

# 2Q15 Earnings Release

**July 29<sup>th</sup> 2015**  
**LG Electronics**

**All information regarding management performance and financial results of LG Electronics (the “Company”) during the 2<sup>nd</sup> 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 2<sup>nd</sup> quarter of 2015 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 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 3<sup>rd</sup> quarter of 2015. 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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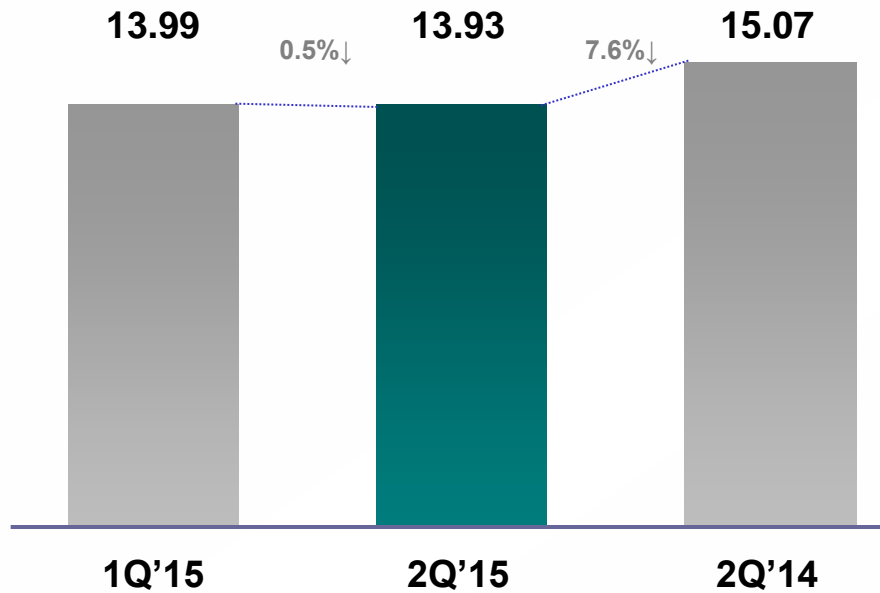




# I . 2Q15 Results

### Sales

(Unit : KRW tn)



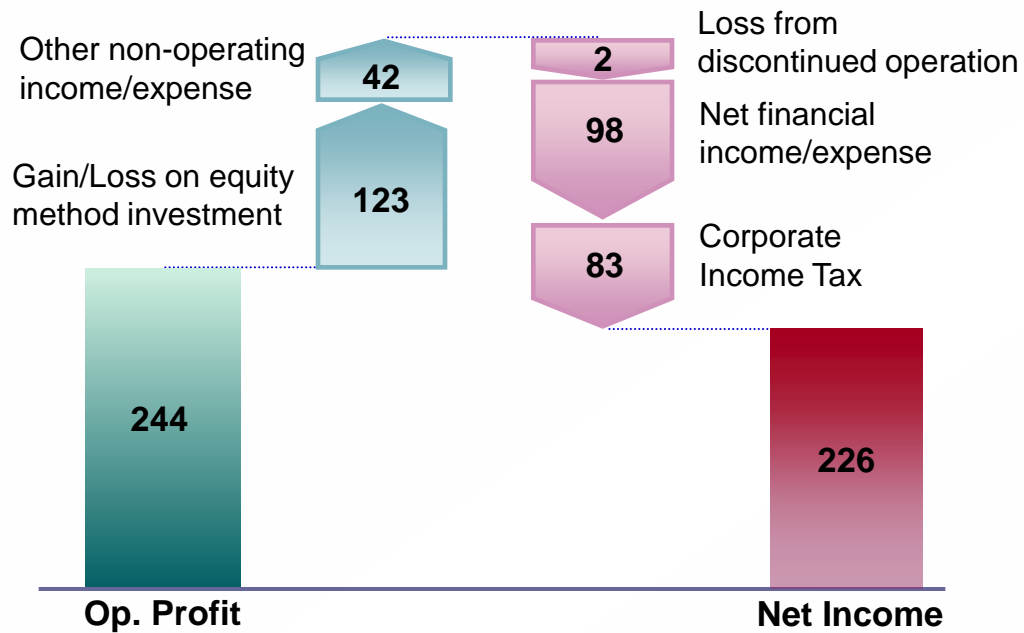
### Profit

(Unit : KRW bn)

	1Q'15	2Q'15	2Q'14
Operating Profit	305	244	610
EBITDA	796	721	1,102
Net Income	38	226	412

### Net Income

(Unit : KRW bn)



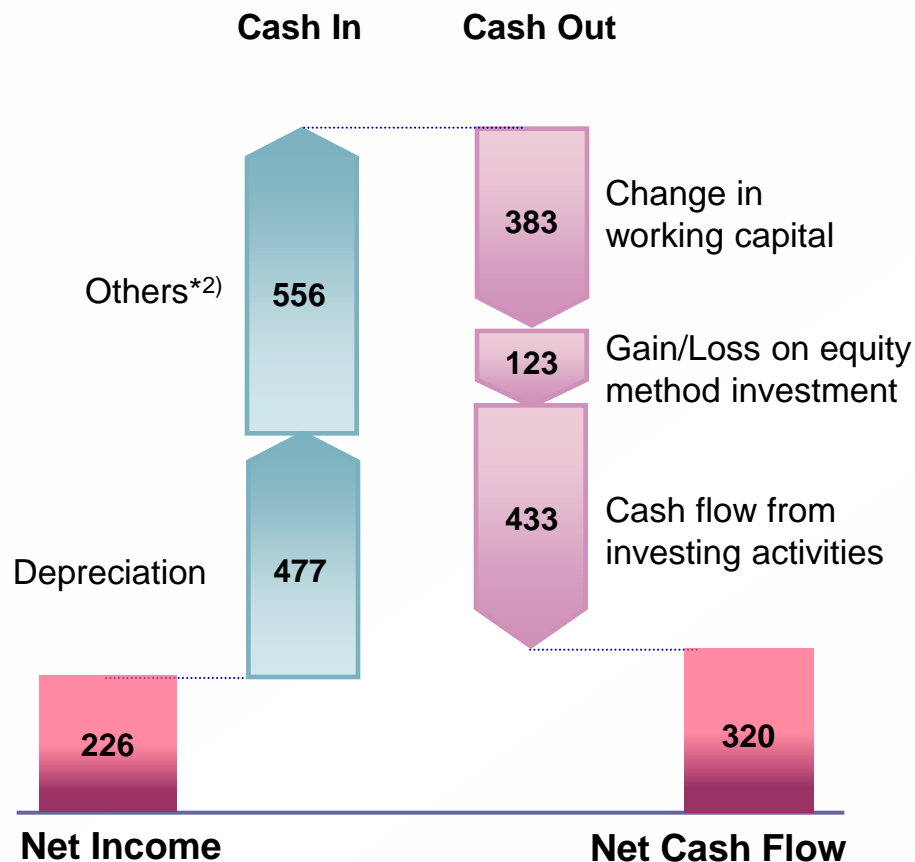
### Gain/Loss on Equity Method Investment

(Unit : KRW bn)

	1Q'15	2Q'15
LG Display	167	121
Others	1	2
<b>Gain on equity method investment</b>	<b>168</b>	<b>123</b>

### Net Cash Flow \*1)

(Unit : KRW bn)



### Cash Flow Statement

(Unit : KRW bn)

	1Q'15	2Q'15
Cash at the beginning of period	2,244	2,034
<b>Cash flow from operating activities</b>	<b>-118</b>	<b>716</b>
Net income/loss	38	226
Depreciation	491	477
Gain/Loss on equity method investment	-168	-123
Change in working capital	-398	-383
Others	-81	519
<b>Cash flow from investing activities</b>	<b>-627</b>	<b>-433</b>
Increase in tangible assets	-476	-434
Increase in intangible assets	-168	-94
<b>Cash flow from financing activities</b>	<b>592</b>	<b>223</b>
Dividend Paid	-	-79
Increase/Decrease in debt	592	302
<b>FX effect from cash denominated in foreign currency</b>	<b>-57</b>	<b>37</b>
Net changes in cash	-210	543
Cash at the end of period	2,034	2,577

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

\* 2) Others include FX effect from cash denominated in foreign currency

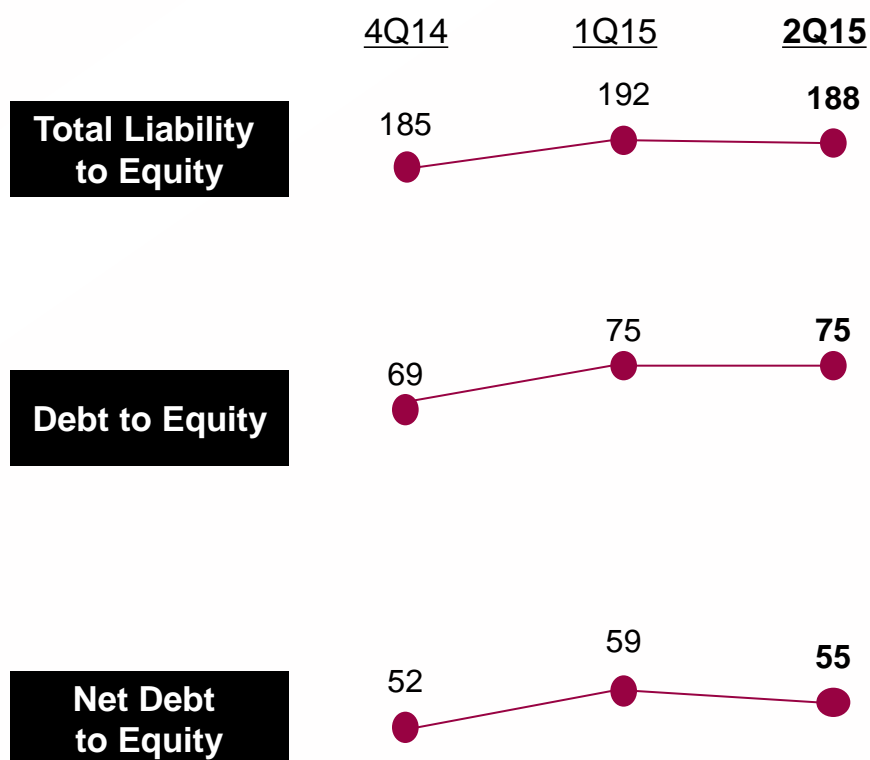
### Balance Sheet

(Unit: KRW tn)

	4Q14	1Q15	2Q15
<b>Assets</b>	37.07	37.25	37.98
Current Assets	17.48	17.65	18.12
Cash	2.24	2.03	2.58
Inventory	5.71	5.83	5.55
Non-Current Assets	19.59	19.60	19.86
<b>Liabilities</b>	24.08	24.50	24.80
Current Liabilities	15.76	15.23	15.86
Non-Current Liabilities	8.32	9.27	8.94
<b>Equity</b>	12.99	12.75	13.18
<b>Debt</b>	9.00	9.57	9.89
<b>Net Debt</b>	6.76	7.54	7.31

### Leverage Ratio

(Unit : %)



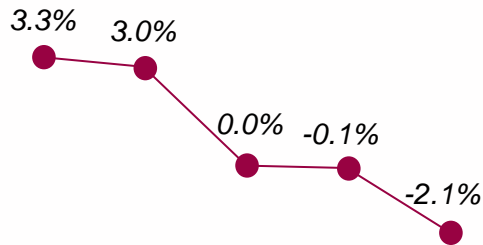




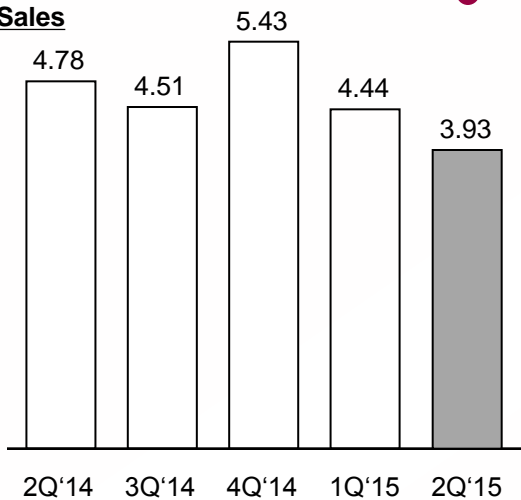
## **II. Performance and Outlook**

### Quarterly Performance (KRW tn)

#### Op. Margin



#### Sales



### 2Q15 Performance

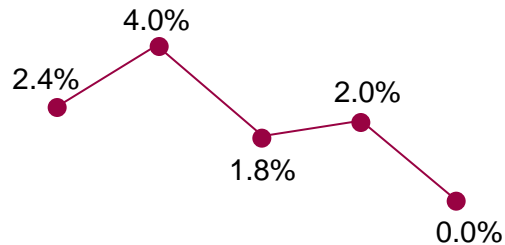
- **Sales:** Decreased 11% QoQ and 18% YoY due to weak global TV market demand to 3.9 trillion Won
  - LCD TV : Shipments decreased QoQ and YoY due to weaker demand from the major TV markets such as CIS, Latin America, and Europe
- **Profitability:** Operating profit margins declined QoQ due to revenue decline as a result of weaker demand in the global TV market and overall unfavorable FX movements

### 3Q15 Outlook

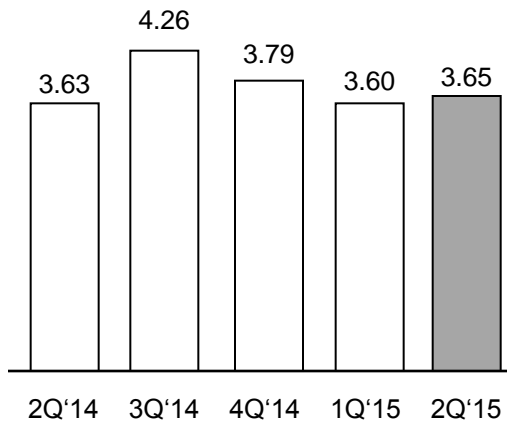
- **Market:** Expect overall TV market to begin to recover, especially for TV demand in the premium segment mainly from UHD TVs
- **LGE:** Despite that intensifying competition in the TV market is expected to continue for a while. LGE plans to improve profitability with better product mix by strengthening competitiveness in premium TVs and with improving cost structure

### Quarterly Performance (KRW tn)

#### Op. Margin



#### Sales



### 2Q15 Performance

- **Sales:** Sales were flat QoQ and YoY to 3.6 trillion won
  - Achieved 14.1M units of smartphone shipments (YoY 3%↓, QoQ 9%↓)
  - Sales improved in North America by 36% with stronger sales in mass tier smartphones and tablets
  - Sales declined in the domestic market by 29% due to weaker demand
- **Profitability:** Operating profit margin decreased due to price declines as a result of intensified competition and increased marketing expenses with the launch of G4

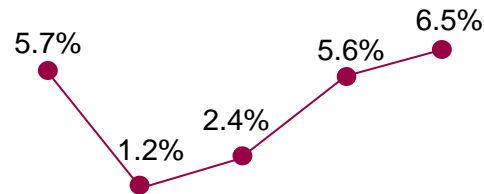
### 3Q15 Outlook

- **Market:** Expect overall market competition to gain market share to be fierce due to the launch of new models in the premium segment from competitors and continuous price competition in the mass segment
- **LGE:** Despite weak demand in the emerging markets and tougher competition, LGE plans to increase sales continuously with stronger premium smartphone sales mainly with G4 and launch of new models in the mass segment

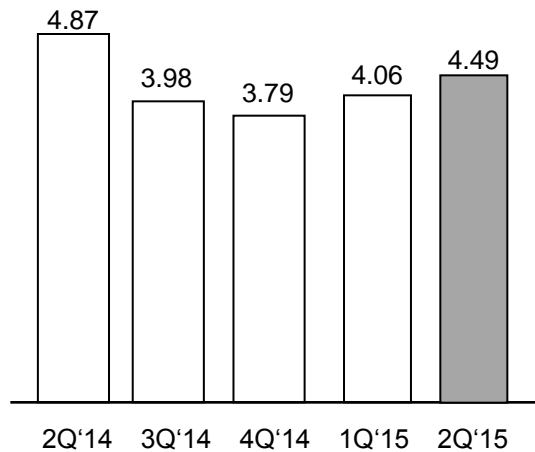
# II. Performance and Outlook by Division Home Appliance & Air Solution

## Quarterly Performance (KRW tn)

### Op. Margin



### Sales



## 2Q15 Performance

- **Sales: Decreased by 8% YoY, and increased by 10% QoQ to 4.5 trillion won**
  - Domestic: Sales decreased by 19% YoY despite strong premium products sales for refrigerators and washing machines due to weaker demand for air-conditioners influenced by weather conditions
  - Overseas: Sales decreased by 6% YoY due to unfavorable FX movements in CIS, Latin America, and Europe, although sales increased in India and North America
- **Profitability: In spite of decreasing sales for residential air conditioners, operating profit margins improved YoY due to better product mix and optimizing cost structure**

## 3Q15 Outlook

- **Market: Expect market demand to decrease continuously due to uncertainty in the macro environment, together with weaker seasonality for air conditioners**
- **LGE: Plan to optimize profitability by increasing sales with the launch of market leading products in North America, improving cost structure, and managing expenses more efficiently**

### 2Q15 Performance

- **Sales: Increased 18% QoQ to 0.45 trillion won due to improving sales in Car Infotainment and Vehicle Engineering business**
  - Car Infotainment: Increased sales due to stronger market demand and higher ASP with better product mix
  - Vehicle Engineering: Sales increased due to stronger sales in Russia and India
- **Profitability: Posted 1.5 billion won operating loss due to continuous investment in R&D for electric car components and automotive electronic components**

### 3Q15 Outlook

- **Market: In the long term, we expect the automotive application components market to grow continuously as a result of expanding connectivity and increasing display business for vehicles. In addition, we expect the electric car components market to expand continuously with government support policies**
- **LGE: In the short term, LGE plans to expand sales and orders mainly for the car infotainment and vehicle engineering businesses. Also, in the mid-term, plans to build up business references by expanding orders of newly developed components**



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### Income Statement

(Unit : KRW bn)

	2014						2015							
	1Q		2Q		3Q		4Q		Total		1Q		2Q	
<b>Sales</b>	<b>13,988.8</b>	<b>100%</b>	<b>15,066.9</b>	<b>100%</b>	<b>14,713.0</b>	<b>100%</b>	<b>15,272.1</b>	<b>100%</b>	<b>59,040.8</b>	<b>100%</b>	<b>13,994.4</b>	<b>100%</b>	<b>13,925.7</b>	<b>100%</b>
Cost of goods sold	10,763.8	76.9%	11,399.2	75.7%	11,150.3	75.8%	11,985.8	78.5%	45,299.1	76.7%	10,906.1	77.9%	10,732.7	77.1%
<b>Gross profit</b>	<b>3,225.0</b>	<b>23.1%</b>	<b>3,667.7</b>	<b>24.3%</b>	<b>3,562.7</b>	<b>24.2%</b>	<b>3,286.3</b>	<b>21.5%</b>	<b>13,741.7</b>	<b>23.3%</b>	<b>3,088.3</b>	<b>22.1%</b>	<b>3,193.0</b>	<b>22.9%</b>
Selling & admin expense	2,746.2	19.6%	3,058.0	20.3%	3,097.7	21.1%	3,011.2	19.7%	11,913.1	20.2%	2,783.1	19.9%	2,948.9	21.2%
<b>Operating income (Loss)</b>	<b>478.8</b>	<b>3.4%</b>	<b>609.7</b>	<b>4.0%</b>	<b>465.0</b>	<b>3.2%</b>	<b>275.1</b>	<b>1.8%</b>	<b>1,828.6</b>	<b>3.1%</b>	<b>305.2</b>	<b>2.2%</b>	<b>244.1</b>	<b>1.8%</b>
Financial income (Expense)	-101.0	-0.7%	-97.5	-0.6%	-68.0	-0.5%	-69.3	-0.5%	-335.8	-0.6%	-102.9	-0.7%	-98.1	-0.7%
Gains (loss) on equity method investment	-54.7	-0.4%	98.3	0.7%	120.7	0.8%	140.1	0.9%	304.4	0.5%	168.3	1.2%	123.4	0.9%
Other non operating income (Loss)	-54.0	-0.4%	10.1	0.1%	-246.4	-1.7%	-288.6	-1.9%	-578.9	-1.0%	-320.9	-2.3%	42.5	0.3%
<b>Net income before tax</b>	<b>269.1</b>	<b>1.9%</b>	<b>620.6</b>	<b>4.1%</b>	<b>271.3</b>	<b>1.8%</b>	<b>57.3</b>	<b>0.4%</b>	<b>1,218.3</b>	<b>2.1%</b>	<b>49.7</b>	<b>0.4%</b>	<b>311.9</b>	<b>2.2%</b>
Tax	191.9	1.4%	196.9	1.3%	51.8	0.4%	99.2	0.6%	539.8	0.9%	11.3	0.1%	83.2	0.6%
Income (Loss) from continuing operations	77.2	0.6%	423.7	2.8%	219.5	1.5%	-41.9	-0.3%	678.5	1.1%	38.4	0.3%	228.7	1.6%
Income (Loss) from discontinued operations	15.4	0.1%	-11.9	-0.1%	-16.8	-0.1%	-163.8	-1.1%	-177.1	-0.3%	0.0	0.0%	-2.3	0.0%
<b>Net income</b>	<b>92.6</b>	<b>0.7%</b>	<b>411.8</b>	<b>2.7%</b>	<b>202.7</b>	<b>1.4%</b>	<b>-205.7</b>	<b>-1.3%</b>	<b>501.4</b>	<b>0.8%</b>	<b>38.4</b>	<b>0.3%</b>	<b>226.4</b>	<b>1.6%</b>
Controlled shares	74.9		369.1		159.7		-204.3		399.4		2.2		187.2	
Noncontrolled shares	17.7		42.7		43.0		-1.4		102.0		36.2		39.2	

### Balance Sheet

(Unit : KRW bn)

	2014				2015	
	1Q	2Q	3Q	4Q	1Q	2Q
<b>Assets</b>	37,158.2	37,433.8	38,503.5	37,068.4	37,253.7	37,979.5
<b>Current Assets</b>	18,204.5	18,446.6	19,320.8	17,482.7	17,649.5	18,122.3
Cash and cash equivalents	2,713.8	2,701.1	2,949.7	2,244.4	2,034.3	2,576.5
Accounts receivable	8,147.9	8,406.6	8,277.7	7,683.9	7,867.7	8,119.4
Inventory	5,572.6	5,548.8	6,288.1	5,711.3	5,828.7	5,554.7
Other	1,770.2	1,790.1	1,805.3	1,843.1	1,918.8	1,871.7
<b>Non-current Assets</b>	18,953.7	18,987.2	19,182.7	19,585.7	19,604.2	19,857.2
Investment	4,248.8	4,287.2	4,450.7	4,594.5	4,662.6	4,814.1
PP&E	10,306.8	10,429.1	10,504.1	10,596.9	10,475.0	10,550.6
Intangible assets	1,335.2	1,330.3	1,309.4	1,394.3	1,386.6	1,402.0
Other	3,062.9	2,940.6	2,918.5	3,000.0	3,080.0	3,090.5
<b>Liabilities</b>	24,368.0	24,377.0	25,247.9	24,077.3	24,499.5	24,794.6
Accounts payable	6,875.7	6,725.1	7,404.9	6,741.7	6,958.2	6,416.0
Debt	9,654.0	9,524.0	9,429.7	9,002.4	9,568.4	9,894.7
Other	7,838.3	8,127.9	8,413.3	8,333.2	7,972.9	8,483.9
<b>Equity</b>	12,790.2	13,056.8	13,255.6	12,991.1	12,754.2	13,184.9



(Unit : KRW bn)

		1Q'14	2Q'14	3Q'14	4Q'14	'14 Total	1Q'15	2Q'15	QoQ	YoY
<b>HE</b> <b>(Home Entertainment)</b>	Sales	4,661.4	4,783.2	4,507.0	5,427.0	19,378.6	4,436.7	3,934.8	-11%	-18%
	Op. Income	216.1	158.6	134.5	2.1	511.3	-6.2	-82.7		
	(%)	4.6%	3.3%	3.0%	0.0%	2.6%	-0.1%	-2.1%		
<b>MC</b> <b>(Mobile Communications)</b>	Sales	3,422.6	3,631.2	4,257.7	3,793.8	15,105.3	3,596.5	3,648.4	1%	0%
	Op. Income	-7.3	86.7	168.6	68.1	316.1	72.9	0.2		
	(%)	-0.2%	2.4%	4.0%	1.8%	2.1%	2.0%	0.0%		
<b>H&amp;A</b> <b>(Home Appliance &amp; Air Solution)</b>	Sales	4,126.9	4,867.6	3,979.2	3,788.8	16,762.5	4,063.1	4,485.3	10%	-8%
	Op. Income	210.9	275.2	47.1	92.2	625.4	229.5	291.8		
	(%)	5.1%	5.7%	1.2%	2.4%	3.7%	5.6%	6.5%		
<b>VC</b> <b>(Vehicle Components)</b>	Sales	-	-	-	-	-	382.6	450.8	18%	-
	Op. Income	-	-	-	-	-	-2.4	-1.5	-	-
	(%)						-0.6%	-0.3%		
<b>Others</b>	Sales	667.2	628.8	739.6	807.8	2,843.4	314.1	309.4	-1%	-51%
	Op. Income	-0.6	2.0	12.3	51.5	65.2	-56.3	-10.4		
<b>LGE Consolidated</b> <b>before including</b> <b>LG Innotek (①)</b>	Sales	12,878.1	13,910.8	13,483.5	13,817.4	54,089.8	12,793.0	12,828.7	0%	-8%
	Op. Income	419.1	522.5	362.5	213.9	1,518.0	237.5	197.4		
	(%)	3.3%	3.8%	2.7%	1.5%	2.8%	1.9%	1.5%		
<b>LG Innotek earnings excluding</b> <b>internal transactions with LGE (②)</b>	Sales	1,458.8	1,542.9	1,649.3	1,815.1	6,466.1	1,541.3	1,447.1	-6%	-6%
	Op. Income	63.1	89.9	102.9	58.1	314.0	69.0	49.0		
<b>LGE earnings from</b> <b>LG innotek (③)</b>	Sales	348.1	386.8	419.8	360.4	1,515.1	339.9	350.1	3%	-9%
	Op. Income	3.4	2.7	0.4	-3.1	3.4	1.3	2.3		
<b>LGE Consolidated</b> <b>(①+②-③)</b>	Sales	13,988.8	15,066.9	14,713.0	15,272.1	59,040.8	13,994.4	13,925.7	-0%	-8%
	Op. Income	478.8	609.7	465.0	275.1	1,828.6	305.2	244.1		
	(%)	3.4%	4.0%	3.2%	1.8%	3.1%	2.2%	1.8%		

\* 1) VC earnings for 2014 financial year are included in Others (VC earnings are separately stated since 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.