	38.5	42.8	9.6%	11.2%
Repair Expense	23.8	30.8	24.2	1.7%	-21.3%
Interconnection	149.2	170.7	142.3	-4.6%	-16.6%
Settlement	43.3	42.8	38.8	-10.2%	-9.3%
Fees & Charges	252.7	276.8	268.9	6.4%	-2.8%
Sales Commission*	604.8	618.9	682.2	12.8%	10.2%
Advertising*	54.4	82.0	64.4	18.5%	-21.4%
Cost of Handsets Sold	810.5	690.8	583.1	-28.1%	-15.6%
Handset Purchase*	796.8	659.8	564.8	-29.1%	-14.4%
Etc	13.7	31.0	18.4	34.4%	-40.8%
Ordinary R&D Expense	13.8	19.2	14.4	4.3%	-25.0%
Taxes & Dues	4.0	5.0	13.5	236.1%	171.2%
Others	35.6	32.5	33.4	-6.2%	2.6%

* Marketing Expense items

Classification	1Q '13	4Q '13	1Q '14	YoY	QoQ
Total Marketing Expenses	449.7	477.2	551.1	22.6%	15.5%
Sales Commission	604.8	618.9	682.2	12.8%	10.2%
Advertising	54.4	82.0	64.4	18.5%	-21.4%
Gross Profit from Handset Sales	(209.5)	(223.8)	(195.5)	-6.7%	-12.6%
Mkt. Exp. / Service Revenue	24.3%	23.2%	27.3%	3.0%p	4.2%p

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

■ Operating Expenses

Down by 2.5% YoY and 5.5% QoQ due to decreased cost of handset solds despite of increased sales commission

- Wages
 - Up by 9.6% YoY due to increased personnel and wage, but down by 17.4% due to the end of yearend incentives, etc.
- Depreciation
 - Up by 5.7% YoY due to increase in wireless CAPEX
- Amortization
 - Up by 60.4% YoY and 35.0% QoQ due to 2.6GHz spectrum amortization
- Telecom Circuit Rent
 - Down by 18.9% QoQ due to removal of 4Q '13 telecom circuit rent settlement impact
- Sales Commission
 - Up by 12.8% YoY and 10.2% QoQ due to increased subscriber acquisition cost
- Cost of Handsets Sold
 - Down by 28.1% YoY and 15.6% QoQ due to decrease in wireless handset sales

■ Marketing Expenses

Up by 22.6% YoY and 15.5% QoQ due to increase in sales commission despite of decrease in handset revenue

- Gross Profit from Handset Sales
 - Down by 6.7% YoY and 12.6% QoQ due to decreased handset revenue from drop in LTE handset sales

5. Non-operating Income & Expenses / CAPEX

(Unit: KRW billion)

Classification	1Q '13	4Q '13	1Q '14	YoY	QoQ
Non-operating Income	31.2	43.5	21.0	-32.7%	-51.8%
Interest Income	20.0	12.9	12.8	-36.1%	-1.4%
Others	11.2	30.6	8.2	-26.5%	-73.1%
Non-operating Expenses	66.1	109.2	76.9	16.3%	-29.6%
Interest Expense	49.5	54.6	49.0	-0.9%	-10.2%
Loss on A/R sold	7.5	18.3	8.6	13.4%	-53.1%
Loss on impairment/disposal of tangible Asset	1.9	8.0	7.2	289.1%	-9.5%
Others	7.2	28.4	12.0	67.2%	-57.6%
Non-operating Balance	(34.9)	(65.7)	(55.9)	60.1%	-15.0%

■ Non-operating Income & Expenses

Non-operating balance up QoQ due to improved interest balance and decreased loss on A/R sold

- Interest Income
 - Down by 36.1% YoY due to decrease in interest income from handset receivables
- Loss on Account Receivables Sold
 - Down by 53.1% QoQ due to decrease in size of handset receivables factored
- Non-operating Expenses (Others)
 - Up by 67.2% and down by 57.6% due to fines from KCC

(Unit: KRW billion)

Classification	1Q '13	4Q '13	1Q '14	YoY	QoQ
Capital Expenditure⁽¹⁾	361.6	473.6	597.6	65.3%	26.2%
Wireless Network	265.3	225.8	432.9	63.2%	91.7%
Wireline Network	63.0	229.5	139.6	121.7%	-39.2%
Other (IT, etc)	33.3	18.3	25.1	-24.6%	37.7%
Capital Expenditure/Service Revenue	19.6%	23.0%	29.6%	10.1%p	6.7%p

(1) Capital Expenditure includes Construction in Progress

■ CAPEX

Wireline/Wireless CAPEX up YoY due to establishment of nationwide wideband network

- Wireless Network
 - Up by 63.2% YoY and 91.7% QoQ due to 2.6GHz nationwide wideband network rollout
- Wireline Network
 - Up by 121.7% YoY and down by 39.2% QoQ due to wireline investments between base stations

6. Consolidated Statements of Financial Position

(Unit: KRW billion)

Classification	2013. 03	2013. 12	2014. 03	YoY	QoQ
Total Assets	11,716.2	11,775.0	11,961.0	2.1%	1.6%
Current Assets	3,051.9	2,697.1	2,607.2	-14.6%	-3.3%
Cash & Cash Equivalents ⁽¹⁾	413.2	433.6	276.5	-33.1%	-36.2%
Non-current Assets	8,664.2	9,077.9	9,353.8	8.0%	3.0%
Property, Plant and Equipment	6,139.1	6,392.7	6,665.7	8.6%	4.3%
Intangible Assets	866.0	1,258.6	1,228.0	41.8%	-2.4%
Total Liabilities	7,896.0	7,752.4	7,977.4	1.0%	2.9%
Current Liabilities	4,089.0	3,738.1	3,895.1	-4.7%	4.2%
Short-term Borrowings	0.0	0.0	0.0	-	-
Current Portion of Long-term Debt	1,048.7	1,234.7	1,276.2	21.7%	3.4%
Non-current Liabilities	3,806.9	4,014.3	4,082.3	7.2%	1.7%
Corporate Bond etc. ⁽²⁾	3,368.0	3,302.7	3,507.9	4.2%	6.2%
Total Shareholders' Equity	3,820.2	4,022.6	3,983.6	4.3%	-1.0%
Retained Earnings	417.7	617.5	578.7	38.5%	-6.3%
Net Debt	4,003.5	4,103.8	4,507.6	12.6%	9.8%
Net Debt to Equity Ratio⁽³⁾	104.8%	102.0%	113.2%	8.4%p	11.1%p
Debt to Equity Ratio⁽⁴⁾	206.7%	192.7%	200.3%	-6.4%p	7.5%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
 - Down by 14.6% YoY and 3.3% QoQ due to decrease in Cash & Cash Equivalents
- Non-current Assets
 - Up by 8.0% YoY and 3.0% QoQ due to increased tangible/intangible assets from acquisition of 2.6GHz wideband spectrum

■ Liabilities

- Current Liabilities
 - Down by 4.7% YoY due to decrease in A/P, up by 4.2% QoQ due to increase in current portion of long-term debt
- Non-current Liabilities
 - Up by 7.2% YoY and 1.7% QoQ due to increased debt

■ Shareholders' Equity

- Retained Earnings
 - Decreased by 6.3% QoQ due to dividend payout decision

7. Consolidated Statements of Income / Financial Position

(Unit: KRW billion)

Consolidated Statements of Income	1Q '13	4Q '13	1Q '14	YoY	QoQ	Consolidated Statements of Financial position	2013. 03	2013. 12	2014. 03	YoY	QoQ
Revenues	2,859.7	2,948.0	2,780.4	-2.8%	-5.7%	Current Assets	3,051.9	2,697.1	2,607.2	-14.6%	-3.3%
Service Revenue	1,848.3	2,061.3	2,015.6	9.1%	-2.2%	Cash and Cash Equivalents	387.0	398.3	247.2	-36.1%	-37.9%
Handset Revenue	1,006.3	883.5	760.3	-24.4%	-13.9%	Short-term Loans & Accounts Receivables	1,920.9	1,774.9	1,723.6	-10.3%	-2.9%
Rental Revenue	5.0	3.3	4.5	-9.5%	38.3%	Inventories	628.3	394.5	504.6	-19.7%	27.9%
Expenses	2,736.5	2,823.1	2,667.2	-2.5%	-5.5%	Other Current Assets	115.8	129.4	131.8	13.8%	1.9%
Operating Expenses	2,736.5	2,823.1	2,667.2	-2.5%	-5.5%	Non Current Assets	8,664.2	9,077.9	9,353.8	8.0%	3.0%
Wages	167.9	222.7	184.0	9.6%	-17.4%	Available for Sales Securities	81.4	81.4	80.8	-0.8%	-0.7%
Depreciation	293.7	309.3	310.3	5.7%	0.3%	Property, Plant and Equipment	6,139.1	6,392.7	6,665.7	8.6%	4.3%
Amortization	26.2	31.2	42.1	60.4%	35.0%	Intangible Assets	866.0	1,258.6	1,228.0	41.8%	-2.4%
Telecom Circuit Rent	67.1	85.0	68.9	2.7%	-18.9%	Long-term Loans & Long Trade Receivables	978.0	778.5	821.7	-16.0%	5.6%
Rental	75.1	79.2	78.3	4.3%	-1.1%	Investment in Properties	96.6	95.8	94.5	-2.2%	-1.4%
Outsourcing	75.4	87.7	75.4	0.0%	-14.0%	Other Non-current Assets	503.0	471.0	463.2	-7.9%	-1.7%
Electricity Fee	39.0	38.5	42.8	9.6%	11.2%	Total Assets	11,716.2	11,775.0	11,961.0	2.1%	1.6%
Repair Expense	23.8	30.8	24.2	1.7%	-21.3%	Current Liabilities	4,089.0	3,738.1	3,895.1	-4.7%	4.2%
Interconnection	149.2	170.7	142.3	-4.6%	-16.6%	Accounts Payable & Other Payables	3,789.4	3,427.8	3,514.7	-7.2%	2.5%
Settlement	43.3	42.8	38.8	-10.2%	-9.3%	Other Liabilities	299.7	308.1	378.3	26.2%	22.8%
Fees & Charges	252.7	276.8	268.9	6.4%	-2.8%	Derivative liabilities	-	2.3	2.1	-	-5.2%
Sales Commission	604.8	618.9	682.2	12.8%	10.2%	Non-current Liabilities	3,806.9	4,014.3	4,082.3	7.2%	1.7%
Advertising	54.4	82.0	64.4	18.5%	-21.4%	Accounts Payable & Other Payables	3,674.2	3,907.2	3,966.7	8.0%	1.5%
Cost of Handsets Sold	810.5	690.8	583.1	-28.1%	-15.6%	Other Liabilities	127.5	106.7	115.6	-9.4%	8.3%
Handset purchase	796.8	659.8	564.8	-29.1%	-14.4%	Others	5.3	0.4	0.0	-99.4%	-91.9%
Etc	13.7	31.0	18.4	34.4%	-40.8%	Total Liabilities	7,896.0	7,752.4	7,977.4	1.0%	2.9%
Ordinary R&D Expense	13.8	19.2	14.4	4.3%	-25.0%	Shareholders' Equity	3,818.7	4,020.9	3,982.0	4.3%	-1.0%
Taxes & Dues	4.0	5.0	13.5	236.1%	171.2%	Capital Stock	2,574.0	2,574.0	2,574.0	0.0%	0.0%
Others	35.6	32.5	33.4	-6.2%	2.6%	Capital Surplus	836.6	836.6	836.6	0.0%	0.0%
Operating Income	123.2	124.9	113.2	-8.1%	-9.4%	Retained Earnings	417.7	617.5	578.7	38.5%	-6.3%
Non-operating Income	31.2	43.5	21.0	-32.7%	-51.8%	Accumulated Other Comprehensive Income	(9.6)	(7.1)	(7.2)	-24.7%	1.7%
Non-operating Expenses	66.1	109.2	76.9	16.3%	-29.6%	Non-controlling Interest	1.5	1.7	1.6	7.4%	-2.8%
Income Before Tax	88.2	59.2	57.3	-35.1%	-3.3%	Total Shareholders' Equity	3,820.2	4,022.6	3,983.6	4.3%	-1.0%
Income Tax	13.9	11.1	30.5	118.6%	174.3%	Total Liabilities and Shareholders' Equity	11,716.2	11,775.0	11,961.0	2.1%	1.6%
Net Income	74.3	48.1	26.8	-63.9%	-44.2%						

8. Factsheet

(Unit: subscribers in thousands)

Classification	1Q '12	2Q '12	3Q '12	4Q '12	1Q '13	2Q '13	3Q '13	4Q '13	1Q '14	YoY	QoQ
Wireless Subscribers	9,554	9,852	10,020	10,162	10,363	10,521	10,713	10,874	10,875	4.9%	0.0%
Net Addition	163	298	168	141	201	158	192	161	1	-99.4%	-99.2%
LTE Subscribers	1,484	2,576	3,564	4,380	5,202	5,896	6,549	7,089	7,462	43.4%	5.3%
Net Addition	927	1,091	988	816	822	694	653	540	373	-54.6%	-30.8%
LTE Penetration Rate (%)	15.5%	26.1%	35.6%	43.1%	50.2%	56.0%	61.1%	65.2%	68.6%	18.4%p	3.4%p
Churn Rate (%)	2.94%	2.89%	3.33%	2.56%	2.63%	2.54%	2.47%	2.60%	2.84%	0.2%p	0.2%p
Wireless ARPU (KRW)	32,173	34,592	36,072	35,012	37,063	38,200	39,006	40,063	39,021	5.3%	-2.6%
Service ARPU (KRW)	27,204	29,903	31,224	31,697	32,616	33,834	34,495	35,388	35,362	8.4%	-0.1%

Classification	1Q '12	2Q '12	3Q '12	4Q '12	1Q '13	2Q '13	3Q '13	4Q '13	1Q '14	YoY	QoQ
TPS Subscribers	6,957	7,102	7,225	7,414	7,793	8,134	8,402	8,599	8,881	14.0%	3.3%
Net Addition	57	145	123	189	379	341	268	197	282	-25.5%	43.6%
IPTV⁽¹⁾	893	938	980	1,054	1,183	1,321	1,439	1,550	1,672	41.4%	7.9%
Net Addition	31	45	43	74	128	139	118	111	122	-4.7%	10.5%
VoIP⁽²⁾	3,299	3,409	3,509	3,617	3,808	3,949	4,062	4,121	4,246	11.5%	3.0%
Net Addition	71	110	100	108	192	141	112	59	125	-34.7%	111.5%
Broadband	2,765	2,755	2,736	2,743	2,802	2,864	2,901	2,928	2,963	5.8%	1.2%
Net Addition	-45	-10	-20	7	59	62	38	27	35	-40.6%	30.2%
PSTN Subscribers⁽³⁾	451	455	469	491	502	499	491	516	512	2.0%	-0.9%
Net Addition	-3	4	14	21	11	-3	-8	26	-5	-142.0%	-118.3%

(1) IPTV subscribers : Retail + B2B subscribers

(2) VoIP subscribers : Corporate +Retail subscribers

(3) PSTN Subscribers : Corporate +Retail(Retail VoIP callforwarding) subscribers

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