After Loss, LG Sees Lower Profit, Currency Risks

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SEOUL, South Korea (AP) — LG Electronics Inc. is forecasting lower earnings from its mobile business this quarter and risks from swings in Latin American currencies after posting an unexpected loss in the final three months of 2013.

The latest results from LG Electronics, the world's second-largest TV maker and a major device supplier, underline how it is being squeezed between Japanese competitors and its bigger South Korean rival Samsung Electronics Co.

LG is battling Japanese manufacturers such as Sony and Panasonic that are expanding market share in televisions, helped by the weak yen. The company is struggling to make money from the smartphone market where Samsung and Apple Inc. have grabbed the lion share of the profits.

LG Electronics suffered a loss in the final quarter of 2013 because of the stronger South Korean currency while higher marketing costs and falling smartphone prices continued to batter its mobile business.

The South Korean tech company said Monday its net loss for October-December was 63.4 billion won ($58.5 million). That's far smaller than a 478.2 billion won loss a year earlier. But analysts polled by FactSet expected net income of 147.8 billion won. Sales for the fourth-quarter inched up 1 percent from a year earlier to 14.9 trillion won.

The maker of G flex smartphone said the quarterly loss, the first in four quarters, was mainly due to foreign exchange movements. The company blamed the strong

local currency against the U.S. dollar and the Japanese yen as well as fluctuations in currency rates that usually mean higher costs. LG manufactures most of its home appliance products in South Korea and ships overseas.

Chief Financial Officer Jung Do-hyun said unstable currency movements in Latin America and other emerging markets would remain a big risk. About 20 percent of LG's mobile phone sales came from Brazil and other South American countries last year. Argentina's peso lost 16 percent over two days last week.

Among LG's consumer electronics businesses, mobile was the only division that lost money during the fourth quarter.

Profit at LG's flagship TV business surged to 174.3 billion won from a mere 800 million won a year earlier. That was thanks to improved sales of LCD TVs in developed countries and efficient marketing spending to promote high-tier televisions, LG said.

But LG's mobile communications business lost 43.4 billion won, staying in red for a second quarter, despite higher sales from increased smartphone shipments. Shipments of its flagship G2 and other smartphones reached 13 million units in the quarter, a record high for the company.

LG attributed the mobile division's loss to increased spending on marketing and declining smartphone prices, an issue that nags other mobile phone vendors as growth in smartphone sales slows in developed countries.

The company said its mobile phone sales will improve when new products are released later this year. But analysts questioned if LG's upcoming devices can compete with the successor to Apple's iPhone 5S.

Jung said the company will likely report lower operating income for the first three months of this year as sales of TVs and mobile phones drop during a typically slow season for the consumer electronics.

For 2014, LG forecast a 7 percent gain in annual revenue and about a 20 percent increase in capital spending. The company said it budgeted 3 trillion won for capital expenditure for this year. The company's guidance for 2013 capital spending was 2.5 trillion won.

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