

4Q15 Earnings Release

January 26th 2016

LG Electronics

All information regarding management performance and financial results of LG Electronics (the “Company”) during the 4th quarter of 2015 as contained herein has been prepared on a consolidated basis in accordance with International Financial Reporting Standards (“IFRS”).

The information regarding results of 4th quarter of 2015 has been prepared in advance, prior to being audited by outside auditors, solely for the convenience of investors of the Company, and is subject to change in the process of final reviewing by external 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 year of 2016.

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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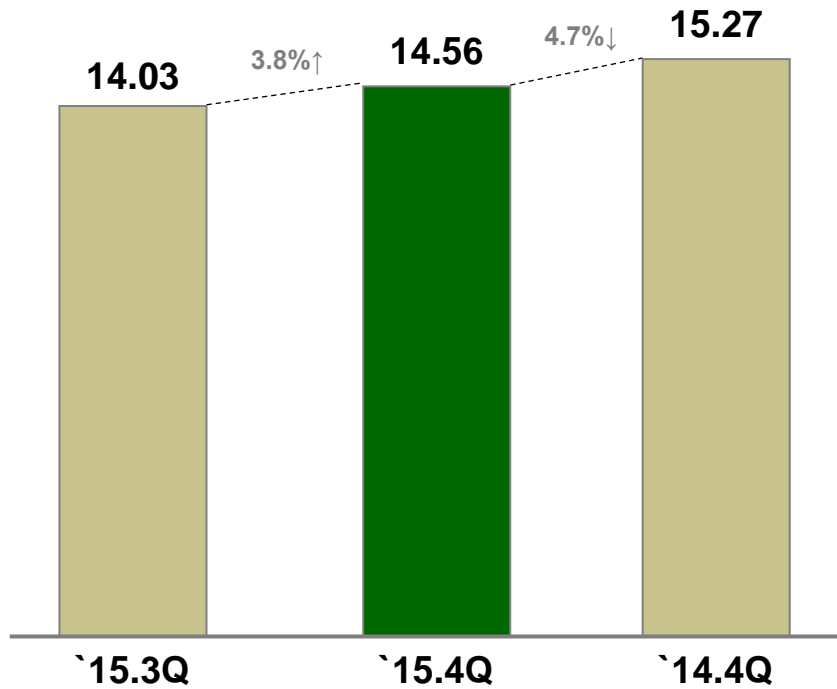
- 1. 4Q15 Results (Consolidated)**
- 2. Performance and Outlook by Division**

1. 4Q15 Results (Consolidated)

Sales/Profit

Sales

(Unit : KRW tn)



Profit

(Unit : KRW bn)

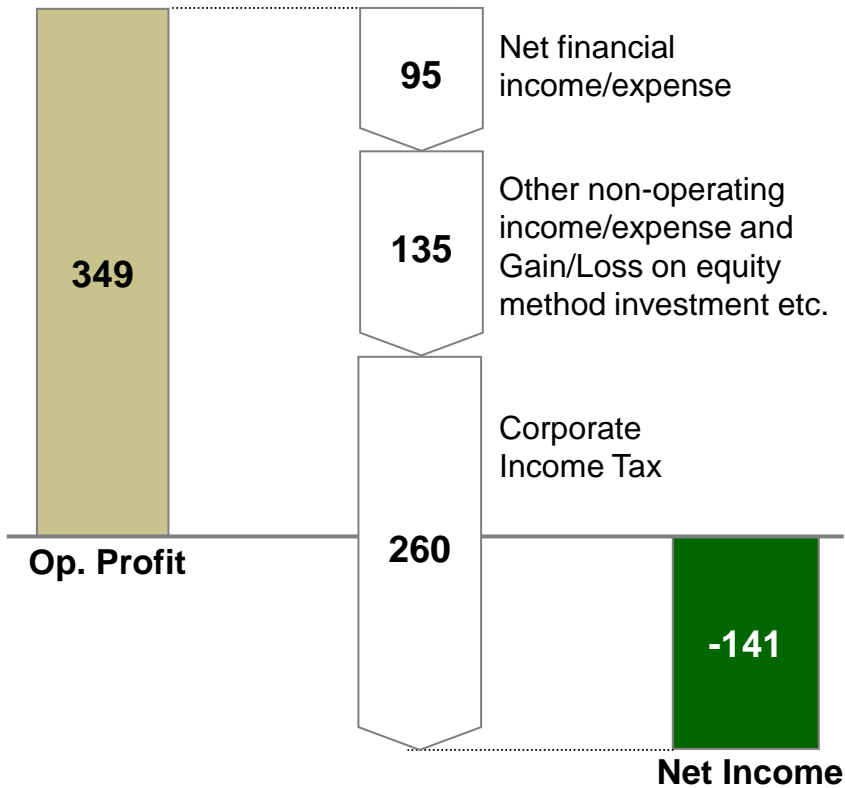
	'15.3Q	'15.4Q	'14.4Q
Operating Profit	294	349	275
EBITDA	776	833	775
Net Income	125	-141	-206

1. 4Q15 Results (Consolidated)

Net Income

Net Income

(Unit : KRW bn)



Gain/Loss on Equity Method Investment

(Unit : KRW bn)

	'15.3Q	'15.4Q	'14.4Q
LG Display	70	-2	148
Others	0	0	-8
Gain on equity method investment	70	-2	140

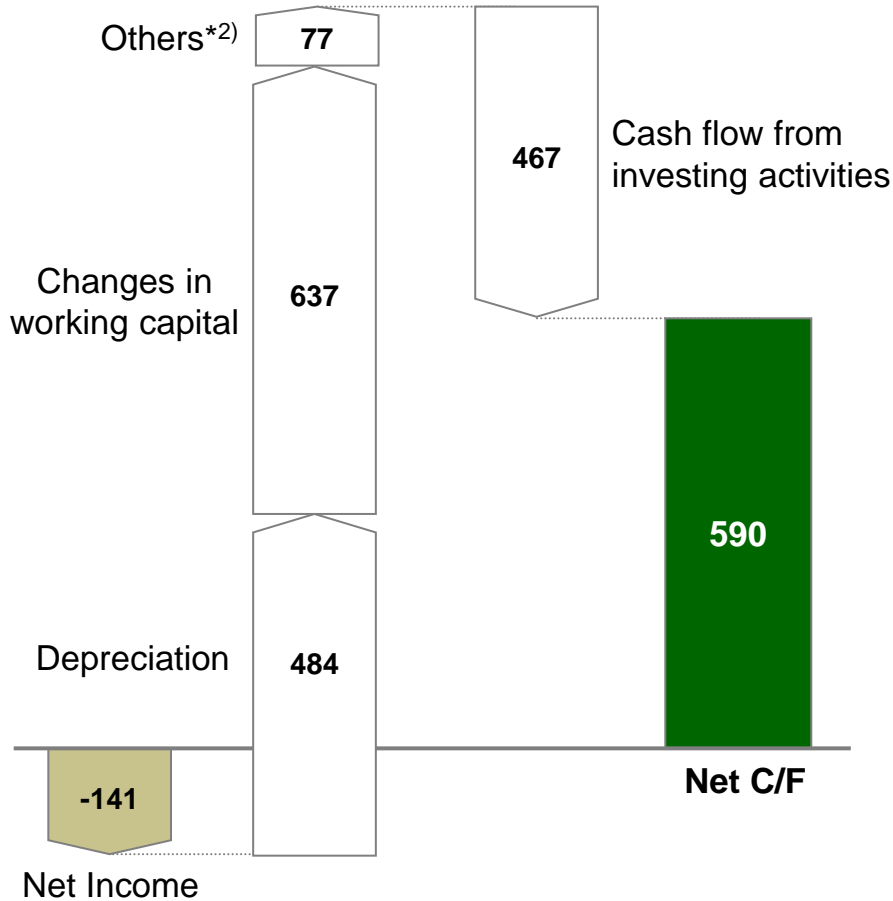
1. 4Q15 Results (Consolidated)

Cash Flow Statement

Net Cash Flow *1)

(Unit : KRW bn)

Cash In Cash Out



Cash Flow Statement

(Unit : KRW bn)

	15.3Q	15.4Q
Cash at the beginning of period	2,577	2,961
Cash flow from operating activities	901	1,129
Net income/loss	125	- 141
Depreciation	482	484
Gain/Loss on equity method investment	- 70	2
Change in working capital	514	637
Others	- 150	147
Cash flow from investing activities	- 415	- 467
Increase in tangible assets	- 339	- 447
Increase in intangible assets	- 94	- 126
Cash flow from financing activities	- 162	- 841
Dividend paid and others	- 10	- 19
Increase/Decrease in debt	- 152	- 822
FX effect from cash denominated in foreign currency	60	- 72
Net changes in cash	384	- 251
Cash at the end of period	2,961	2,710

* 1) Net Cash Flow: excluding cash flow from financing activities

* 2) Others include FX effect from cash denominated in foreign currency and gain/loss on equity method Investment

1. 4Q15 Results (Consolidated)

Balance Sheet / Leverage Ratio

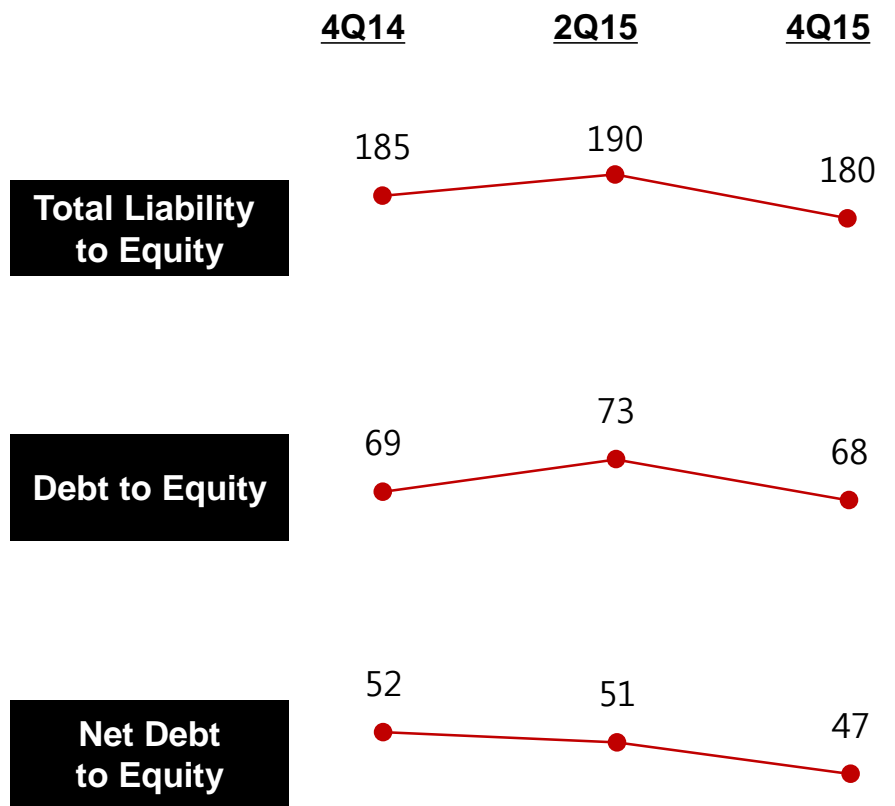
Balance Sheet

(Unit: KRW tn)

	<u>14.4Q</u>	<u>15.3Q</u>	<u>15.4Q</u>
Assets	37.07	38.95	36.31
Current Assets	17.48	18.83	16.40
Cash	2.24	2.96	2.71
Inventory	5.71	5.88	4.87
Non-Current Assets	19.59	20.12	19.91
Liabilities	24.08	25.53	23.33
Current Liabilities	15.76	16.27	14.78
Non-Current Liabilities	8.32	9.26	8.55
Equity	12.99	13.42	12.98
Debt	9.00	9.77	8.83
Net Debt	6.76	6.81	6.12

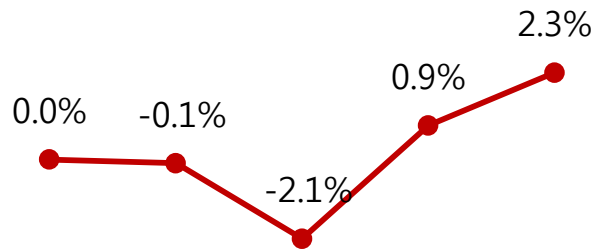
Leverage Ratio

(Unit : %)

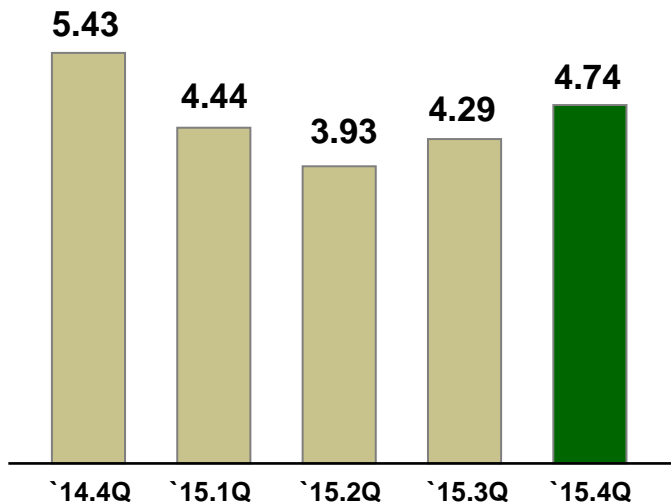


Quarterly Performance (KRW tn)

Op. Margin



Sales



4Q15 Performance

▪ Sales:

Increased 11% QoQ due to stronger sales in OLED TVs and UHD TVs.

- Shipments increased QoQ in the major markets such as Europe, Russia, and North America regions.
- Sales decreased 13% YoY due to the weak global TV market demand and unfavorable FX movement.

▪ Profitability:

Operating profit margins improved QoQ due to the better product mix and continuous improvement on cost structure.

2016 Outlook

▪ Market:

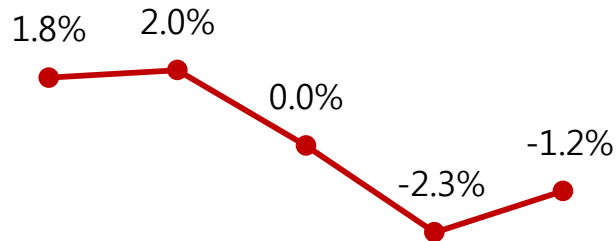
Although the overall TV demand is expected to remain sluggish, the premium TV demand such as UHD TV will increase continuously.

▪ LGE:

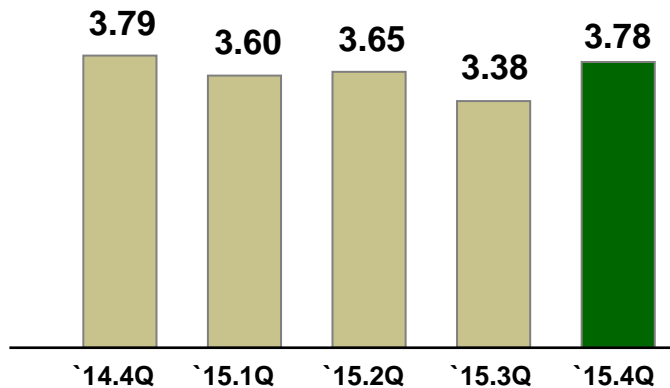
The intense competition in TV market is expected to continue for a while. However, LGE plans to lead the centralization of OLED TVs and expand sales of UHD TVs in the premium segment as well as strengthening the cost competitiveness.

Quarterly Performance (KRW tn)

Op. Margin



Sales



4Q15 Performance

▪ Sales:

Accomplished 3.8 trillion KRW, increased 12% QoQ and flat YoY

- Achieved 15.3M units of smartphone shipments (QoQ 2%↑, YoY 2%↓)
- Shipment in North America improved 13% QoQ with stronger premium smartphone sales.
- Shipment in domestic market declined 10% QoQ due to continuous weaker demand.

▪ Profitability:

Operating profit margin improved QoQ due to the sales increase and better cost efficiency.

2016 Outlook

▪ Market:

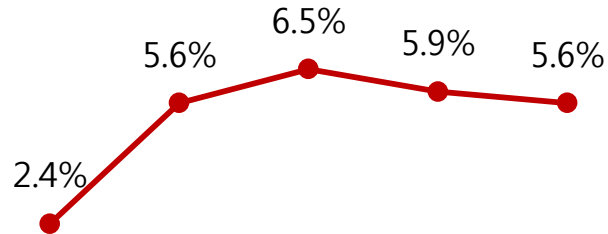
Expect overall market competition to be intensified due to the new premium model launch by the competitors as well as continuous price competition in mass segment.

▪ LGE:

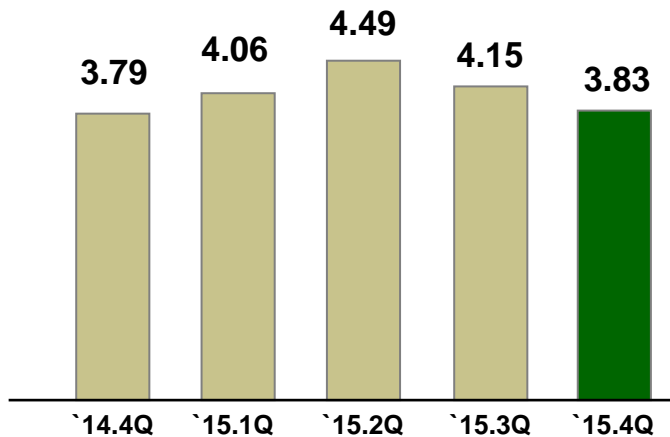
Achieve meaningful growth by launching 2 premium products a year and improve design as well as line-up for the mass tier zone while enhancing the cost competitiveness for entire value chain, thereby securing the profitability.

Quarterly Performance (KRW tn)

Op. Margin



Sales



4Q15 Performance

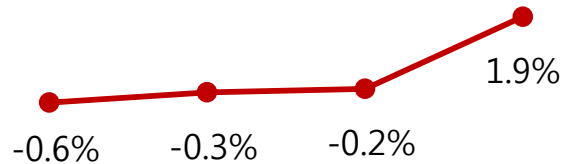
- Sales increased 1% YoY to 3.8 trillion KRW., while QoQ sales decreased 8% due to the seasonality of air conditioning products.
 - Domestic : Increased 13% YoY due to the strong performance in Twin-wash washing machine and premium refrigerator.
 - Overseas : Sales declined 2% YoY.
Sales in developed regions such as North America and Europe significantly improved. However, sales declined in market such as Middle East, South America, CIS regions due to weak demand caused by the drop in oil price and unfavorable FX movement
- Profitability:
Although the marketing expense increased due to the strong competition, favorable raw material price and sales increase in premium products supported the profitability to improve.

2016 Outlook

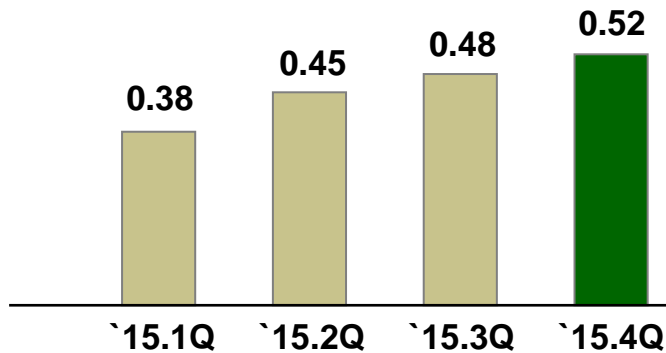
- Market:
Although LGE expect to attain similar growth rate to previous year in developed regions such as North America Europe, overall market fluctuation risk still exists due to the unstable situation in Middle East region and economic recession in China.
- LGE:
Starting with LG Signature products, LGE will launch market leading products in developed market.
Efficiently operating the resources as well as reducing the cost continuously, LGE will run profitable business in emerging market.

Quarterly Performance (KRW tn)

Op. Margin



Sales



4Q15 Performance

- **Sales:**
Increased 9% QoQ due to the high growth in Car Infotainment business.
 - Car Infotainment : Increased sales from major business partners.
 - Vehicle Engineering : Sales were flat due to the weaker demand in emerging markets such as Russia and Malaysia.
- **Profitability:**
Slightly positive due to the strong sales in Car Infotainment business.

2016 Outlook

- **Market:**
The opportunity of expanding Car Infotainment and smart car component businesses are expected to grow steadily with the emergence of smart car and electric vehicle.
- **LGE:**
For the Car Infotainment business, LGE will acquire global capability and accelerate new product launch in order to enhance business competitiveness.
As for electric vehicle components, LGE will accelerate sales growth by securing additional customers by utilizing successful launch of GM project as a reference.



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Income Statement

(Unit : KRW bn)

	2014					2015				
	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total
Sales	13,988.8	15,066.9	14,713.0	15,272.1	59,040.8	13,994.4	13,925.7	14,028.8	14,560.1	56,509.0
Cost of goods sold	10,763.8	11,399.2	11,150.3	11,985.8	45,299.1	10,906.1	10,732.7	10,769.9	11,226.4	43,635.1
Gross profit	3,225.0	3,667.7	3,562.7	3,286.3	13,741.7	3,088.3	3,193.0	3,258.9	3,333.7	12,873.9
Selling & admin expense	2,746.2	3,058.0	3,097.7	3,011.2	11,913.1	2,783.1	2,948.9	2,964.9	2,984.7	11,681.6
Operating income (Loss)	478.8	609.7	465.0	275.1	1,828.6	305.2	244.1	294.0	349.0	1,192.3
Financial income (Expense)	-101.0	-97.5	-68.0	-69.3	-335.8	-102.9	-98.1	-65.0	-94.5	-360.5
Gains (loss) on equity method investment	-54.7	98.3	120.7	140.1	304.4	168.3	123.4	70.0	-2.2	359.5
Other non operating income (Loss)	-54.0	10.1	-246.4	-288.6	-578.9	-320.9	42.5	-188.1	-131.7	-598.2
Net income before tax	269.1	620.6	271.3	57.3	1,218.3	49.7	311.9	110.9	120.6	593.1
Tax	191.9	196.9	51.8	99.2	539.8	11.3	83.2	-14.2	259.9	340.2
Income (Loss) from continuing operations	77.2	423.7	219.5	-41.9	678.5	38.4	228.7	125.1	-139.3	252.9
Income (Loss) from discontinued operations	15.4	-11.9	-16.8	-163.8	-177.1	0.0	-2.3	-0.3	-1.2	-3.8
Net income	92.6	411.8	202.7	-205.7	501.4	38.4	226.4	124.8	-140.5	249.1
Controlled shares	74.9	369.1	159.7	-204.3	399.4	2.2	187.2	83.7	-148.6	124.4
Non-controlled shares	17.7	42.7	43.0	-1.4	102.0	36.2	39.2	41.1	8.1	124.7

* Since this statements have yet been audited by an independent auditor, the contents can be changed if the auditor raised an issue in the review process.

Balance Sheet

(Unit : KRW bn)

	2014				2015			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Assets	37,158.2	37,433.8	38,503.5	37,068.4	37,253.7	37,979.5	38,947.4	36,313.9
Current Assets	18,204.5	18,446.6	19,320.8	17,482.7	17,649.5	18,122.3	18,831.1	16,397.6
Cash and cash equivalents	2,713.8	2,701.1	2,949.7	2,244.4	2,034.3	2,576.5	2,961.3	2,710.2
Accounts receivable	8,147.9	8,406.6	8,277.7	7,683.9	7,867.7	8,119.4	8,034.7	7,093.4
Inventory	5,572.6	5,548.8	6,288.1	5,711.3	5,828.7	5,554.7	5,880.3	4,872.7
Other	1,770.2	1,790.1	1,805.3	1,843.1	1,918.8	1,871.7	1,954.8	1,721.3
Non-current Assets	18,953.7	18,987.2	19,182.7	19,585.7	19,604.2	19,857.2	20,116.3	19,916.3
Investment	4,248.8	4,287.2	4,450.7	4,594.5	4,662.6	4,814.1	4,951.3	4,841.9
PP&E	10,306.8	10,429.1	10,504.1	10,596.9	10,475.0	10,550.6	10,496.9	10,460.3
Intangible assets	1,335.2	1,330.3	1,309.4	1,394.3	1,386.6	1,402.0	1,417.1	1,473.3
Other	3,062.9	2,940.6	2,918.5	3,000.0	3,080.0	3,090.5	3,251.0	3,140.8
Liabilities	24,368.0	24,377.0	25,247.9	24,077.3	24,499.5	24,794.6	25,523.8	23,330.4
Accounts payable	6,875.7	6,725.1	7,404.9	6,741.7	6,958.2	6,416.0	7,219.8	6,087.0
Debt	9,654.0	9,524.0	9,429.7	9,002.4	9,568.4	9,894.7	9,773.9	8,827.3
Other	7,838.3	8,127.9	8,413.3	8,333.2	7,972.9	8,483.9	8,530.1	8,416.1
Equity	12,790.2	13,056.8	13,255.6	12,991.1	12,754.2	13,184.9	13,423.6	12,983.5

(Unit : KRW bn)

		1Q'14	2Q'14	3Q'14	4Q'14	'14 Total	1Q'15	2Q'15	3Q'15	4Q'15	QoQ	YoY	'15 Total
HE (Home Entertainment)	Sales	4,661.4	4,783.2	4,507.0	5,427.0	19,378.6	4,436.7	3,934.8	4,286.4	4,739.7	10.6%	-12.7%	17,397.6
	Op. Income	216.1	158.6	134.5	2.1	511.3	-6.2	-82.7	37.0	109.2			57.3
	(%)	4.6%	3.3%	3.0%	0.0%	2.6%	-0.1%	-2.1%	0.9%	2.3%			0.3%
MC (Mobile Communications)	Sales	3,422.6	3,631.2	4,257.7	3,793.8	15,105.3	3,596.5	3,648.4	3,377.4	3,777.3	11.8%	-0.4%	14,399.6
	Op. Income	-7.3	86.7	168.6	68.1	316.1	72.9	0.2	-77.6	-43.8			-48.3
	(%)	-0.2%	2.4%	4.0%	1.8%	2.1%	2.0%	0.0%	-2.3%	-1.2%			-0.3%
H&A (Home Appliance & Air Solution)	Sales	4,126.9	4,867.6	3,979.2	3,788.8	16,762.5	4,063.1	4,485.3	4,153.4	3,829.5	-7.8%	1.1%	16,531.3
	Op. Income	210.9	275.2	47.1	92.2	625.4	229.5	291.8	245.6	214.8			981.7
	(%)	5.1%	5.7%	1.2%	2.4%	3.7%	5.6%	6.5%	5.9%	5.6%			5.9%
VC (Vehicle Components)	Sales						382.6	450.8	478.6	520.4	8.7%		1,832.4
	Op. Income						-2.4	-1.5	-0.8	9.7			5.0
	(%)						-0.6%	-0.3%	-0.2%	1.9%			0.3%
Others	Sales	667.2	628.8	739.6	807.8	2,843.4	314.1	309.4	504.0	451.7	-10.4%	-44.1%	1,579.2
	Op. Income	-0.6	2.0	12.3	51.5	65.2	-56.3	-10.4	29.9	10.8			-26.0

LGE Consolidated before including LG Innotek (①)	Sales	12,878.1	13,910.8	13,483.5	13,817.4	54,089.8	12,793.0	12,828.7	12,799.8	13,318.6	4.1%	-3.6%	51,740.1
	Op. Income	419.1	522.5	362.5	213.9	1,518.0	237.5	197.4	234.1	300.7			969.7
	(%)	3.3%	3.8%	2.7%	1.5%	2.8%	1.9%	1.5%	1.8%	2.3%			1.9%

LG Innotek earnings excluding internal transactions with LGE (②)	Sales	1,458.8	1,542.9	1,649.3	1,815.1	6,466.1	1,541.3	1,447.1	1,558.8	1,590.9	2.1%	-12.4%	6,138.1
	Op. Income	63.1	89.9	102.9	58.1	314.0	69.0	49.0	60.6	45.1			223.7

LGE earnings from LG innotek (③)	Sales	348.1	386.8	419.8	360.4	1,515.1	339.9	350.1	329.8	349.4	5.9%	-3.1%	1,369.2
	Op. Income	3.4	2.7	0.4	-3.1	3.4	1.3	2.3	0.7	-3.2			1.1

LGE Consolidated (①+②-③)	Sales	13,988.8	15,066.9	14,713.0	15,272.1	59,040.8	13,994.4	13,925.7	14,028.8	14,560.1	3.8%	-4.7%	56,509.0
	Op. Income	478.8	609.7	465.0	275.1	1,828.6	305.2	244.1	294.0	349.0			1,192.3
	(%)	3.4%	4.0%	3.2%	1.8%	3.1%	2.2%	1.8%	2.1%	2.4%			2.1%

* 1) VC earnings for 2014 financial year are included in Others (VC earnings are separately stated from 1Q15)

* 2) Since this statements have yet been audited by an independent auditor, the contents can be changed if the auditor raised an issue in the review process.