

1Q'17 Earnings Release

Apr 27th 2017

LG Electronics

All information regarding management performance and financial results of LG Electronics (the “Company”) during the 1st quarter of 2017 as contained herein has been prepared on a consolidated basis in accordance with International Financial Reporting Standards (“IFRS”).

The information regarding results of 1st quarter of 2017 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 2017.

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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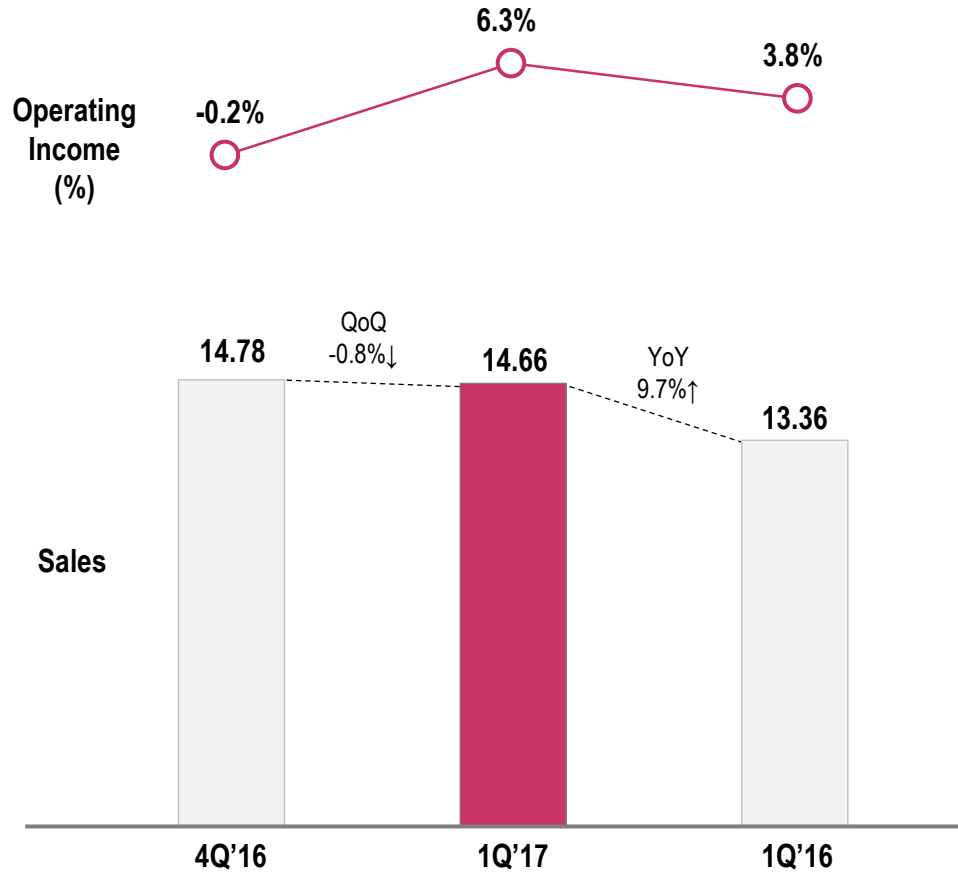
Consolidated Earnings and Outlook

Consolidated Earnings and Outlook

Sales / Profits

Sales / Profits

(Unit : KRW tn)



Performance by Division

(Unit : KRW bn)

		4Q'16	QoQ	1Q'17	YoY	1Q'16
Consolidated	Sales	14,777.7	-0.8%	14,657.2	9.7%	13,362.1
	O.I	-35.2	956.7	921.5	416.3	505.2
	(%)	-0.2%	6.5%p	6.3%	2.5%p	3.8%
H&A Home Appliance & Air Solution	Sales	4,043.3	14.7%	4,638.7	9.9%	4,219.5
	O.I	150.1	370.7	520.8	113.0	407.8
	(%)	3.7%	7.5%p	11.2%	1.5%p	9.7%
MC Mobile Communications	Sales	2,903.7	3.7%	3,012.2	1.7%	2,963.2
	O.I	-467.0	466.8	-0.2	202.0	-202.2
	(%)	-16.1%	16.1%p	0.0%	6.8%p	-6.8%
HE Home Entertainment	Sales	4,793.4	-9.7%	4,326.1	-0.2%	4,333.4
	O.I	164.0	218.2	382.2	47.0	335.2
	(%)	3.4%	5.4%p	8.8%	1.1%p	7.7%
VC Vehicle Components	Sales	865.6	1.2%	876.4	47.8%	592.9
	O.I	-14.4	-0.1	-14.5	1.3	-15.8
	(%)	-1.7%	0.0%p	-1.7%	1.0%p	-2.7%

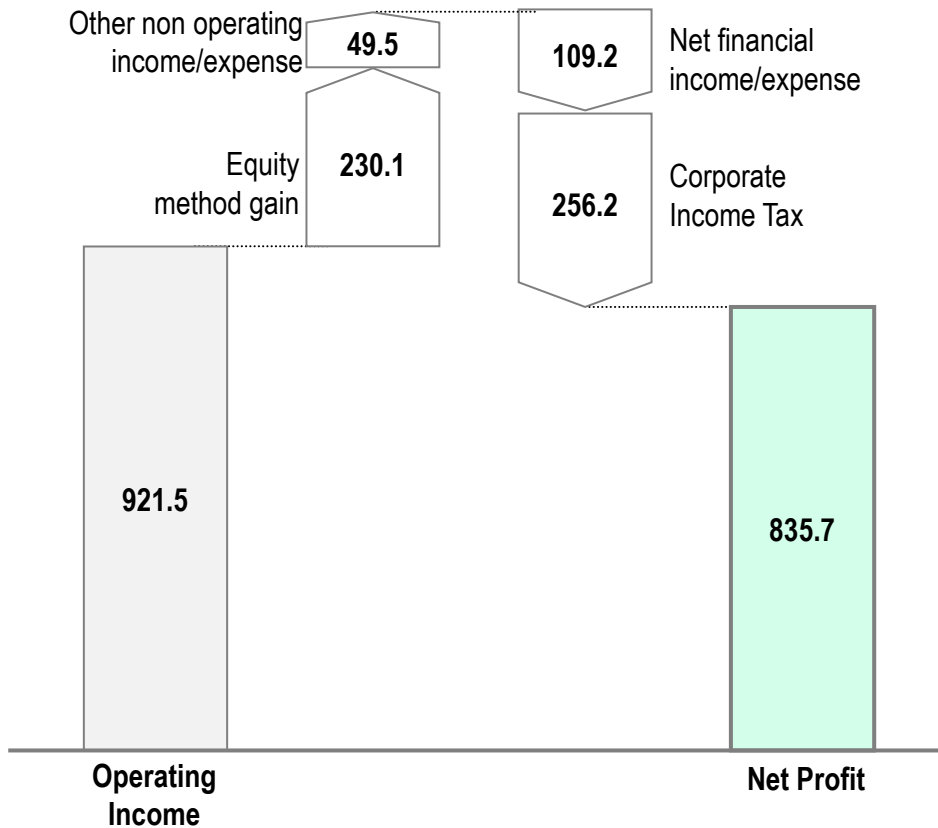
*1) Including LG Innotek

Consolidated Earnings and Outlook

Income Analysis

1Q'17 Income Analysis

(Unit : KRW bn)



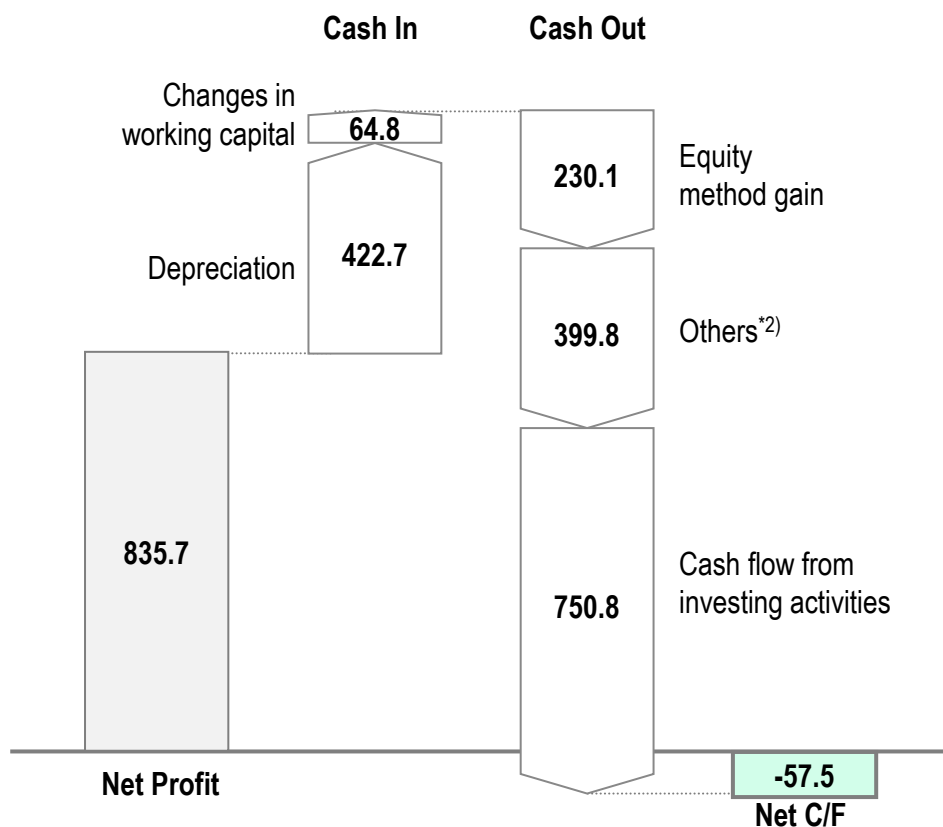
Income Trend

(Unit : KRW bn)

	4Q'16	QoQ	1Q'17	YoY	1Q'16
Operating Income	-35.2	956.7	921.5	416.3	505.2
Net financial income/expense	-84.3	-24.9	-109.2	11.7	-120.9
Gain/Loss on equity method	297.3	-67.2	230.1	252.4	-22.3
Other non-operating income/expense	-260.9	310.4	49.5	129.9	-80.4
Income before tax	-83.1	1,175.0	1,091.9	810.3	281.6
Corporate Income Tax	175.7	80.5	256.2	172.7	83.5
Net Income	-258.8	1,094.5	835.7	637.6	198.1
EBITDA	391.7		1,344.2		959.5

1Q'17 Net Cash Flow*1)

(Unit : KRW bn)



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

*2) Others includes FX effect from cash denominated in foreign currency and changes in provisions

Cash Flow Statement

(Unit : KRW bn)

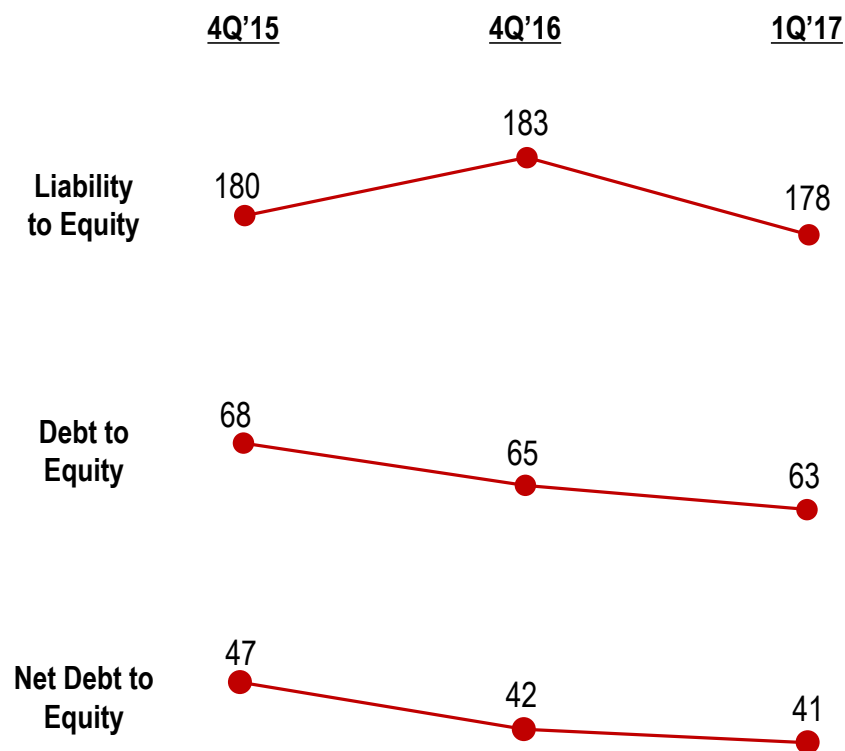
	4Q'16	1Q'17
☐ Cash at the beginning of period	3,488.5	3,015.1
• Cash flow from operating activities	690.3	795.0
Net income/loss	-258.8	835.7
Depreciation	426.8	422.7
Gain/Loss on equity method investment	-297.3	-230.1
Changes in working capital	188.8	64.8
Others	630.8	-298.1
• Cash flow from investing activities	-724.3	-750.8
Increase in tangible assets	-644.4	-609.8
Increase in intangible assets	-118.2	-138.0
• Cash flow from financing activities	-396.0	74.3
Dividend paid, etc	-2.5	-0.2
Increase/Decrease in debt	-393.5	74.5
• FX effect from cash denominated in foreign currency	-43.4	-101.7
☐ Net changes in cash	-473.4	16.8
☐ Cash at the end of period	3,015.1	3,031.9

Consolidated Earnings and Outlook

Leverage Ratio / Balance Sheet

Leverage Ratio

(Unit: %)



Balance Sheet

(Unit : KRW tn)

	4Q'15	4Q'16	1Q'17
Assets	36.31	37.86	38.12
Current Assets	16.40	16.99	17.47
Cash	2.71	3.02	3.03
Inventory	4.87	5.17	5.39
Non-Current Assets	19.92	20.87	20.65
Liabilities	23.33	24.50	24.43
Current Liabilities	14.77	15.74	16.15
Non-Current Liabilities	8.56	8.76	8.28
Equity	12.98	13.36	13.69
Debt	8.83	8.66	8.63
Net Debt	6.12	5.64	5.60

Business Environment

- Slow growth of economy due to uncertainty of international affairs and global economic condition.
- Volatility risk of foreign exchange currency and raw material price.

○ H&A : Secure profitable growth by launching new products and maximize the sales of peak season products such as A/C and refrigerator.

Key Strategies

- HE : Enhance premium position and sustain robust margin structure by expanding global launch of market leading products such as 'LG SIGNATURE OLED TV W'.
- MC : Enhance profit improvement momentum via global launch and sales expansion of G6 in order to revitalize premium smartphone business position.
- VC : Expand successful collaboration with major customers based on strategic partnership and accelerate the growth of electric vehicle component business.

Sales & Profits Outlook (2Q'17)

-
- Anticipate high-single digit QoQ increase in revenue.
 - Expect stable profitability.

II

Performance and Outlook by Division

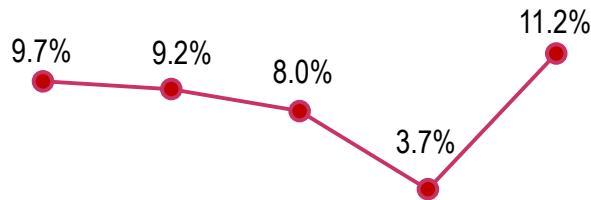
Performance and Outlook by Division

H&A (Home Appliance and Air Solution)

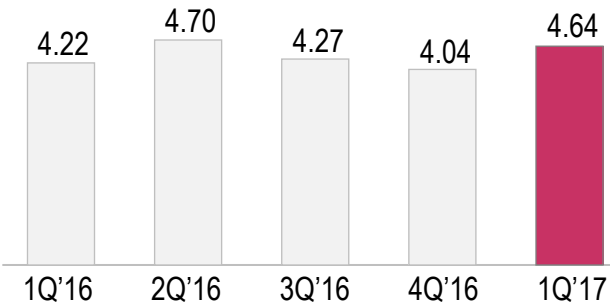
Quarterly Performance

(Unit: %, KRW tn)

Op. Margin



Sales



Key Products



Stand Type A/C



Styler



Dryer

1Q'17 Performance

- **Sales** : Revenue rose 10% YoY and posted 4.6 tril. Won, largely driven by the sales increase in domestic, Asia, LATAM region.
 - Domestic : Increased 33% YoY driven by the strong performance in TWINWash washing machine, A/C, Bottom freezer refrigerators and new model of Styler, Air Purifier and Dryer.
 - Overseas : Despite the economic slow down of Asia region on account of low level of oil price and sluggish growth in European region, revenue(USD) increased 8% YoY via expanding sales of new premium products.
- **Profitability** : Despite the raw material price increase, profitability improved YoY driven by the growth of premium product sales and product mix improvement.

2Q'17 Outlook

- **Market** : Entering the peak season, domestic market demand of A/C, refrigerator, etc. is expected to increase. In overseas market, although the currency risks still remains, the economic situation in emerging market such as Asia, LATAM region is expected to recover gradually.
- **LGE** : Increase of marketing expense associated with new product launch and upside potential of raw material price still exists. However, solid profitability could be achievable by expanding the sales of premium products and efficient operation of expense.

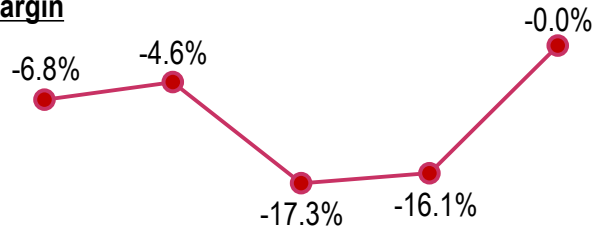
Performance and Outlook by Division

MC (Mobile Communications)

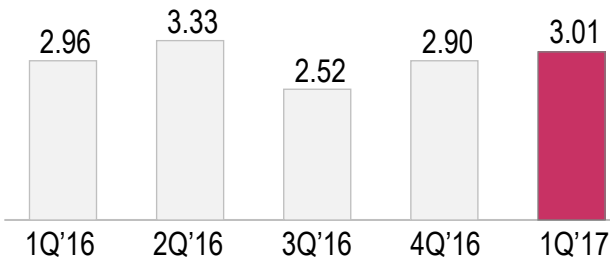
Quarterly Performance

(Unit: %, KRW tn)

Op. Margin



Sales



Key Products



G6



V20



X300(K8)

1Q'17 Performance

- **Sales** : Revenue increased 4% QoQ and 2% YoY with the strong sales of new mass-tier line-up and successful launch of G6 in domestic market.
 - Smartphone shipments marked 14.8M Units. (QoQ 5%↑, YoY 10%↑)
 - Smartphone shipments in domestic increased 54%, LATAM increased 23% QoQ
 - Shipments of Mass-tier smartphone increased 6% QoQ driven by new 2017 K-series
- **Profitability** : The impact of last year's business structure improvement activity and successful launch of new models in 1Q'17 led the profitability to improve substantially on a QoQ basis.

2Q'17 Outlook

- **Market** : Continuous price competition in mid to low end zone and the launch of competitor's new premium model may trigger the intensified market share competition in all product segments.
- **LGE** : Recover premium position via global launch of new flagship model G6 and continuously enhance profit improvement momentum in order to achieve meaningful profitable growth.

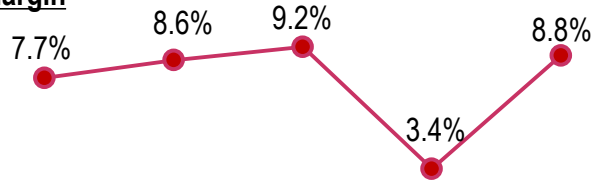
Performance and Outlook by Division

HE (Home Entertainment)

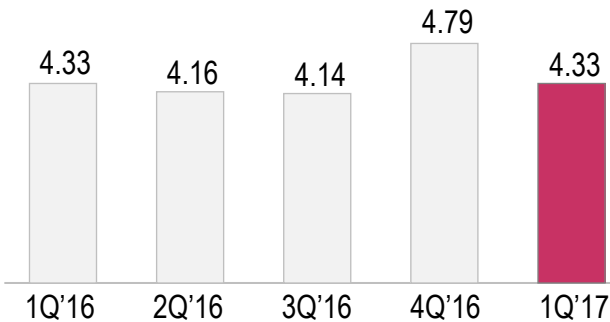
Quarterly Performance

(Unit: %, KRW tn)

Op. Margin



Sales



Key Products



LG SIGNATURE OLED TV W



LG All-day Gram PC

1Q'17 Performance

- **Sales** : Revenue decreased QoQ due to seasonality, similar level on YoY basis

- MEA/Asia decreased YoY due to weak market demand, however, North America/domestic/LATAM region revenue increased YoY largely driven by strong sales of premium TVs.

- **Profitability** : Margin improved QoQ by expanding the sales of premium products, cost structure improvement, and flexible operation to cope with panel price increase.

2Q'17 Outlook

- **Market** : Although the overall TV demand would remain sluggish, North America, LATAM, Asia markets which LGE possess high revenue portion are most likely to increase.

- **LGE** : Achieve revenue growth by launching new products along with stronger marketing activities and tight collaboration with the distribution channel. Retain profitable business structure by expanding sales of OLED TV/UHD TV and enhance cost competitiveness.

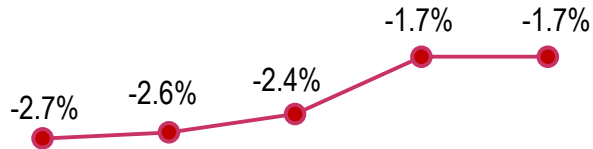
Performance and Outlook by Division

VC (Vehicle Components)

Quarterly Performance

(Unit: %, KRW tn)

Op. Margin



Sales

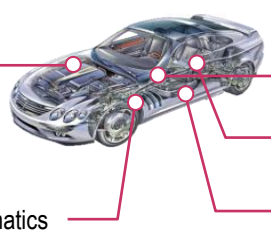
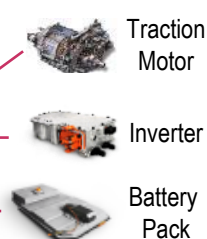


Key Products

Car Infotainment



Electric Power Train



1Q'17 Performance

- **Sales** : Turnover increase in new products led the solid growth of Car infotainment business and actual ramp up of electric vehicle components for GM BOLT project contributed the VC division revenue to increase 48% YoY, 1% QoQ.
- **Profitability** : Slight loss occurred due to the early R&D investment for the future growth.

2Q'17 Outlook

- **Market** : Following up the industrial trend of becoming more digitalized, additional business opportunity can be created from the convergence of new technology in automotive industry. Additionally, software performance and stability of the components may play an important role of vehicle component business in the future.
- **LGE** : By utilizing the synergy between LG affiliates, continue to enhance technology capability to cope with new concept/technology. Collaborate from the planning process to build up a solid strategic partnership to obtain orders and enhance customer satisfaction from design, quality, safety.



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Income Statement

(Unit: KRW bn, %)

	2015		2016						2017					
	Total		1Q		2Q		3Q		4Q		Total		1Q	
Sales	56,509.0	100.0%	13,362.1	100.0%	14,002.9	100.0%	13,224.3	100.0%	14,777.7	100.0%	55,367.0	100.0%	14,657.2	100.0%
Cost of goods sold	43,635.1	77.2%	10,038.4	75.1%	10,236.4	73.1%	9,915.4	75.0%	11,440.1	77.4%	41,630.3	75.2%	10,963.0	74.8%
Gross profit	12,873.9	22.8%	3,323.7	24.9%	3,766.5	26.9%	3,308.9	25.0%	3,337.6	22.6%	13,736.7	24.8%	3,694.2	25.2%
Selling & admin expense	11,681.6	20.7%	2,818.5	21.1%	3,181.9	22.7%	3,025.7	22.9%	3,372.8	22.8%	12,398.9	22.4%	2,772.7	18.9%
Operating income (Loss)	1,192.3	2.1%	505.2	3.8%	584.6	4.2%	283.2	2.1%	-35.2	-0.2%	1,337.8	2.4%	921.5	6.3%
Financial income (Expense)	-360.5	-0.6%	-120.9	-0.9%	-81.5	-0.6%	-106.8	-0.8%	-84.3	-0.6%	-393.5	-0.7%	-109.2	-0.7%
Gains (loss) on equity method investment	359.5	0.6%	-22.3	-0.2%	-26.2	-0.2%	19.9	0.2%	297.3	2.0%	268.7	0.5%	230.1	1.6%
Other non operating income (Loss)	-598.2	-1.1%	-80.4	-0.6%	-1.6	0.0%	-148.4	-1.1%	-260.9	-1.8%	-491.3	-0.9%	49.5	0.3%
Net income before tax	593.1	1.0%	281.6	2.1%	475.3	3.4%	47.9	0.4%	-83.1	-0.6%	721.7	1.3%	1,091.9	7.4%
Corporate Income Tax	340.2	0.6%	83.5	0.6%	206.8	1.5%	129.4	1.0%	175.7	1.2%	595.4	1.1%	256.2	1.7%
Net income	249.1	0.4%	198.1	1.5%	268.5	1.9%	-81.5	-0.6%	-258.8	-1.8%	126.3	0.2%	835.7	5.7%
Controlled shares	124.4		190.6		271.0		-62.0		-322.7		76.9		795.3	
Noncontrolled shares	124.7		7.5		-2.5		-19.5		63.9		49.4		40.4	

*) Since this statements have not 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	2016				(Unit: KRW bn)
	4Q	1Q	2Q	3Q	4Q	1Q
Assets	36,313.9	37,176.9	37,245.0	37,285.6	37,855.3	38,124.5
Current Assets	16,397.6	17,378.8	17,271.8	17,277.5	16,990.6	17,474.9
Cash and cash equivalents	2,710.2	3,294.8	2,908.0	3,488.5	3,015.1	3,031.9
Accounts receivable	7,093.4	6,838.2	7,351.8	6,644.7	7,059.9	7,360.1
Inventory	4,872.7	5,417.8	5,209.5	5,544.8	5,171.0	5,392.0
Other	1,721.3	1,828.0	1,802.5	1,599.5	1,744.6	1,690.9
Non-current Assets	19,916.3	19,798.1	19,973.2	20,008.1	20,864.7	20,649.6
Investment	4,841.9	4,768.3	4,721.1	4,701.7	5,104.6	5,175.0
PP&E	10,460.3	10,359.8	10,514.9	10,606.2	11,222.4	11,086.9
Intangible assets	1,473.3	1,468.9	1,509.1	1,523.5	1,571.1	1,610.4
Other	3,140.8	3,201.1	3,228.1	3,176.7	2,966.6	2,777.3
Liabilities	23,330.4	24,186.9	24,116.7	24,707.8	24,498.6	24,432.9
Accounts payable	6,087.0	6,561.4	6,315.3	6,740.7	6,746.4	7,613.2
Debt	8,827.3	9,291.7	8,801.6	9,007.7	8,659.0	8,629.2
Other	8,416.1	8,333.8	8,999.8	8,959.4	9,093.2	8,190.5
Equity	12,983.5	12,990.0	13,128.3	12,577.8	13,356.7	13,691.6

*) Since this statements have not yet been reviewed by an independent auditor, the contents can be changed if the auditor raise an issue during the review process

(Unit: KRW bn)

		'15 Total	1Q'16	2Q'16	3Q'16	4Q'16	'16 Total	1Q'17	QoQ	YoY
H&A (Home Appliance & Air Solution)	Sales	16,531.3	4,219.5	4,700.2	4,271.2	4,043.3	17,234.2	4,638.7	15%	10%
	Op. Income (%)	981.7 5.9%	407.8 9.7%	433.7 9.2%	342.8 8.0%	150.1 3.7%	1,334.4 7.7%	520.8 11.2%		
MC (Mobile Communications)	Sales	14,003.4	2,963.2	3,325.8	2,517.0	2,903.7	11,709.7	3,012.2	4%	2%
	Op. Income (%)	-119.6 -0.9%	-202.2 -6.8%	-153.5 -4.6%	-436.4 -17.3%	-467.0 -16.1%	-1,259.1 -10.8%	-0.2 -0.0%		
HE (Home Entertainment)	Sales	17,397.6	4,333.4	4,157.2	4,141.5	4,793.4	17,425.5	4,326.1	-10%	-0%
	Op. Income (%)	57.3 0.3%	335.2 7.7%	356.7 8.6%	381.5 9.2%	164.0 3.4%	1,237.4 7.1%	382.2 8.8%		
VC (Vehicle Components)	Sales	1,832.4	592.9	639.6	674.9	865.6	2,773.0	876.4	1%	48%
	Op. Income (%)	5.0 0.3%	-15.8 -2.7%	-16.8 -2.6%	-16.2 -2.4%	-14.4 -1.7%	-63.2 -2.3%	-14.5 -1.7%		
Others	Sales	1,975.4	393.7	362.2	532.8	414.6	1,703.3	428.5	3%	9%
	Op. Income	45.3	-19.7	-0.6	0.3	15.8	-4.2	-31.9		
LGE Consolidated Excluding LG Innotek(①)										
Sales		51,740.1	12,502.7	13,185.0	12,137.4	13,020.6	50,845.7	13,281.9	2%	6%
Op. Income (%)		969.7 1.9%	505.3 4.0%	619.5 4.7%	272.0 2.2%	-151.5 -1.2%	1,245.3 2.4%	856.4 6.4%		
LG Innotek(②)										
Sales		6,138.1	1,195.0	1,120.5	1,384.5	2,054.6	5,754.6	1,644.7	-20%	38%
Op. Income		223.7	0.4	-34.0	20.6	117.8	104.8	66.8		
LGE-LG Innotek Inter-company Transaction (③)										
Sales		1,369.2	335.6	302.6	297.6	297.5	1,233.3	269.4	-9%	-20%
Op. Income		1.1	0.5	0.9	9.4	1.5	12.3	1.7		
LGE Consolidated (①+②-③)										
Sales		56,509.0	13,362.1	14,002.9	13,224.3	14,777.7	55,367.0	14,657.2	-1%	10%
Op. Income (%)		1,192.3 2.1%	505.2 3.8%	584.6 4.2%	283.2 2.1%	-35.2 -0.2%	1,337.8 2.4%	921.5 6.3%		

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