

**LG Uplus
IR Presentation**



Disclaimer

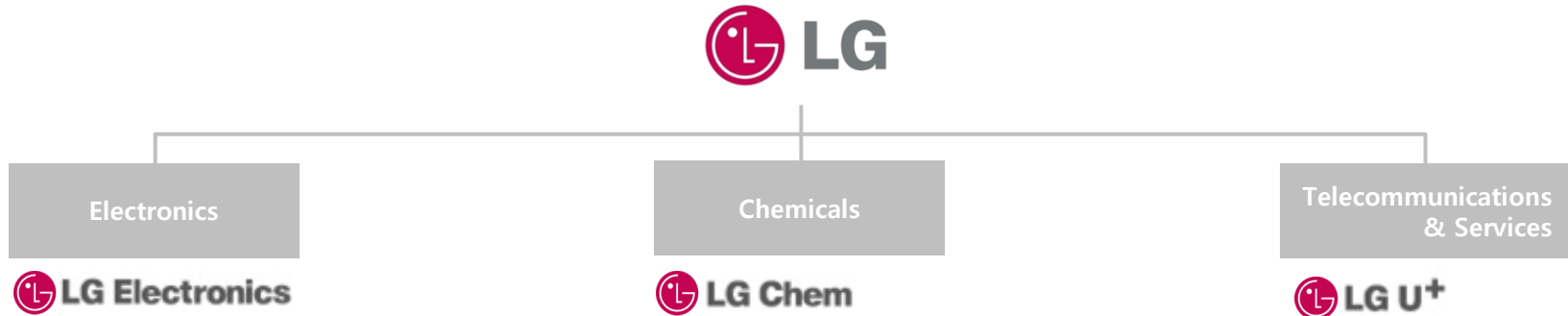
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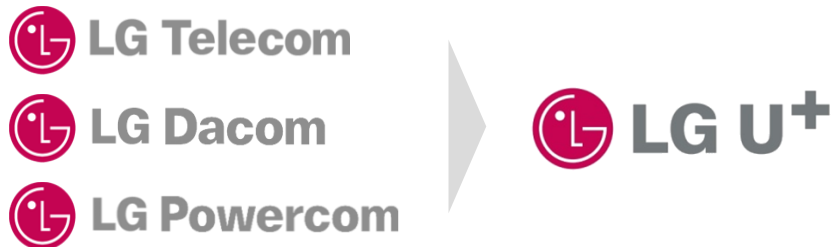
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LG Group Structure



Merger in 2010



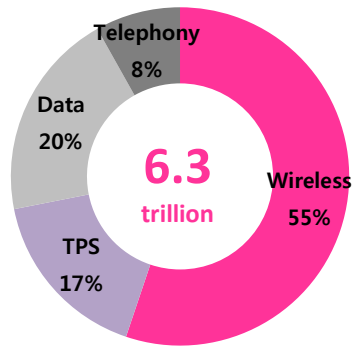
Shareholder Information

(As of December, 2013)

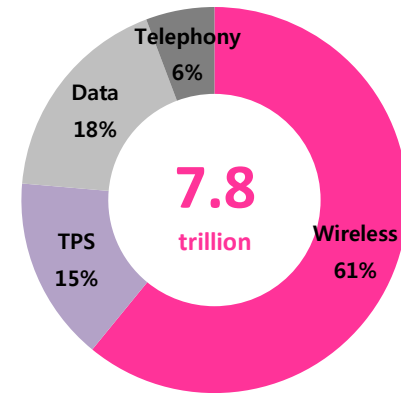
LG Corporation	36.05%
KEPCO	8.80%
National Pension Service	5.09%

Total Service Revenue

2010

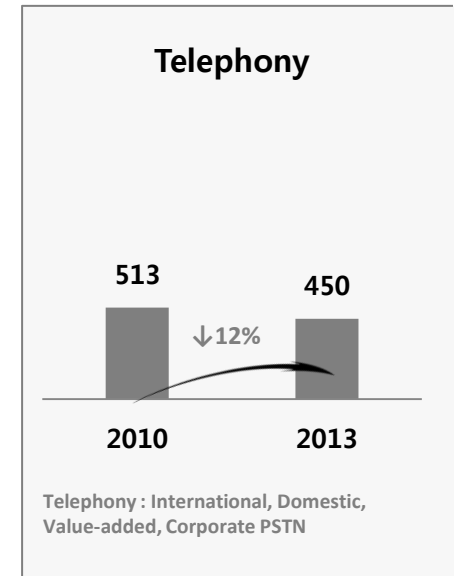
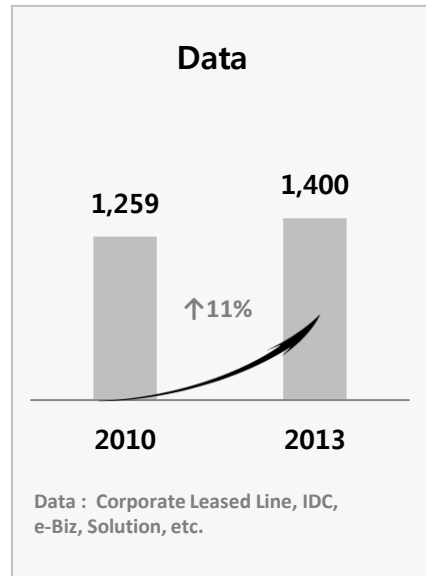
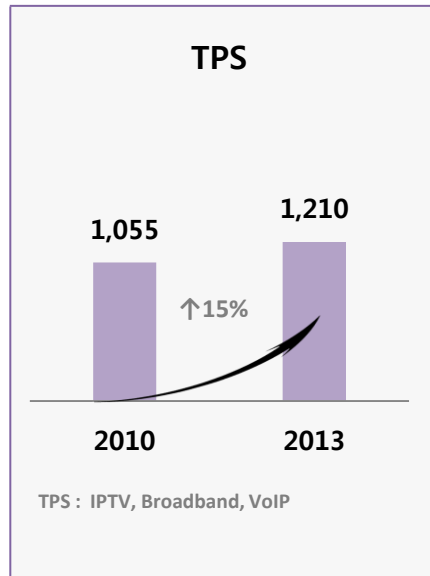
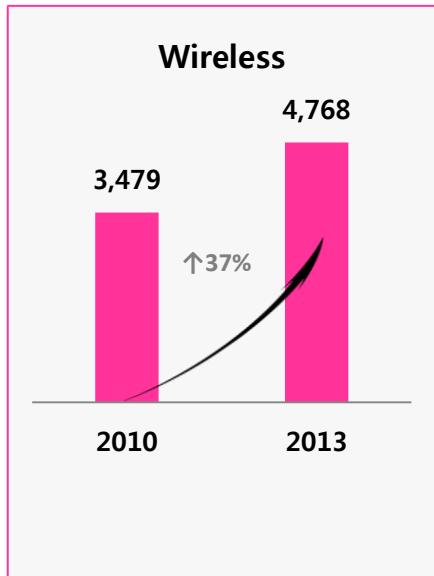


2013



CAGR
↑8%

(Unit: KRW in billions)



2. 2014 Outlook

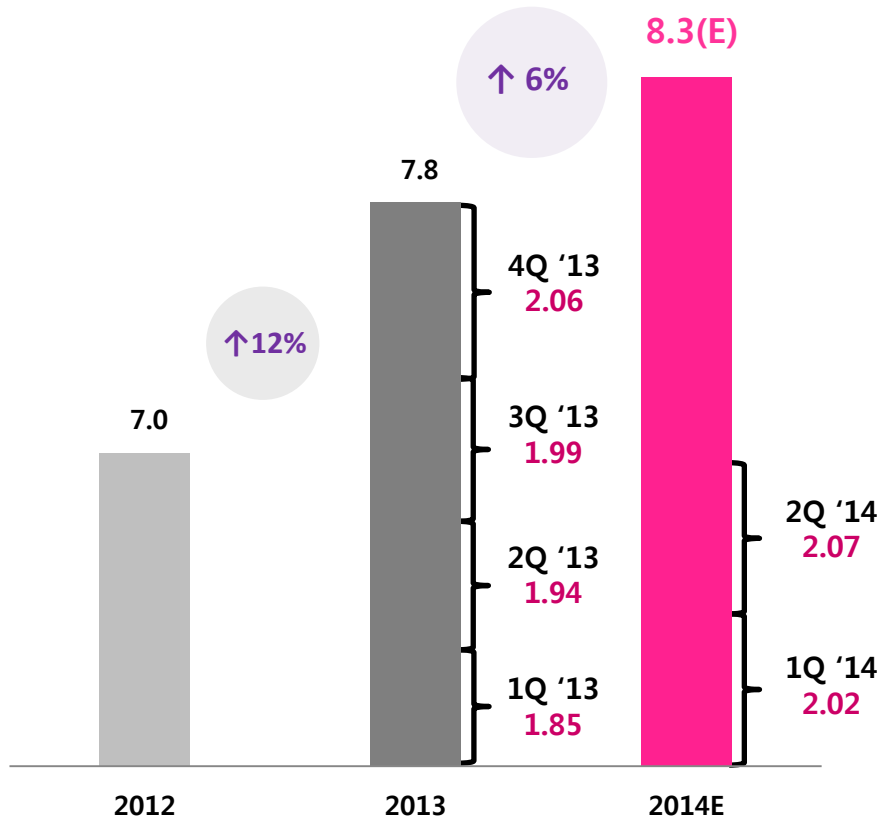
Revenue



▪ 2014 Total Service Revenue Guidance : KRW 8.3 trillion

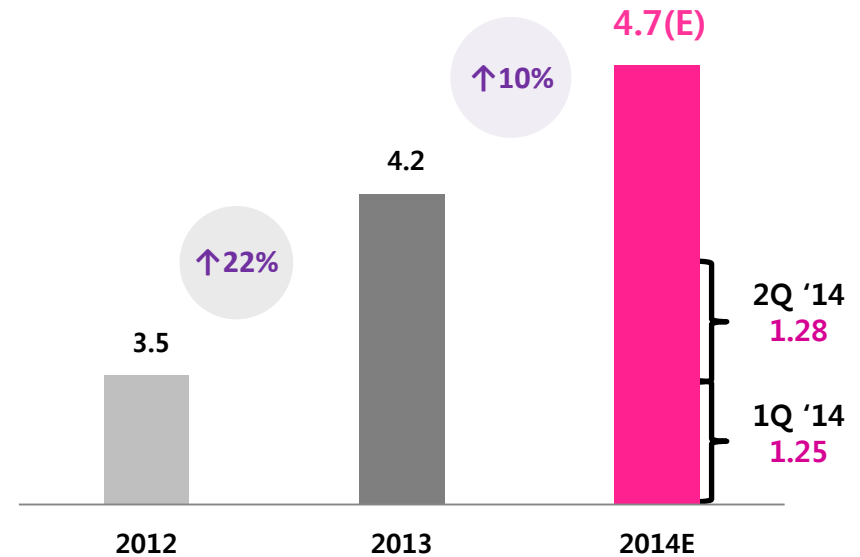
Total Service Revenue

(Unit: KRW in trillions)



Wireless Service Revenue

(Unit: KRW in trillions)

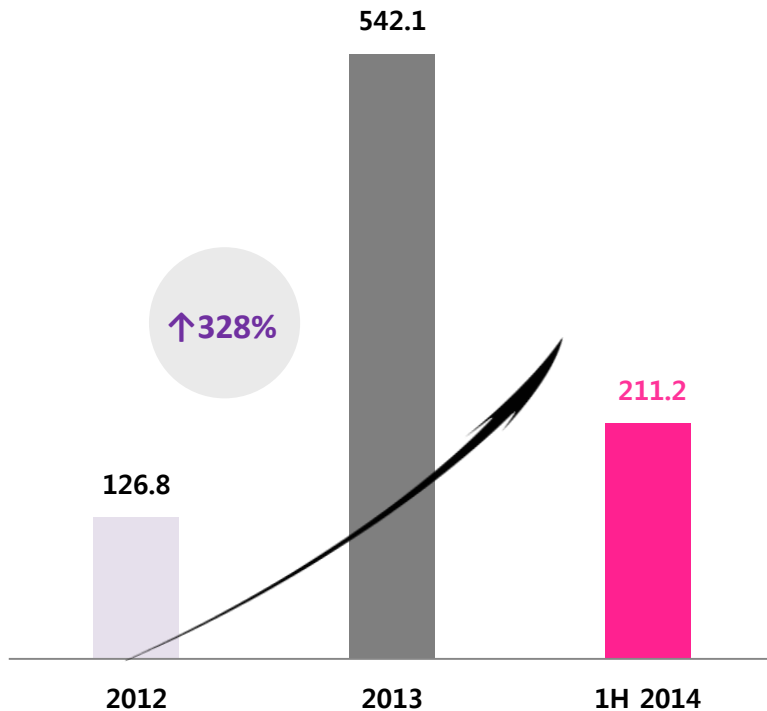




- Operating Income is expected to grow in 2014 compare to 2013

Operating Income

(Unit: KRW in billions)



2H 2014 Outlook

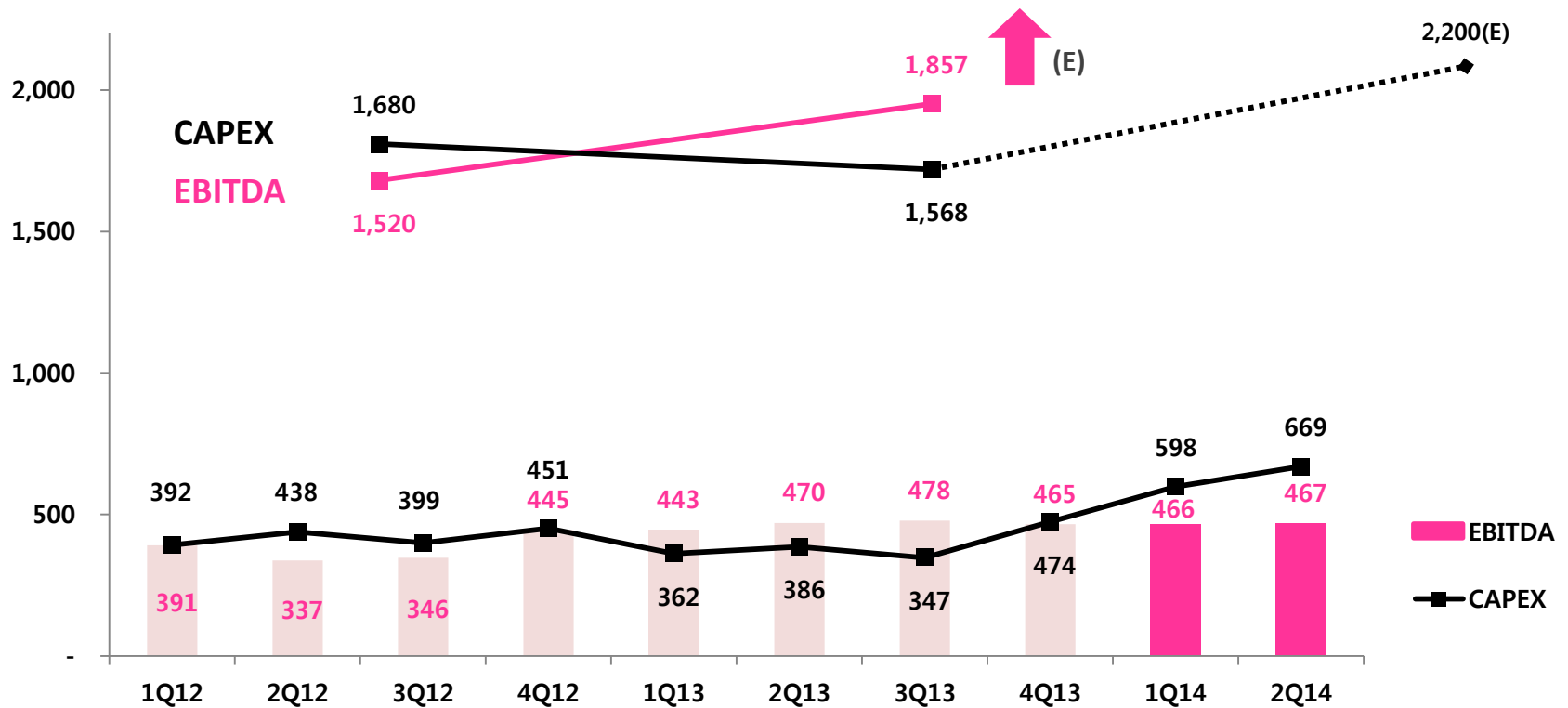
- Maximizing operating leverage with growth from wireless business
- Optimistic about the handset distribution reform bill changing the industry's competitive landscape



- 2Q 2014 EBITDA recorded KRW 466.7 billion, up by 0.2% QoQ
- 2014 CAPEX Guidance : KRW 2.2 trillion

CAPEX / EBITDA

(Unit: KRW in billions)



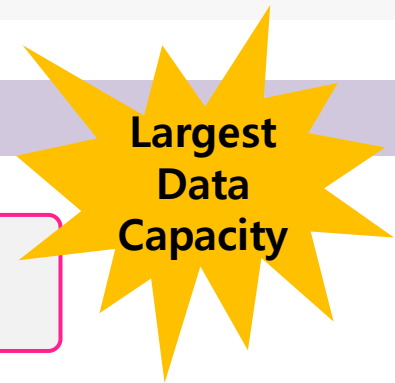
3. Wireless

LTE Spectrum Status

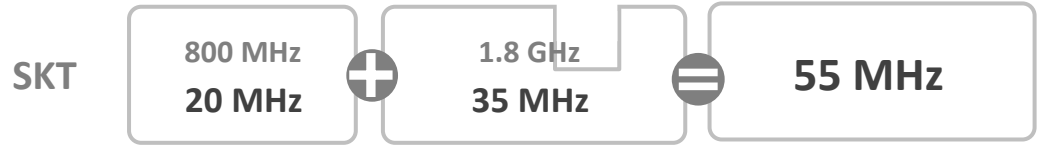


- World's First 100% Single LTE service provider
- Korea's Largest LTE spectrum bandwidth

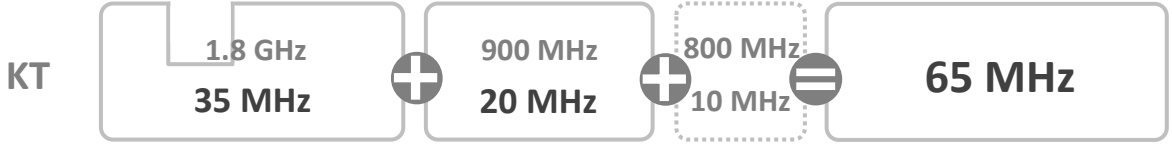
LTE Spectrum Status



Speed 150 Mbps + 150 Mbps → 300 Mbps*



Speed 150 Mbps → 225 Mbps

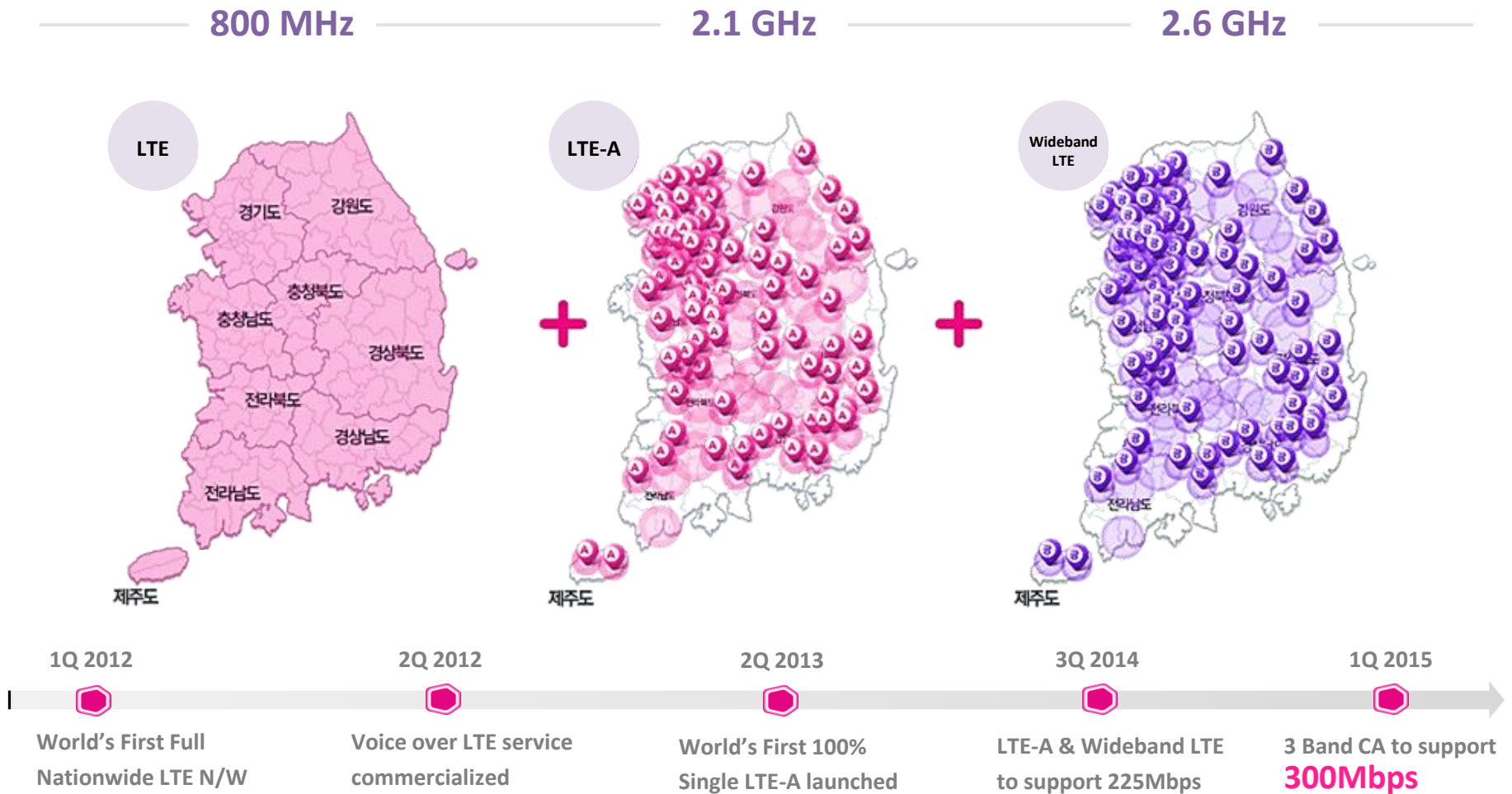


Speed 150 Mbps → 225 Mbps




- Speed up to **300 Mbps***
- Able to provide core LTE services more effectively
- Acquired 2.6GHz spectrum widely used globally (52+ operators)

*TBD

LTE Coverage with 3 Spectrums to support the fastest network in Korea



LTE Tariff Plan

Plans	Voice	SMS	Data*	VAS
LTE  Unlimited 89. ⁹	Unlimited	Unlimited	Unlimited	Uflix ^{Movie} , U ⁺ HDTV, U ⁺ Baseball, U ⁺ Box 100GB U ⁺ zone, U ⁺ Navi ^{LTE} , etc.
LTE  Unlimited 85				U ⁺ HDTV, U ⁺ Baseball, U ⁺ Box 100GB, Caller Ring
LTE  Unlimited 80				U ⁺ Box 15GB, U ⁺ Navi ^{LTE} , U ⁺ zone, mVoIP

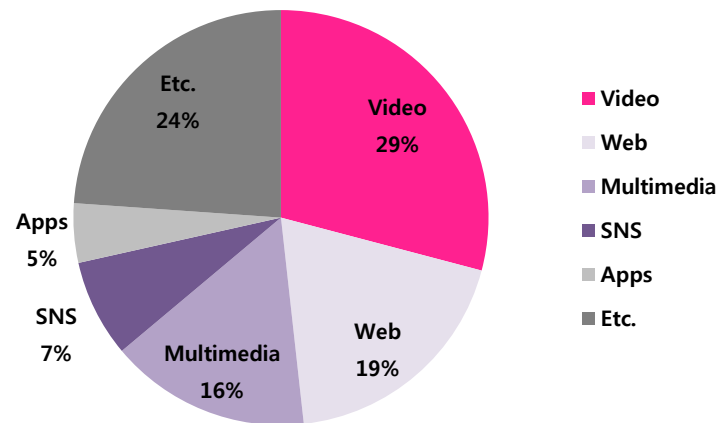
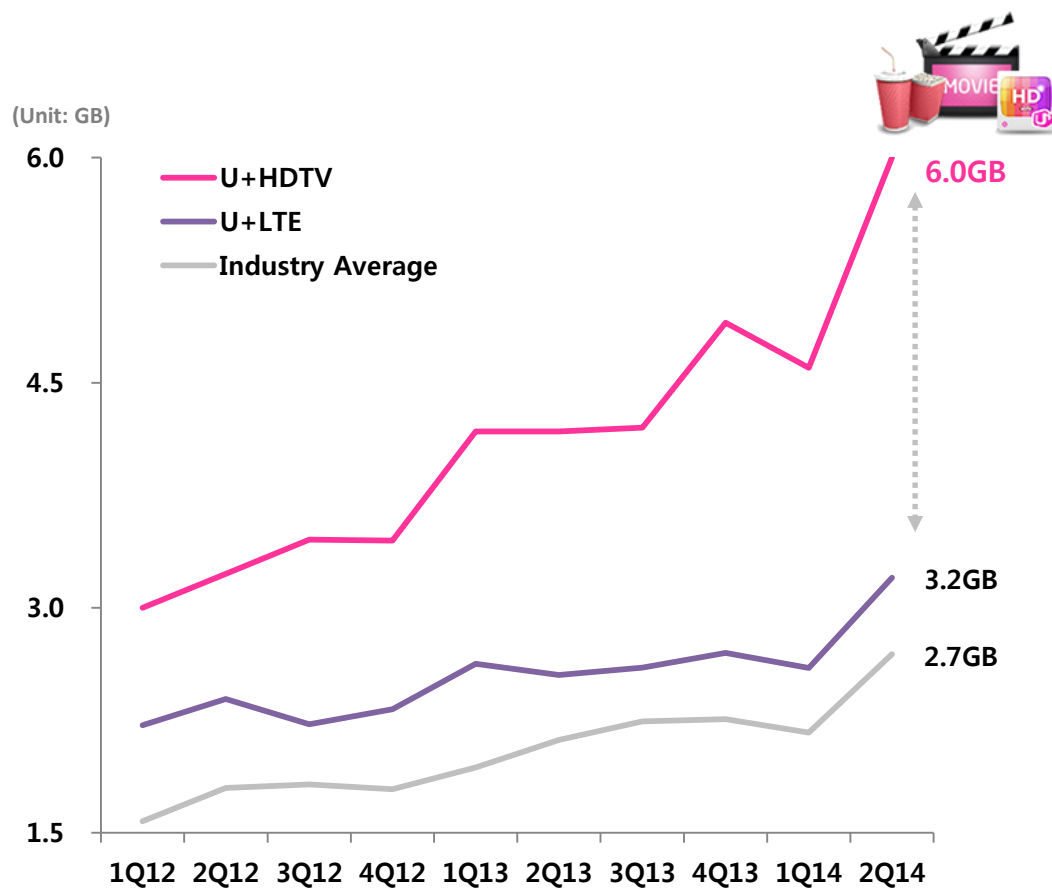
*Data: after exceeding 2GB/day, network speed will be restricted to 3Mbps

Plans		Voice			SMS		Data			
Basic Plan	New Plan	Basic Plan	New Plan		Basic Plan	New Plan	Basic Plan	New Plan		
			External	Intra						
34		160	110	Unlimited	200	Unlimited	750MB	750MB		
42		200	140		200		1.5GB	1.4GB		
52		250	195		250		2.5GB	2.1GB		
62	69	350	Unlimited		350	Unlimited	6GB	5GB		
72	79	500	(Mobile)		450		10GB	8GB		
85	89	750	Unlimited		650		14GB	12GB		
100	99	1,200			(Fixed & Mobile)		1,000	20GB	16GB	
120	124	1,500					1,000	24GB	Unlimited	

Core LTE contents helping LG Uplus attain high value customers



- LG Uplus customers' average data usage is above the market average trend



Source : LG Uplus, and Ministry of Science, ICT and Future Planning (MSIP)

U+HDTV

No. 1 Mobile IPTV in Korea



- 4 channel multi-view & Pop-up play
- 87 live channels & 65,000 PPV contents
- Real time replay and slow motion
- Full HD & Fastest zapping speed

U+HDTV (2Q14)
6.1 million users



VIDEO

LTE



Uflix^{Movie}

Personalized mobile theatre



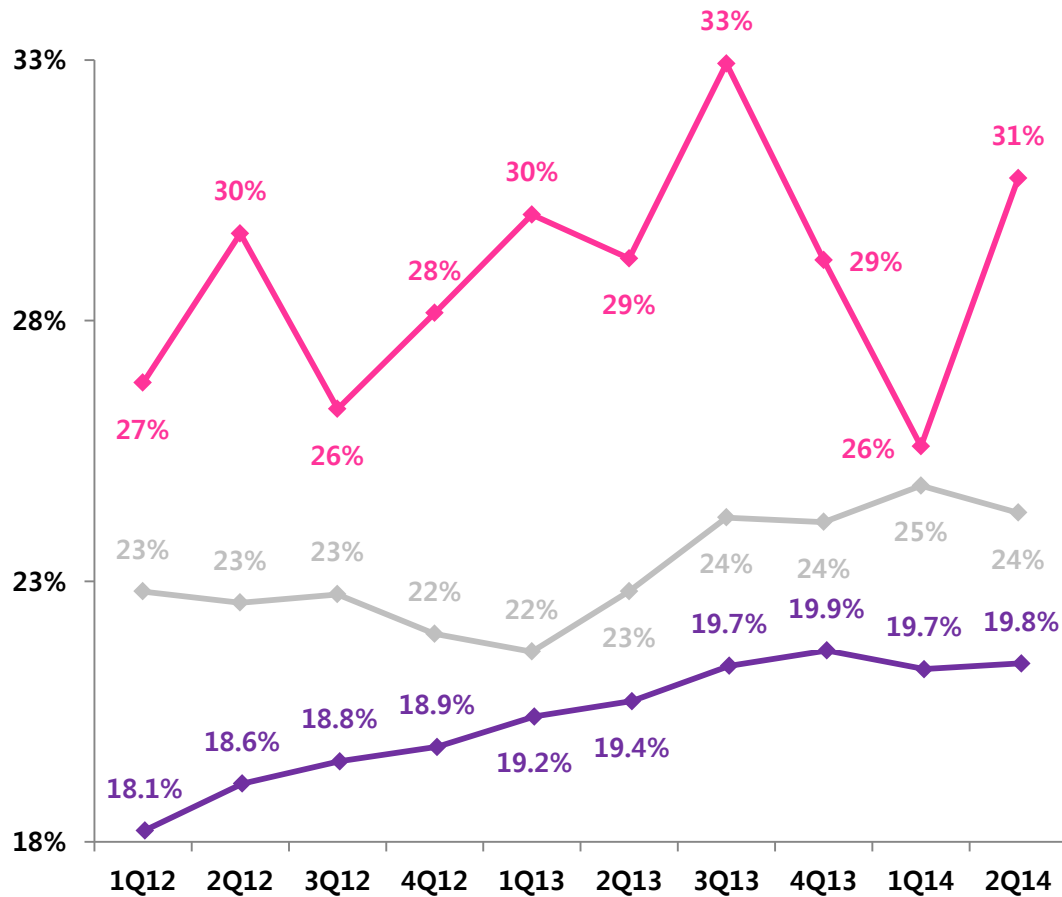
- N-screen service
- Largest movie library on-demand
- More than 12,000 movie selections
- From classic to most recent hits



lte
world
awards 2014
최고발전상 국무총리상

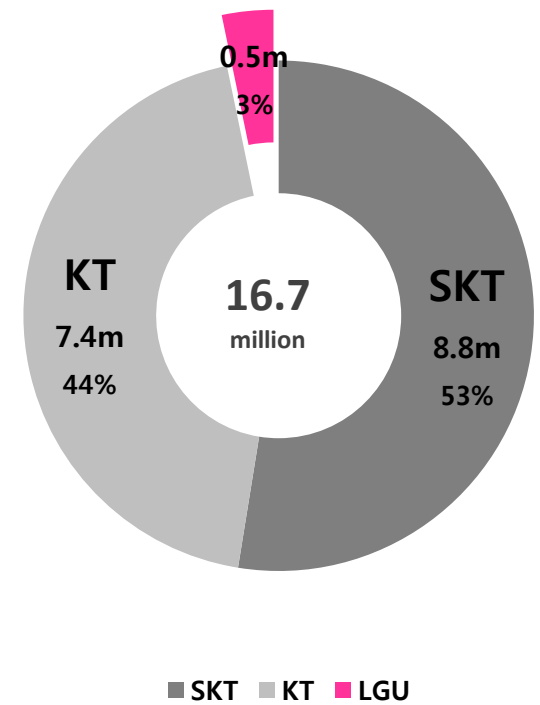
Subscriber Growth Momentum

MNP Markets share Trend



3G Subscribers

(As of 2Q 2014)



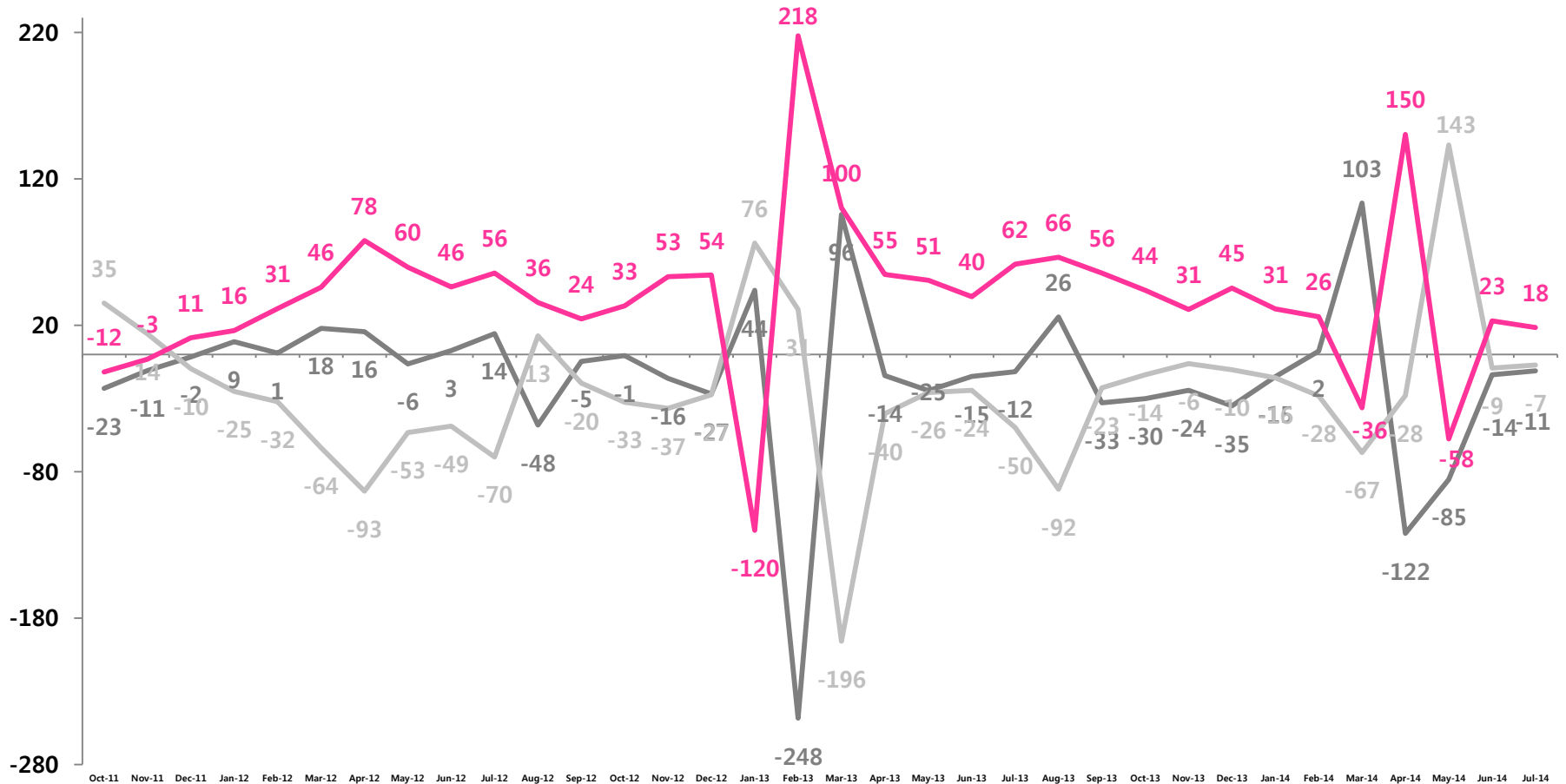
Source : Ministry of Science, ICT and Future Planning (MSIP)

Subscriber Growth Momentum

Monthly MNP Net Addition Trend

■ LG U+ ■ SKT ■ KT

(Unit: subscribers in thousands)

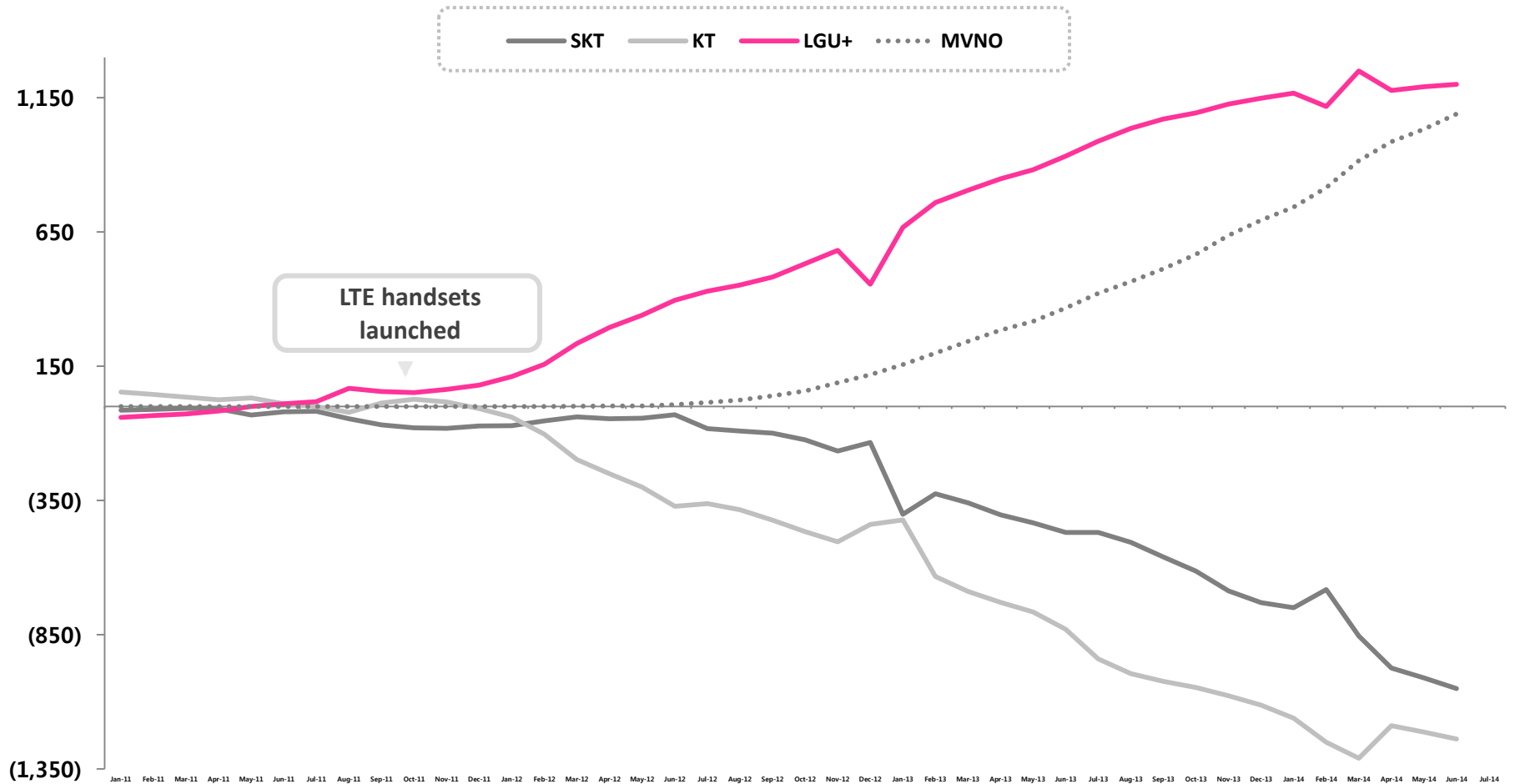


Source : Korea Telecommunications Operators Association (KTOA)

Subscriber Growth Momentum

Monthly MNP Net Adds Trend (Accumulated)

(Unit: subscribers in thousands)



Source : Korea Telecommunications Operators Association (KTOA)

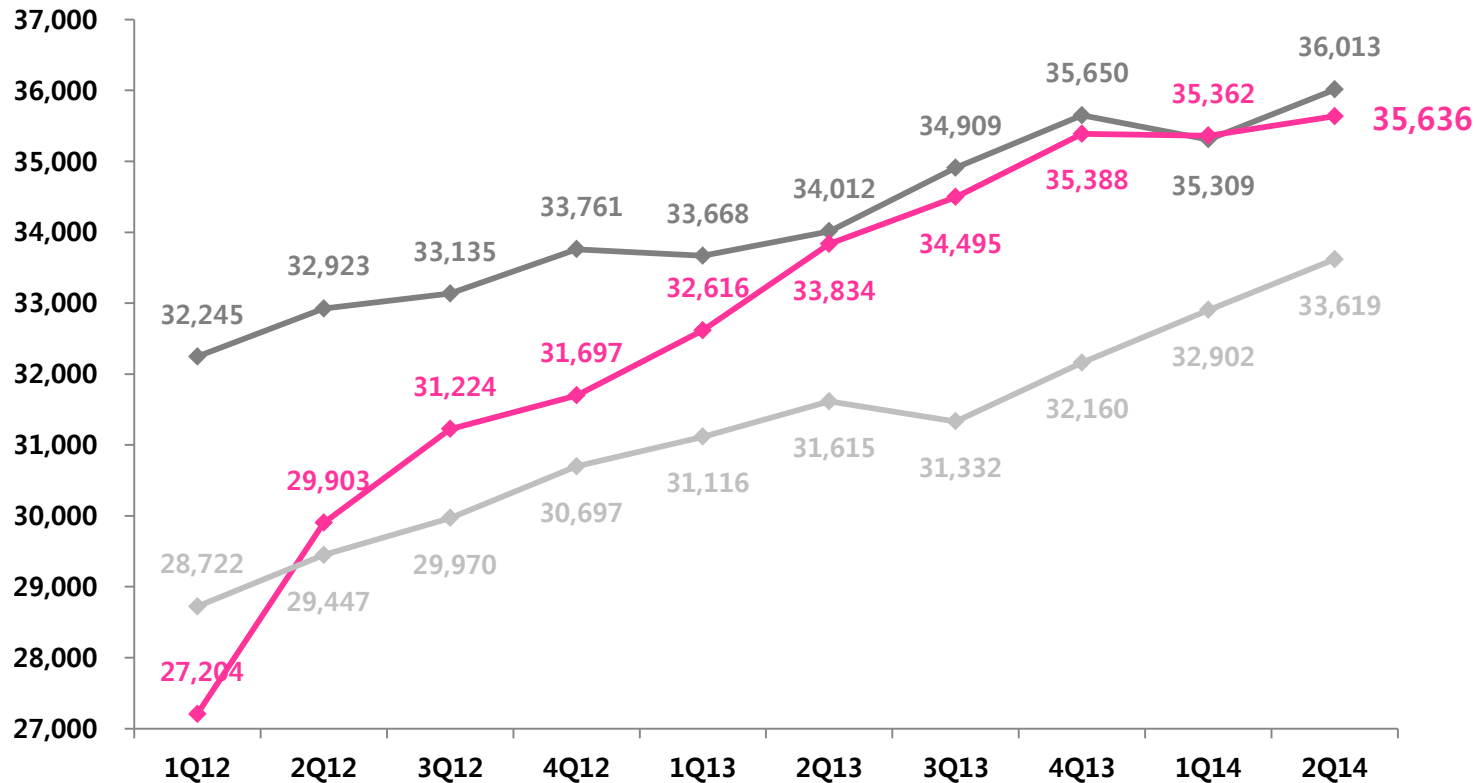
Service ARPU Comparison with Korean MNOs



2014 ARPU is expected to increase by more than 5% YoY

(Unit: KRW)

■ LG U+ ■ SKT ■ KT



ARPU ⁽¹⁾ (2Q 2014)	
LTE	44K
3G SP	27K
FP ⁽²⁾	15K

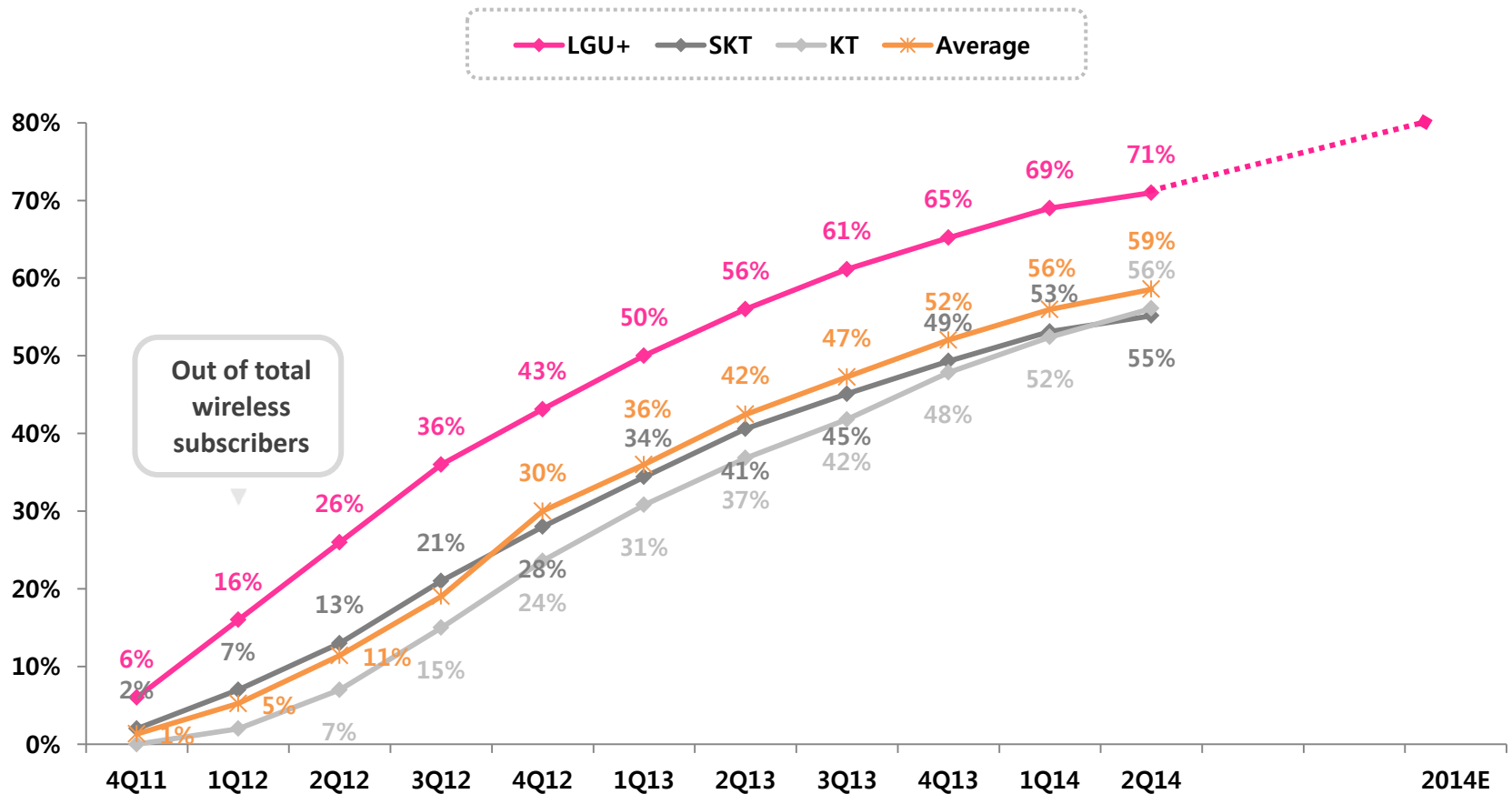
⁽¹⁾ LG Uplus subscribers only from 2012

⁽²⁾ Feature phone ARPU: Includes PPS, M2M etc.

LTE Subscriber Mix Trend Comparison among Korean MNOs



- LG Uplus' LTE penetration rate expected to be the highest among Korean MNOs



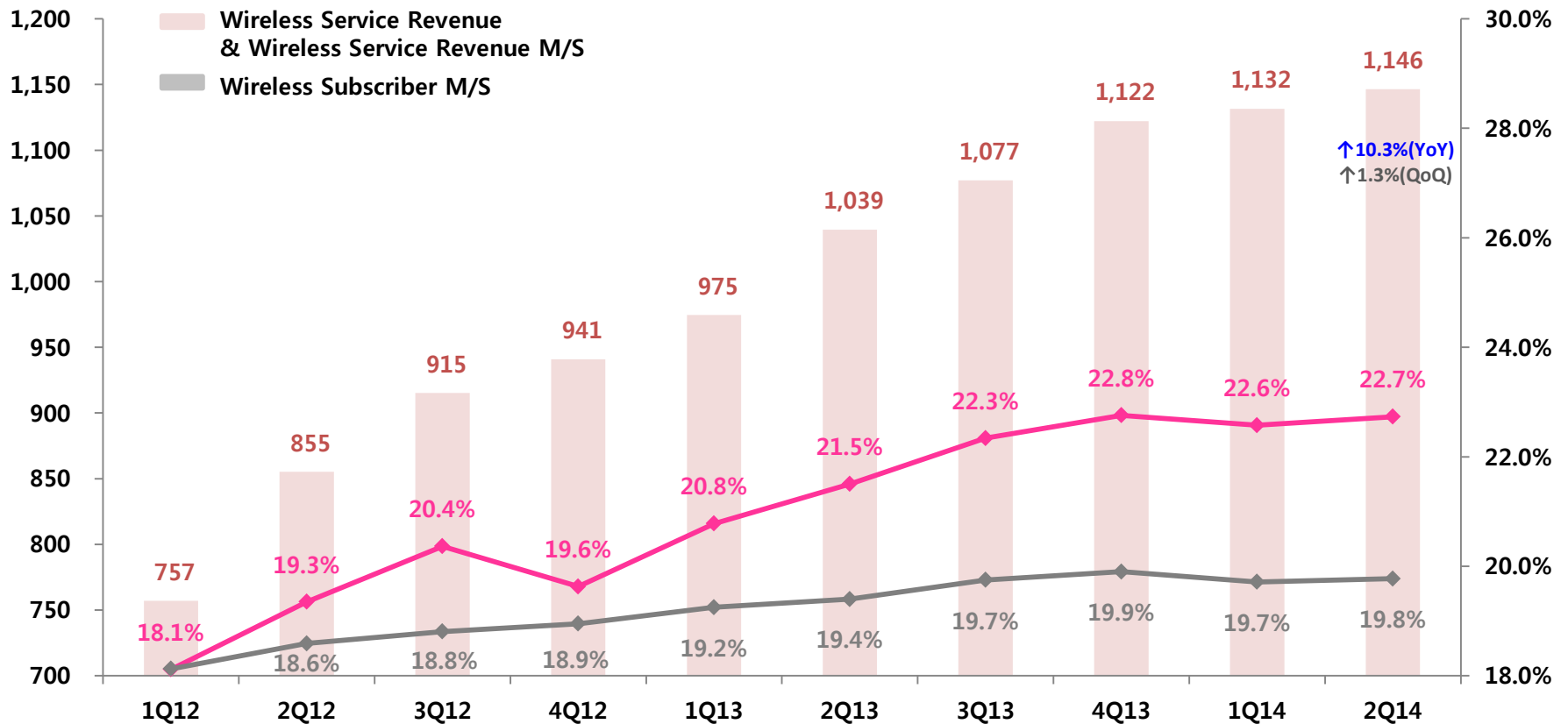
Source : Ministry of Science, ICT and Future Planning (MSIP)

Wireless Service Revenue Trend



- Strong wireless service revenue growth from LTE

(Unit: KRW in billions)



Source : SKT, KT, LG Uplus company information, MSIP information

3. Wireline



- 2Q 2014 Wireline Revenue recorded KRW 783.4 billion, up 2.8% YoY
- Top coverage in 100Mbps Broadband service with 2.92 million users

Key Competitiveness

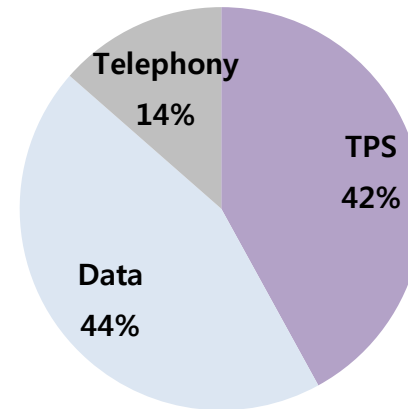


- : 8T ROADMs
- : 3.2T ROADMs
- ≡ : 480G PTN
- : 10G MSPP

Reconfigurable Optical Add Drop Multiplexers (ROADMs)
Packet-based Transport Networks (PTN)
Multi Service Provisioning Platform (MSPP)

- Most advanced fixed-line network in Korea (no copper cables)
- All-IP network platform across nation
- Strong corporate client base and operational know-how

Wireline Business



- IPTV
- VoIP
- Broadband
- e-Biz
- IDC
- Leased Line Solution
- Value-Added Domestic
- International

- Best-in-class Triple Play Service (TPS) with high quality network
- No. 1 in National Customer Satisfaction Index (NCSI) for IPTV category
- No. 1 in Customer Satisfaction Index for Corporate category



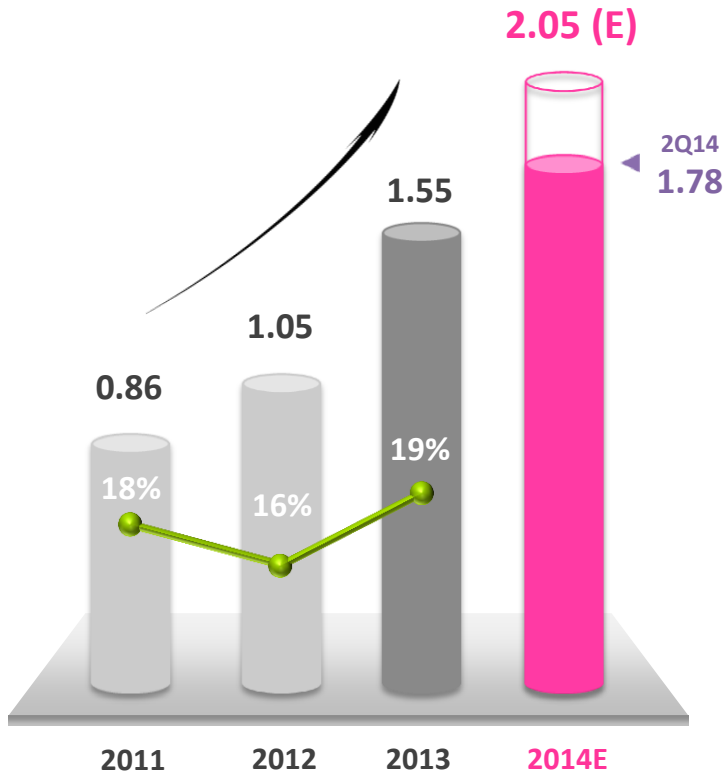
- 2Q 2014 IPTV revenue recorded KRW 90.4 billion, up 50.9% YoY
- 2Q 2014 tv G subscriber : 1.03 million

IPTV Subscriber Trend



(Unit: subscribers in millions)

●—● Market Share(%)



TV G Features



- First operator to converge IPTV with Google TV
- 156 real time channels (112 Full HD channels)
- Internet web surfing (YouTube, etc.)
- Google Play Applications (Games, SNS, eBooks)
- Widget service, Cloud, NFC service, 2nd TV Function



Google



chrome



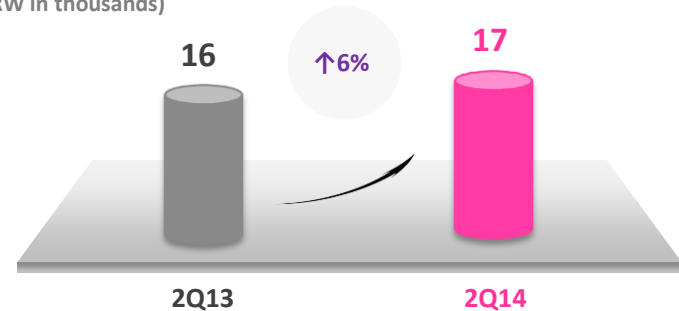
YouTube



Google play

IPTV ARPU

(Unit: KRW in thousands)



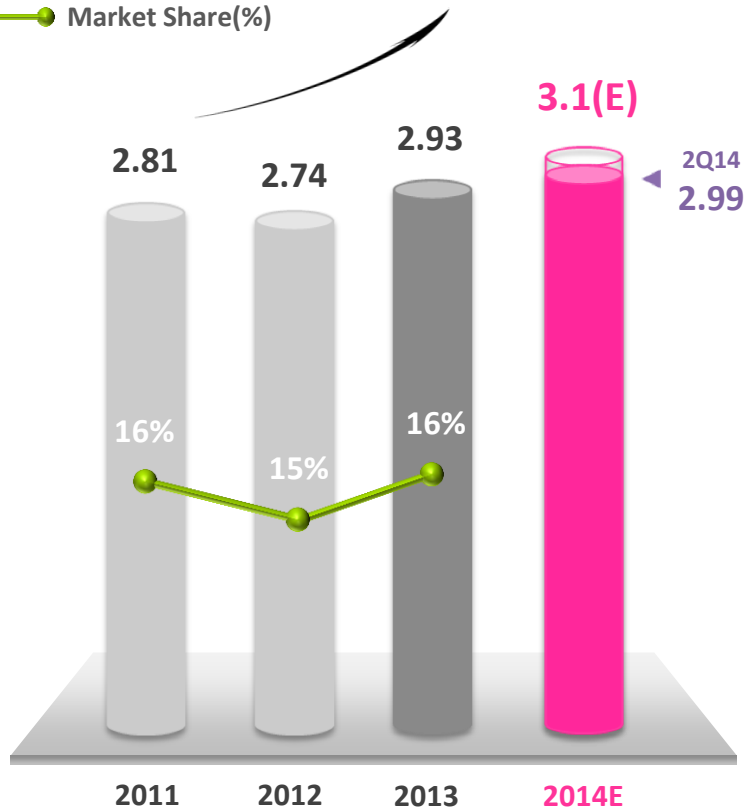


- 2Q 2014 Broadband revenue recorded KRW 169.0 billion, up 2.1% YoY
- 2Q 2014 Broadband subscriber : 2.99 million

Broadband Subscriber Trend

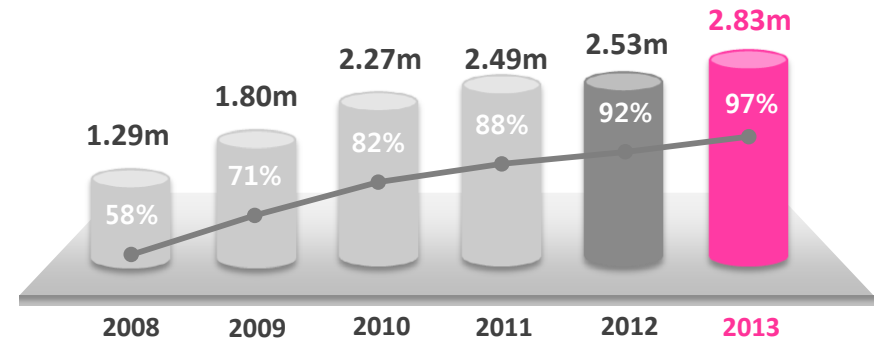
(Unit: subscribers in millions)

● Market Share(%)

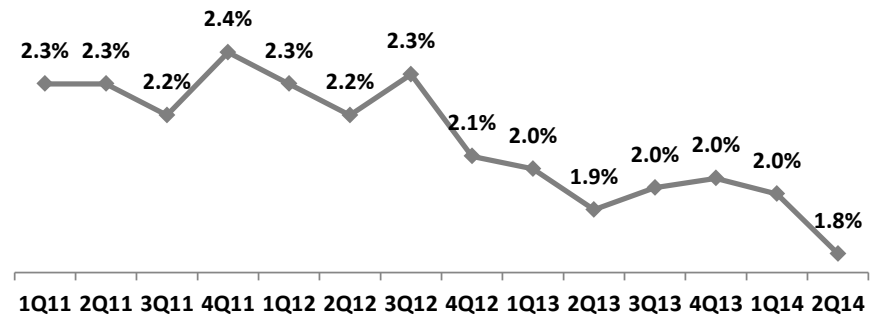


100Mbps Subscriber Trend

● Out of total subscribers(%)



Churn Rate Trend



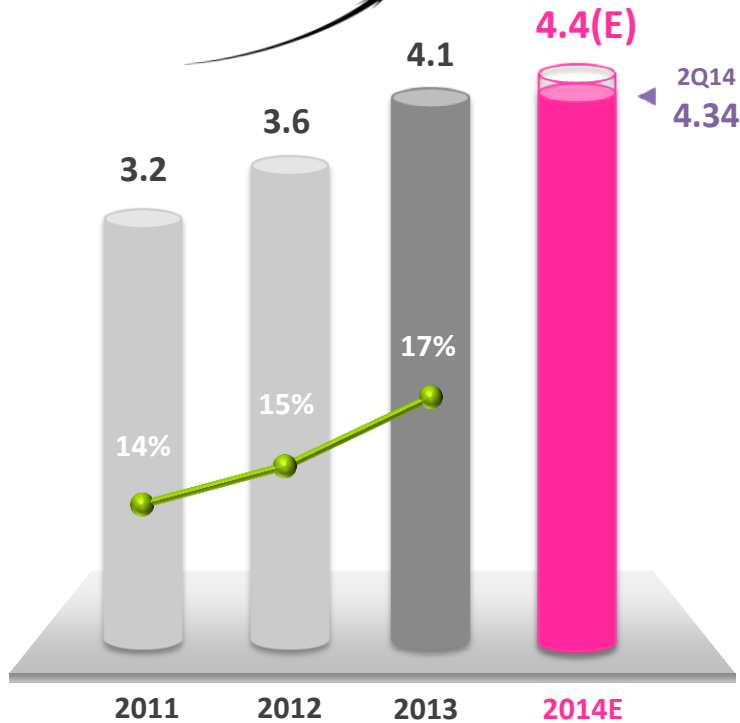


- 2Q 2014 VoIP revenue recorded KRW 69.7 billion
- 2Q 2014 VoIP subscriber : 4.34 million

VoIP Subscriber Trend

(Unit: subscribers in millions)

●—● Telephony M/S*(%)



*SKT, KT, LG Uplus subscribers only

Smart Home Devices

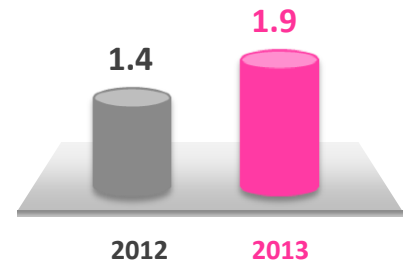


ARPU (2Q 2014)	
070 player	15K
VoIP	4K

Wi-Fi 100 Subscriber



(Unit: subscribers in millions)





- 2Q 2014 Data revenue recorded KRW 348.3 billion, up 1.9% QoQ
- 2014 Data revenue is expected to increase by 2% YoY

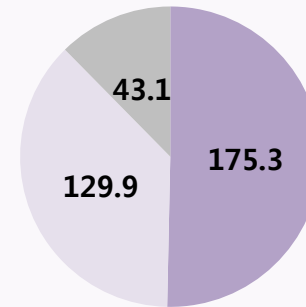
B2B Services



Data Revenue



(Unit: KRW in billions)



- Data Leased line
- e-Biz
- IDC & Solution

Growth Opportunities (IoT, etc.)



iLS (Intelligent Lighting Solution)

LED lighting helps reduce power consumption and save energy



Connected Car

Telematics management solution for vehicles



e-Payment

Payment Gateway (PG) solution for more than 50,000 SMEs



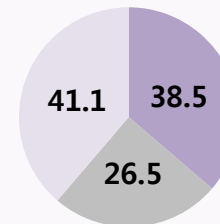
Smart Clean

Optimize waste management by using RFID technology

Telephony Revenue



(Unit: KRW in billions)



- International
- Domestic
- Value added

4. Financial Results

- Revenues in 2Q increased by 0.4% YoY due to increase in service revenue and decreased by 0.2% QoQ due to decline in handset revenue
- Service Revenue increased by 6.7% YoY and 2.5% QoQ due to growth in wireless and wireline revenue
- Operating Income down by 32.3% YoY and 13.4% QoQ due to increase in marketing expense, etc

(Unit: KRW billion)

Classification	2Q '13	1Q '14	2Q '14	YoY		QoQ	
Revenues	2,763.4	2,780.4	2,773.9	10.5	0.4%	(6.5)	-0.2%
Service Revenue	1,935.1	2,015.6	2,065.2	130.1	6.7%	49.6	2.5%
Handset Revenue	824.1	760.3	704.3	(119.8)	-14.5%	(56.0)	-7.4%
Rental Revenue	4.2	4.5	4.4	0.2	4.5%	(0.1)	-1.5%
Expenses	2,618.6	2,667.2	2,675.9	57.3	2.2%	8.6	0.3%
Operating Income	144.8	113.2	98.0	(46.8)	-32.3%	(15.2)	-13.4%
OP Margin ⁽¹⁾	7.5%	5.6%	4.7%	-	-2.7%p	-	-0.9%p
Non-operating Income	28.7	21.0	25.1	(3.6)	-12.5%	4.1	19.7%
Non-operating Expenses	83.2	76.9	89.9	6.7	8.0%	13.0	17.0%
Income Before Tax	90.3	57.3	33.2	(57.0)	-63.2%	(24.1)	-42.0%
Income Tax	8.8	30.5	(0.3)	(9.1)	-103.7%	(30.8)	-101.1%
Net Income	81.5	26.8	33.6	(47.9)	-58.8%	6.7	25.1%
EBITDA	469.8	465.6	466.7	(3.1)	-0.7%	1.1	0.2%
EBITDA Margin ⁽²⁾	24.3%	23.1%	22.6%	-	-1.7%p	-	-0.5%p
CAPEX	385.9	597.6	669.1	283.2	73.4%	71.5	12.0%
Net Debt	4,041.2	4,507.6	4,396.5	355.3	8.8%	(111.1)	-2.5%
Total Shareholders' Equity	3,907.8	3,983.6	4,013.9	106.1	2.7%	30.3	0.8%
Net Debt to Equity Ratio	103.4%	113.2%	109.5%	-	6.1%p	-	-3.6%p
Marketing Expenses	446.2	551.1	549.7	103.6	23.2%	(1.4)	-0.2%
Marketing Exp/Service Rev	23.1%	27.3%	26.6%	-	3.6%p	-	-0.7%p

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

(Unit: KRW billion)

Classification	2Q '13	1Q '14	2Q '14	YoY	QoQ
Wireless Revenues	1,173.3	1,248.5	1,275.4	8.7%	2.2%
Service Revenue ⁽¹⁾	1,039.4	1,131.5	1,146.4	10.3%	1.3%
Interconnection	117.1	99.4	112.4	-4.0%	13.1%
Sign-up Fee	16.8	17.5	16.6	-1.3%	-5.5%

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

(Unit: KRW)

Classification	2Q '13	1Q '14	2Q '14	YoY	QoQ
Wireless ARPU ⁽¹⁾	38,200	39,021	39,651	3.8%	1.6%
Service ARPU ⁽²⁾	33,834	35,362	35,636	5.3%	0.8%

(1) LG Uplus subscribers only

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

(Unit: KRW billion)

Classification	2Q '13	1Q '14	2Q '14	YoY	QoQ
Wireline Revenues	762.0	769.3	783.4	2.8%	1.8%
TPS Revenue	296.9	323.8	329.0	10.8%	1.6%
IPTV	59.9	85.9	90.4	50.9%	5.2%
VoIP	71.5	69.6	69.7	-2.6%	0.1%
Broadband	165.4	168.3	169.0	2.1%	0.4%
Data Revenue	349.0	342.0	348.3	-0.2%	1.9%
e-Biz ⁽¹⁾	119.8	124.9	129.9	8.4%	4.0%
IDC	42.5	36.3	38.5	-9.4%	6.1%
Leased Line	182.4	174.0	175.3	-3.9%	0.7%
Solution	4.2	6.8	4.6	8.8%	-32.5%
Telephony Revenue	116.2	103.6	106.1	-8.7%	2.4%
Value-Added	40.6	40.5	41.1	1.0%	1.4%
Domestic	27.5	25.7	26.5	-3.8%	3.1%
International	48.0	37.4	38.5	-19.7%	3.1%

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

- Wireless Revenues up by 8.7% YoY and 2.2% QoQ due to increased service revenue from subscriber mix improvement
- Wireless Service ARPU up by 5.3% YoY and 0.8% QoQ due to increased number of high value LTE subscribers
- LTE Subscribers increased by 32.5% YoY recording 7.81 million
- Wireline Revenues up by 2.8% YoY and 1.8% QoQ due to growth in TPS revenue
- TPS Revenue up by 10.8% YoY and 1.6% QoQ due to increase in IPTV and Broadband revenue
- Data Revenue up by 1.9% QoQ due to increase in e-Biz messaging revenue
- TPS subscribers up by 12.1% YoY recording 9.12 million

Financials

(Unit: KRW billion)

Consolidated Statements of Income						Consolidated Statements of Financial Position					
	2Q '13	1Q '14	2Q '14	YoY	QoQ	2013.06	2014.03	2014.06	YoY	QoQ	
Revenues	2,763.4	2,780.4	2,773.9	0.4%	-0.2%	Current Assets	2,600.5	2,607.2	2,407.6	-7.4%	-7.7%
Service Revenue	1,935.1	2,015.6	2,065.2	6.7%	2.5%	Cash and Cash Equivalents	290.2	247.2	213.4	-26.5%	-13.7%
Handset Revenue	824.1	760.3	704.3	-14.5%	-7.4%	Short-term Loans & Accounts Receivables	1,752.8	1,723.6	1,669.3	-4.8%	-3.1%
Rental Revenue	4.2	4.5	4.4	4.5%	-1.5%	Inventories	441.6	504.6	396.8	-10.1%	-21.4%
Expenses	2,618.6	2,667.2	2,675.9	2.2%	0.3%	Other Current Assets	116.0	131.8	128.1	10.4%	-2.8%
Operating Expenses	2,618.6	2,667.2	2,675.9	2.2%	0.3%	Non Current Assets	8,498.9	9,353.8	9,533.4	12.2%	1.9%
Wages	179.7	184.0	196.1	9.1%	6.5%	Available for Sales Securities	87.9	80.8	71.5	-18.6%	-11.5%
Depreciation	299.2	310.3	326.4	9.1%	5.2%	Property, Plant and Equipment	6,222.3	6,665.7	7,010.9	12.7%	5.2%
Amortization	25.8	42.1	42.3	63.9%	0.5%	Intangible Assets	844.6	1,228.0	1,193.7	41.3%	-2.8%
Telecom Circuit Rent	69.8	68.9	69.4	-0.6%	0.6%	Long-term Loans & Long Trade Receivables	751.8	821.7	696.7	-7.3%	-15.2%
Rental	75.8	78.3	80.2	5.7%	2.4%	Investment in Properties	93.4	94.5	94.5	1.1%	0.0%
Outsourcing	75.3	75.4	88.2	17.1%	16.9%	Other Non-current Assets	498.9	463.2	466.1	-6.6%	0.6%
Electricity Fee	34.8	42.8	40.1	15.4%	-6.1%	Total Assets	11,099.5	11,961.0	11,941.0	7.6%	-0.2%
Repair Expense	27.4	24.2	31.8	16.1%	31.2%	Current Liabilities	3,471.9	3,895.1	4,023.8	15.9%	3.3%
Interconnection	157.7	142.3	144.1	-8.6%	1.3%	Accounts Payable & Other Payables	3,168.8	3,514.7	3,671.0	15.8%	4.4%
Settlement	47.0	38.8	36.6	-22.3%	-5.9%	Other Liabilities	303.1	378.3	351.2	15.9%	-7.2%
Fees & Charges	258.1	268.9	279.6	8.3%	4.0%	Derivative liabilities	-	2.1	1.6	-	-23.7%
Sales Commission	533.3	682.2	541.2	1.5%	-20.7%	Non-current Liabilities	3,719.7	4,082.3	3,903.3	4.9%	-4.4%
Advertising	68.4	64.4	71.5	4.6%	11.0%	Accounts Payable & Other Payables	3,580.6	3,966.7	3,775.0	5.4%	-4.8%
Cost of Handsets Sold	695.2	583.1	662.1	-4.8%	13.5%	Other Liabilities	135.5	115.6	128.3	-5.3%	11.0%
Handset purchase	668.6	564.8	641.4	-4.1%	13.6%	Others	3.6	0.0	-	-100.0%	-100.0%
Etc	26.7	18.4	20.7	-22.4%	12.7%	Total Liabilities	7,191.7	7,977.4	7,927.1	10.2%	-0.6%
Ordinary R&D Expense	8.0	14.4	11.5	43.8%	-20.4%	Shareholders' Equity	3,906.3	3,982.0	4,012.1	2.7%	0.8%
Taxes & Dues	8.5	13.5	5.9	-30.3%	-56.3%	Capital Stock	2,574.0	2,574.0	2,574.0	0.0%	0.0%
Others	54.6	33.4	49.2	-10.0%	47.3%	Capital Surplus	836.6	836.6	836.6	0.0%	0.0%
Operating Income	144.8	113.2	98.0	-32.3%	-13.4%	Retained Earnings	499.3	578.7	611.9	22.5%	5.7%
Non-operating Income	28.7	21.0	25.1	-12.5%	19.7%	Accumulated Other Comprehensive Income	(3.5)	(7.2)	(10.3)	192.6%	43.1%
Non-operating Expenses	83.2	76.9	89.9	8.0%	17.0%	Non-controlling Interest	1.5	1.6	1.8	21.3%	11.4%
Income Before Tax	90.3	57.3	33.2	-63.2%	-42.0%	Total Shareholders' Equity	3,907.8	3,983.6	4,013.9	2.7%	0.8%
Income Tax	8.8	30.5	(0.3)	-103.7%	-101.1%	Total Liabilities and Shareholders' Equity	11,099.5	11,961.0	11,941.0	7.6%	-0.2%
Net Income	81.5	26.8	33.6	-58.8%	25.1%						

5. Appendix

(Unit: subscribers in thousands)

Classification	1Q '12	2Q '12	3Q '12	4Q '12	1Q '13	2Q '13	3Q '13	4Q '13	1Q '14	2Q '14	YoY	QoQ
Wireless Subscribers	9,554	9,852	10,020	10,162	10,363	10,521	10,713	10,874	10,875	11,008	4.6%	1.2%
Net Addition	163	298	168	141	201	158	192	161	1	132	-16.4%	10273.3%
LTE Subscribers	1,484	2,576	3,564	4,380	5,202	5,896	6,549	7,089	7,462	7,813	32.5%	4.7%
Net Addition	927	1,091	988	816	822	694	653	540	373	351	-49.4%	-6.0%
LTE Penetration Rate (%)	15.5%	26.1%	35.6%	43.1%	50.2%	56.0%	61.1%	65.2%	68.6%	71.0%	14.9%p	2.4%p
Churn Rate (%)	2.94%	2.89%	3.33%	2.56%	2.63%	2.54%	2.47%	2.60%	2.84%	2.14%	-0.4%p	-0.7%p
Wireless ARPU (KRW)	32,173	34,592	36,072	35,012	37,063	38,200	39,006	40,063	39,021	39,651	3.8%	1.6%
Service ARPU (KRW)	27,204	29,903	31,224	31,697	32,616	33,834	34,495	35,388	35,362	35,636	5.3%	0.8%

Classification	1Q '12	2Q '12	3Q '12	4Q '12	1Q '13	2Q '13	3Q '13	4Q '13	1Q '14	2Q '14	YoY	QoQ
TPS Subscribers	6,957	7,102	7,225	7,414	7,793	8,134	8,402	8,599	8,881	9,120	12.1%	2.7%
Net Addition	57	145	123	189	379	341	268	197	282	240	-29.8%	-15.1%
IPTV⁽¹⁾	893	938	980	1,054	1,183	1,321	1,439	1,550	1,672	1,784	35.0%	6.7%
Net Addition	31	45	43	74	128	139	118	111	122	112	-18.9%	-8.1%
VoIP⁽²⁾	3,299	3,409	3,509	3,617	3,808	3,949	4,062	4,121	4,246	4,343	10.0%	2.3%
Net Addition	71	110	100	108	192	141	112	59	125	97	-31.0%	-22.4%
Broadband	2,765	2,755	2,736	2,743	2,802	2,864	2,901	2,928	2,963	2,993	4.5%	1.0%
Net Addition	-45	-10	-20	7	59	62	38	27	35	30	-51.6%	-13.7%
PSTN Subscribers⁽³⁾	451	455	469	491	502	499	491	516	512	509	2.1%	-0.4%
Net Addition	-3	4	14	21	11	-3	-8	26	-5	-2	-26.2%	-54.2%

(1) IPTV subscribers : Retail + B2B subscribers

(2) VoIP subscribers : Corporate +Retail subscribers

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

Thank You!

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