

# 1Q16 Earnings Release

**April 28<sup>th</sup> 2016**

**LG Electronics**

**All information regarding management performance and financial results of LG Electronics (the “Company”) during the 1<sup>st</sup> quarter of 2016 as contained herein has been prepared on a consolidated basis in accordance with International Financial Reporting Standards (“IFRS”).**

**The information regarding results of 1<sup>st</sup> quarter of 2016 has been prepared in advance, prior to being reviewed by outside auditors, solely for the convenience of investors of the Company, and is subject to change in the process of final review 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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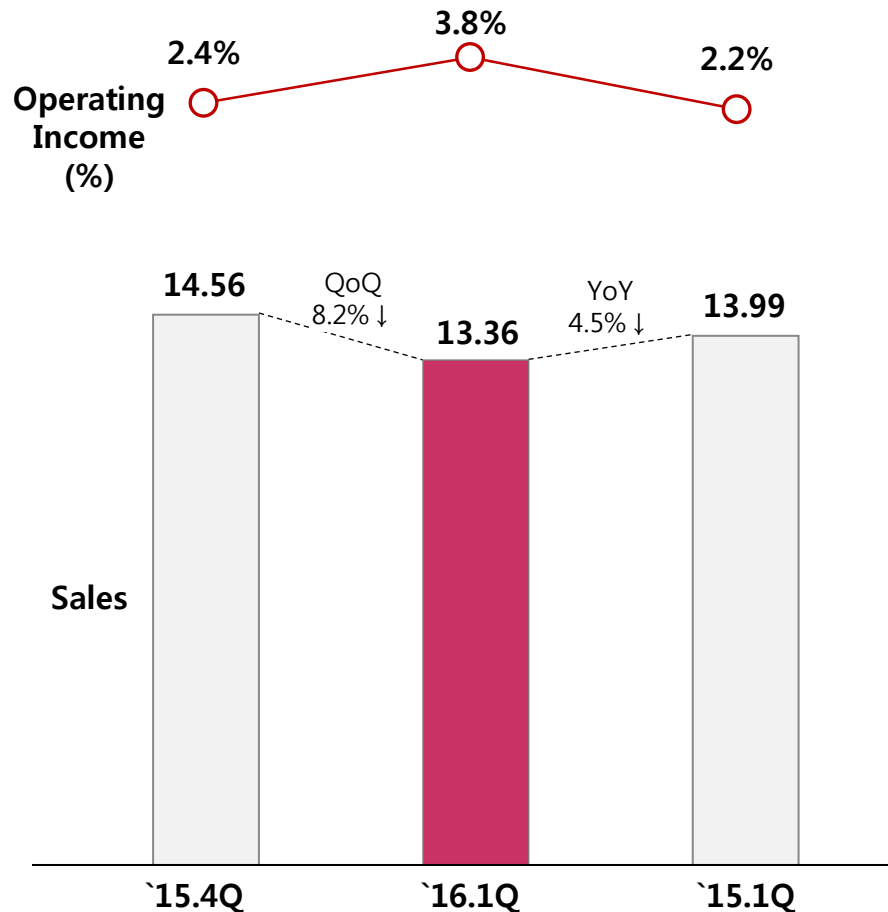
# **1Q16 Earnings(Consolidated) and Outlook**

# 1Q16 Earnings(Consolidated) and Outlook

Sales/Profits

## Sales / Profits

(Unit : KRW tn)



## Income Analysis

(Unit : KRW bn)

	'15.4Q	QoQ	'16.1Q	YoY	'15.1Q
<b>Operating Income</b>	349.0	156.2	<b>505.2</b>	200.0	305.2
Net financial income/expense	-94.5	-26.4	-120.9	-18.0	-102.9
Gain/Loss on equity method	-2.2	-20.1	-22.3	-190.6	168.3
Other non-operating income/expense	-131.7	51.3	-80.4	240.5	-320.9
<b>Income before tax</b>	120.6	161.0	<b>281.6</b>	231.9	49.7
Corporate Income Tax	259.9	-176.4	83.5	72.2	11.3
<b>Net Income</b>	-140.5	338.6	<b>198.1</b>	159.7	38.4
EBITDA	832.8		959.5		795.7

# 1Q16 Earnings(Consolidated) and Outlook

## Performance by Division

(Unit : KRW bn)

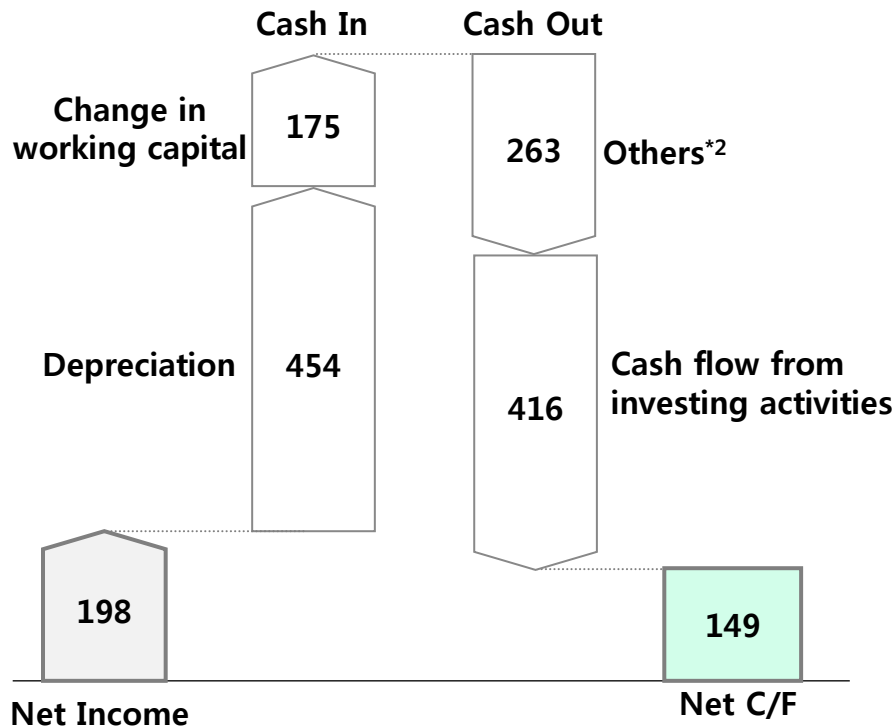
		'15.4Q	QoQ	'16.1Q	YoY	'15.1Q
<b>Consolidated</b> <sup>*1</sup>	Sales	14,560.1	-8.2%	13,362.1	-4.5%	13,994.4
	Operating Income	349.0	156.2	505.2	200.0	305.2
	(%)	2.4%	1.4%p	3.8%	1.6%p	2.2%
<b>H&amp;A</b> (Home Appliance & Air Solution)	Sales	3,829.5	10.2%	4,219.5	3.8%	4,063.1
	Operating Income	214.8	193.0	407.8	178.3	229.5
	(%)	5.6%	4.1%p	9.7%	4.1%p	5.6%
<b>MC</b> <sup>*2</sup> (Mobile Communications)	Sales	3,670.1	-19.3%	2,963.2	-15.5%	3,508.4
	Operating Income	-60.9	-141.3	-202.2	-259.0	56.8
	(%)	-1.7%	-5.1%p	-6.8%	-8.4%p	1.6%
<b>HE</b> (Home Entertainment)	Sales	4,739.7	-8.6%	4,333.4	-2.3%	4,436.7
	Operating Income	109.2	226.0	335.2	341.4	-6.2
	(%)	2.3%	5.4%p	7.7%	7.8%p	-0.1%
<b>VC</b> (Vehicle Components)	Sales	520.4	13.9%	592.9	55.0%	382.6
	Operating Income	9.7	-25.5	-15.8	-13.4	-2.4
	(%)	1.9%	-4.6%p	-2.7%	-2.1%p	-0.6%

\*1 Including LG Innotek

\*2 1Q.16, the IPD(Innovative Personal Device) department within MC division has been restated to others

### Net Cash Flow \*1

(Unit : KRW bn)



### Cash Flow Statement

(Unit : KRW bn)

	'15.4Q	'16.1Q
☐ Cash at the beginning of period	2,961	2,710
• Cash flow from operating activities	1,119	597
Net income/loss	-140	198
Depreciation	484	454
Gain/Loss on equity method investment	2.2	22.3
Changes in working capital	637	175
Others	137	-253
• Cash flow from investing activities	-458	-416
Increase in tangible assets	-447	-298
Increase in intangible assets	-126	-118
• Cash flow from financing activities	-841	436
Dividend paid and others	-19	-1
Increase/Decrease in debt	-822	437
• FX effect from cash denominated in foreign currency	-72	-33
☐ Net changes in cash	-251	585
☐ Cash at the end of period	2,710	3,295

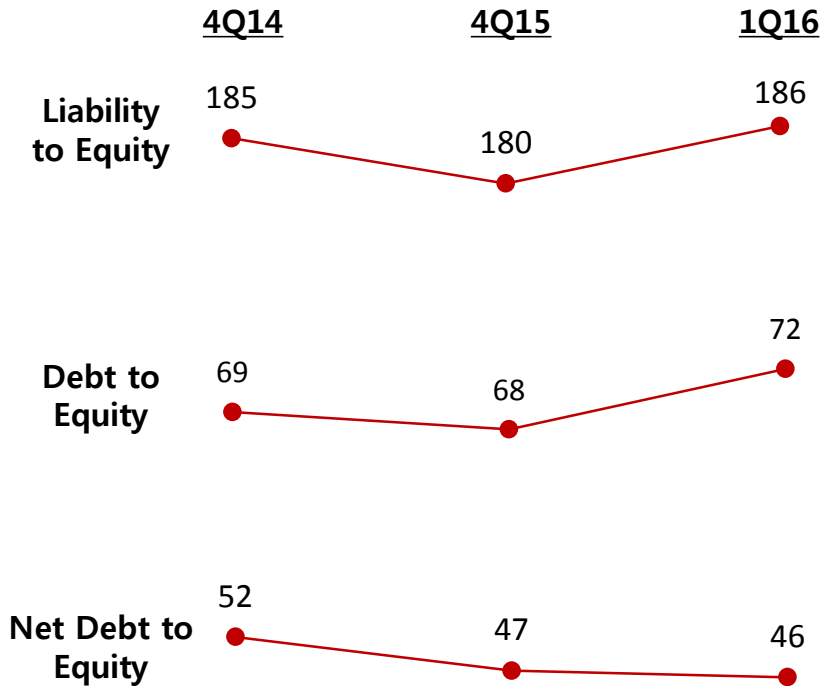
\*1 Net Cash Flow: Excluding Cash flow from financing activities

\*2 Others include FX effect from cash denominated in foreign currency and Gain/Loss on equity method Investment

# 1Q16 Earnings(Consolidated) and Outlook Leverage Ratio / Balance Sheet

## Leverage Ratio

(Unit : %)



## Balance Sheet

(Unit: KRW tn)

	4Q14	4Q15	1Q16
<b>Assets</b>	<b>37.07</b>	<b>36.31</b>	<b>37.18</b>
Current Assets	17.48	16.40	17.38
Cash	2.24	2.71	3.29
Inventory	5.71	4.87	5.42
Non-Current Assets	19.59	19.91	19.80
<b>Liabilities</b>	<b>24.08</b>	<b>23.33</b>	<b>24.19</b>
Current Liabilities	15.68	14.78	15.61
Non-Current Liabilities	8.40	8.55	8.57
<b>Equity</b>	<b>12.99</b>	<b>12.98</b>	<b>12.99</b>
<b>Debt</b>	<b>9.00</b>	<b>8.83</b>	<b>9.29</b>
<b>Net Debt</b>	<b>6.76</b>	<b>6.12</b>	<b>6.00</b>



### Business Environment

Uncertain global economy, tough market conditions are expected to persist.

Volatility of raw material price.

The demand of premium appliances and Ultra HD TVs/OLED TVs in the developed markets are anticipated to grow continuously.

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### Key Strategies

Continue premium focused strategy(LG Signature, G5, Ultra OLED TV)

Actively engage to boost the sales for high season products such as air conditioners, etc.

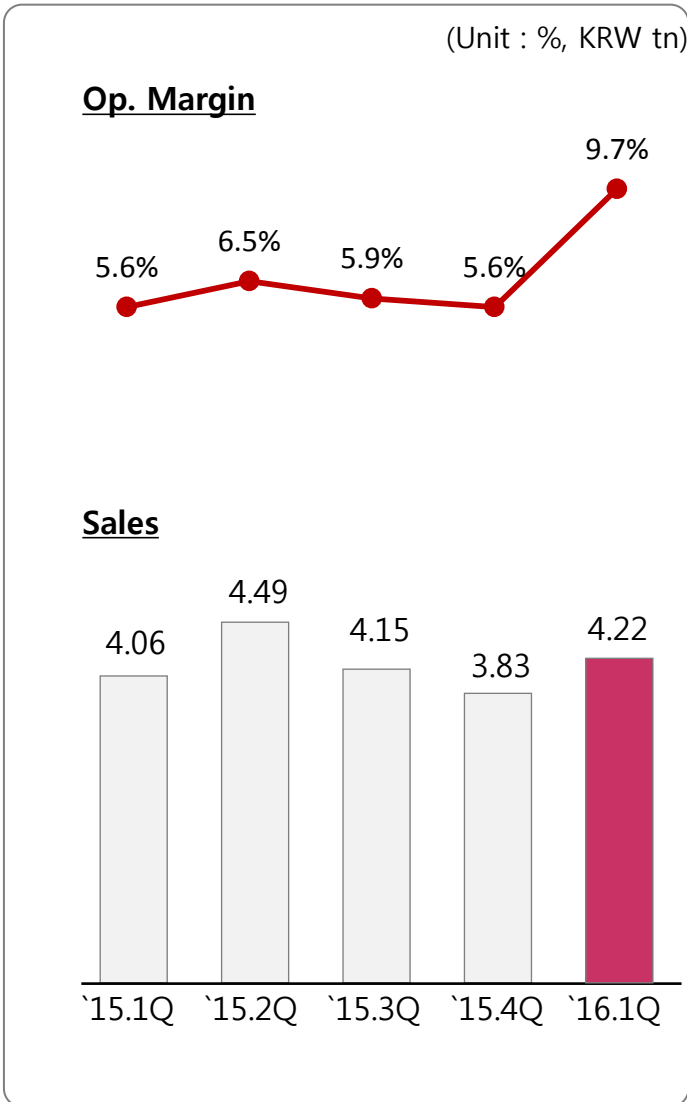
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### Sales & Profits

Anticipate double digit QoQ sales growth.

Expect to mark better QoQ profits.

## **II Performance and Outlook by Division**



## 1Q16 Performance

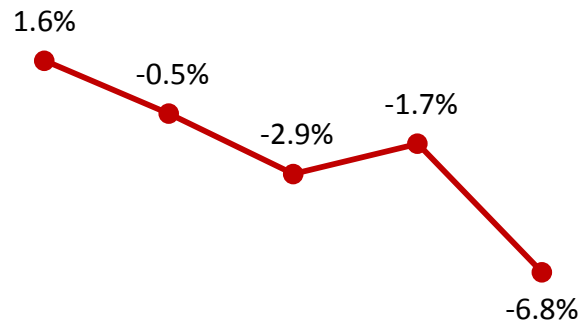
- **Sales : Sales rose 4% YoY driven by sales growth in premium products and B2B businesses.**
  - Domestic : Increased by 11% YoY due to the strong performance in TWINWash washing machine, premium refrigerators and system air conditioners.
  - Overseas : Drop in oil price and unfavorable FX movements affected the weak demand in market such as Middle East, South America and CIS regions. However, overall sales increased by 1% YoY since the sales increased in developed regions such as North America and Europe.
- **Profitability : Favorable raw material price and better product mix contributed the profitability to improve.**

## 2Q16 Outlook

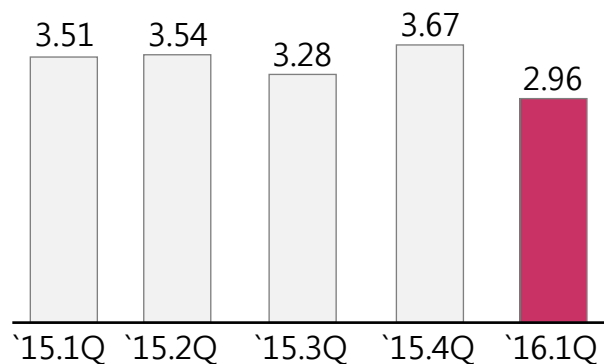
- **Market : Although the market would grow stable in developed regions such as North America and Europe, overall market fluctuation risk still remains due to the economic recession in Middle East/CIS/China regions.**
- **LGE : LGE will launch 'LG Signature' in the developed regions in order to reinforce the position in the premium market. For the emerging market, LGE will run profitable business by efficiently operating the resources as well as continuously reducing the cost.**

(Unit : %, KRW tn)

## Op. Margin



## Sales



## 1Q16 Performance

- **Sales : Revenue declined 19% QoQ due to seasonality and ASP erosion, etc.**
  - Smartphone shipments marked 13.5M Units. (YoY 12% ↓, QoQ 12% ↓)
  - Mobile phone sales decreased 3% QoQ due to the impact of reducing the channel inventory from the carriers in North America market.
  - Mass tier sales decreased due to the unstable economic condition in Latin America, CIS regions.
- **Profitability : Loss occurred due to the lower shipments and execution of G5 marketing expense in advance.**

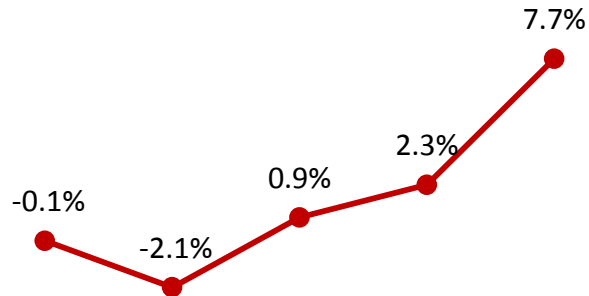
## 2Q16 Outlook

- **Market : Slow smartphone market demand growth would further accelerate the intense price competition among smartphone vendors.**
- **LGE : Stronger sales are anticipated largely driven by the global expansion of G5 sales and enhancement of mass tier model sales. The build up of cost-competitive value chain will aid the profitability improve**

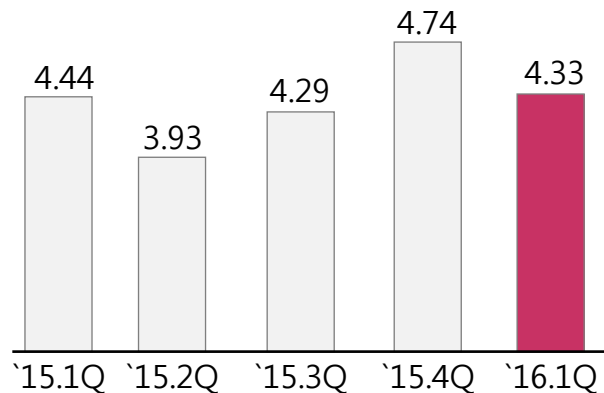
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(Unit : %, KRW tn)

## Op. Margin



## Sales



## 1Q16 Performance

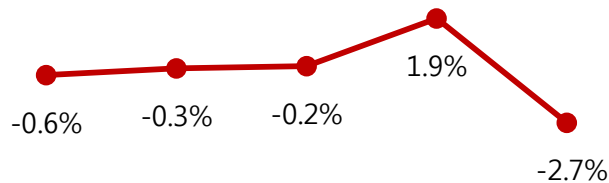
- **Sales : Revenue fell 9% QoQ due to seasonality**
  - TV shipments decreased QoQ in the major markets such as Europe, and North America regions for weak demand.
  - Sales in South Central America, Middle East regions has dipped 2% YoY due to economic condition
- **Profitability : Margins improved by increasing premium product sales and better cost structure.**

## 2Q16 Outlook

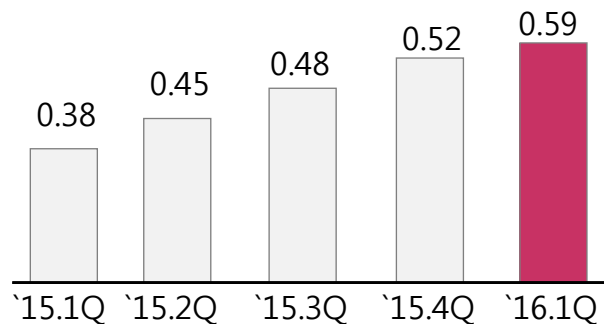
- **Market : Although the overall TV demand would remain sluggish, the premium TV demand such as UHD TV and OLED TV will continuously move up.**
- **LGE :** Expect slight decline in revenue and margin compared to the previous quarter. However, solid profitability is anticipated by maintaining cost competitiveness.

(Unit : %, KRW tn)

## Op. Margin



## Sales



## 1Q16 Performance

- Sales : Increased 14% QoQ, 55% YoY due to the high growth in Car Infotainment business.
- Profitability : Loss occurred due to the inclined R&D investment for Infotainment and electric vehicle components.

## 2Q16 Outlook

- Market : Demand of electronic components are expected to grow measurably and the market growth of electric vehicle components may be hastened by the impact of Tesla Syndrome.
- LGE : Regarding Car Infotainment business, LGE will acquire global capability and accelerate new product launch in order to enhance business competitiveness. In terms of electric vehicle components, by utilizing successful launch of GM project, LGE expect to accelerate sales growth by securing additional customers.



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### Income Statement

(Unit : KRW bn, %)

	2015										2016	
	1Q		2Q		3Q		4Q		Total		1Q	
Sales	13,994.4	100.0%	13,925.7	100.0%	14,028.8	100.0%	14,560.1	100.0%	56,509.0	100.0%	13,362.1	100.0%
Cost of goods sold	10,906.1	77.9%	10,732.7	77.1%	10,769.9	76.8%	11,226.4	77.1%	43,635.1	77.2%	10,038.4	75.1%
Gross profit	3,088.3	22.1%	3,193.0	22.9%	3,258.9	23.2%	3,333.7	22.9%	12,873.9	22.8%	3,323.7	24.9%
Selling & admin expense	2,783.1	19.9%	2,948.9	21.2%	2,964.9	21.1%	2,984.7	20.5%	11,681.6	20.7%	2,818.5	21.1%
Operating income (Loss)	305.2	2.2%	244.1	1.8%	294.0	2.1%	349.0	2.4%	1,192.3	2.1%	505.2	3.8%
Financial income (Expense)	-102.9	-0.7%	-98.1	-0.7%	-65.0	-0.5%	-94.5	-0.6%	-360.5	-0.6%	-120.9	-0.9%
Gains (loss) on equity method investment	168.3	1.2%	123.4	0.9%	70.0	0.5%	-2.2	0.0%	359.5	0.6%	-22.3	-0.2%
Other non operating income (Loss)	-320.9	-2.3%	42.5	0.3%	-188.1	-1.3%	-131.7	-0.9%	-598.2	-1.1%	-80.4	-0.6%
Net income before tax	49.7	0.4%	311.9	2.2%	110.9	0.8%	120.6	0.8%	593.1	1.0%	281.6	2.1%
Tax	11.3	0.1%	83.2	0.6%	-14.2	-0.1%	259.9	1.8%	340.2	0.6%	83.5	0.6%
Income (Loss) from continuing operations	38.4	0.3%	228.7	1.6%	125.1	0.9%	-139.3	-1.0%	252.9	0.4%	198.1	1.5%
Income (Loss) from discontinued operations	0.0	0.0%	-2.3	0.0%	-0.3	0.0%	-1.2	0.0%	-3.8	0.0%	0.0	0.0%
Net income	38.4	0.3%	226.4	1.6%	124.8	0.9%	-140.5	-1.0%	249.1	0.4%	198.1	1.5%
Controlled shares	2.2		187.1		83.7		-148.6		124.4		190.6	
Noncontrolled shares	36.2		39.3		41.1		8.1		124.7		7.5	

\* 1) Since this statements have yet been reviewed by an independent auditor, the contents can be changed if the auditor raise an issue during the review process



### Balance Sheet

	2015				(Unit : KRW bn)
	1Q	2Q	3Q	4Q	2016 1Q
Assets	37,253.7	37,979.5	38,947.4	36,313.9	37,176.9
Current Assets	17,649.5	18,122.3	18,831.1	16,397.6	17,378.8
Cash and cash equivalents	2,034.3	2,576.5	2,961.3	2,710.2	3,294.8
Accounts receivable	7,867.7	8,119.4	8,034.7	7,093.4	6,838.2
Inventory	5,828.7	5,554.7	5,880.3	4,872.7	5,417.8
Other	1,918.8	1,871.7	1,954.8	1,721.3	1,828.0
Non-current Assets	19,604.2	19,857.2	20,116.3	19,916.3	19,798.1
Investment	4,662.6	4,814.1	4,951.3	4,841.9	4,768.3
PP&E	10,475.0	10,550.6	10,496.9	10,460.3	10,359.8
Intangible assets	1,386.6	1,402.0	1,417.1	1,473.3	1,468.9
Other	3,080.0	3,090.5	3,251.0	3,140.8	3,201.1
Liabilities	24,499.5	24,794.6	25,523.8	23,330.4	24,186.9
Accounts payable	6,958.2	6,416.0	7,219.8	6,087.0	6,561.4
Debt	9,568.4	9,894.7	9,773.9	8,827.3	9,291.7
Other	7,972.9	8,483.9	8,530.1	8,416.1	8,333.8
Equity	12,754.2	13,184.9	13,423.6	12,983.5	12,990.0

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(Unit : KRW bn)

		1Q'15	2Q'15	3Q'15	4Q'15	'15 Total	1Q'16	QoQ	YoY
<b>H&amp;A</b> (Home Appliance & Air Solution)	Sales	4,063.1	4,485.3	4,153.4	3,829.5	16,531.3	4,219.5	10%	4%
	Op. Income (%)	229.5 5.6%	291.8 6.5%	245.6 5.9%	214.8 5.6%	981.7 5.9%	407.8 9.7%		
<b>MC</b> (Mobile Communications)	Sales	3,508.4	3,544.8	3,280.1	3,670.1	14,003.4	2,963.2	-19%	-16%
	Op. Income (%)	56.8 1.6%	-19.2 -0.5%	-96.3 -2.9%	-60.9 -1.7%	-119.6 -0.9%	-202.2 -6.8%		
<b>HE</b> (Home Entertainment)	Sales	4,436.7	3,934.8	4,286.4	4,739.7	17,397.6	4,333.4	-9%	-2%
	Op. Income (%)	-6.2 -0.1%	-82.7 -2.1%	37.0 0.9%	109.2 2.3%	57.3 0.3%	335.2 7.7%		
<b>VC</b> (Vehicle Components)	Sales	382.6	450.8	478.6	520.4	1,832.4	592.9	14%	55%
	Op. Income (%)	-2.4 -0.6%	-1.5 -0.3%	-0.8 -0.2%	9.7 1.9%	5.0 0.3%	-15.8 -2.7%		
<b>Others</b>	Sales	402.2	413.0	601.3	558.9	1,975.4	393.7	-30%	-2%
	Op. Income	-40.2	9.0	48.6	27.9	45.3	-19.7		
<b>LGE Consolidated Excluding LG Innotek(①)</b>	Sales	12,793.0	12,828.7	12,799.8	13,318.6	51,740.1	12,502.7	-6%	-2%
	Op. Income	237.5	197.4	234.1	300.7	969.7	505.3		
	(%)	1.9%	1.5%	1.8%	2.3%	1.9%	4.0%		
<b>LG Innotek(②)</b>	Sales	1,541.3	1,447.1	1,558.8	1,590.9	6,138.1	1,195.0	-25%	-22%
	Op. Income	69.0	49.0	60.6	45.1	223.7	0.4		
<b>LGE-LG Innotek Inter-company Transaction (③)</b>	Sales	339.9	350.1	329.8	349.4	1,369.2	335.6	-4%	-1%
	Op. Income	1.3	2.3	0.7	-3.2	1.1	0.5		
<b>LGE Consolidated (①+②-③)</b>	Sales	13,994.4	13,925.7	14,028.8	14,560.1	56,509.0	13,362.1	-8%	-5%
	Op. Income	305.2	244.1	294.0	349.0	1,192.3	505.2		
	(%)	2.2%	1.8%	2.1%	2.4%	2.1%	3.8%		

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