

3Q15 Earnings Release

October 29th 2015

LG Electronics

All information regarding management performance and financial results of LG Electronics (the “Company”) during the 3rd 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 3rd 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 4th 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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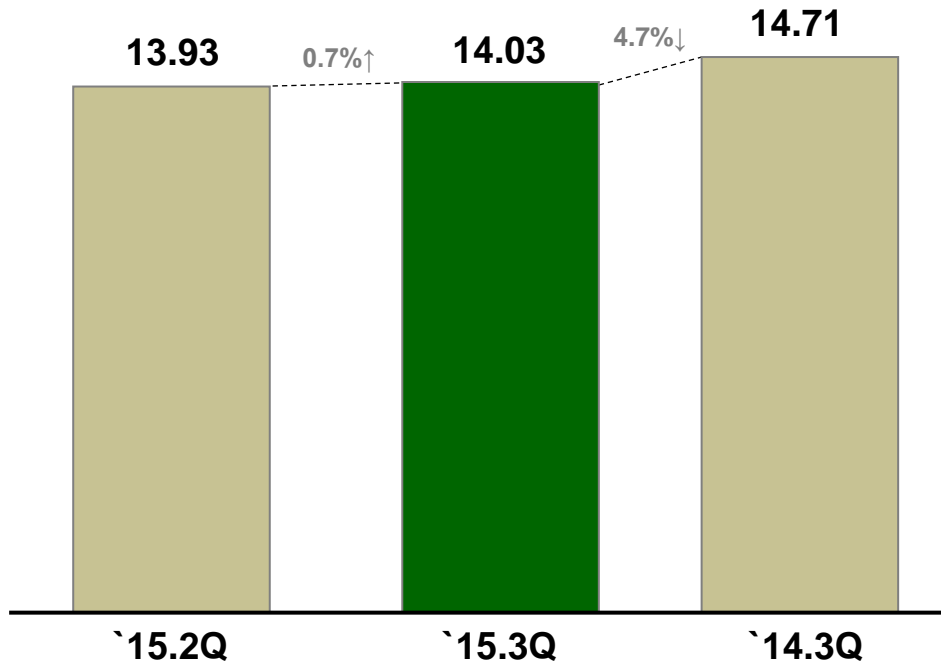
- 1. 3Q15 Results (Consolidated)**
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1. 3Q15 Results (Consolidated)

Sales/Profit

Sales

(Unit : KRW tn)



Profit

(Unit : KRW bn)

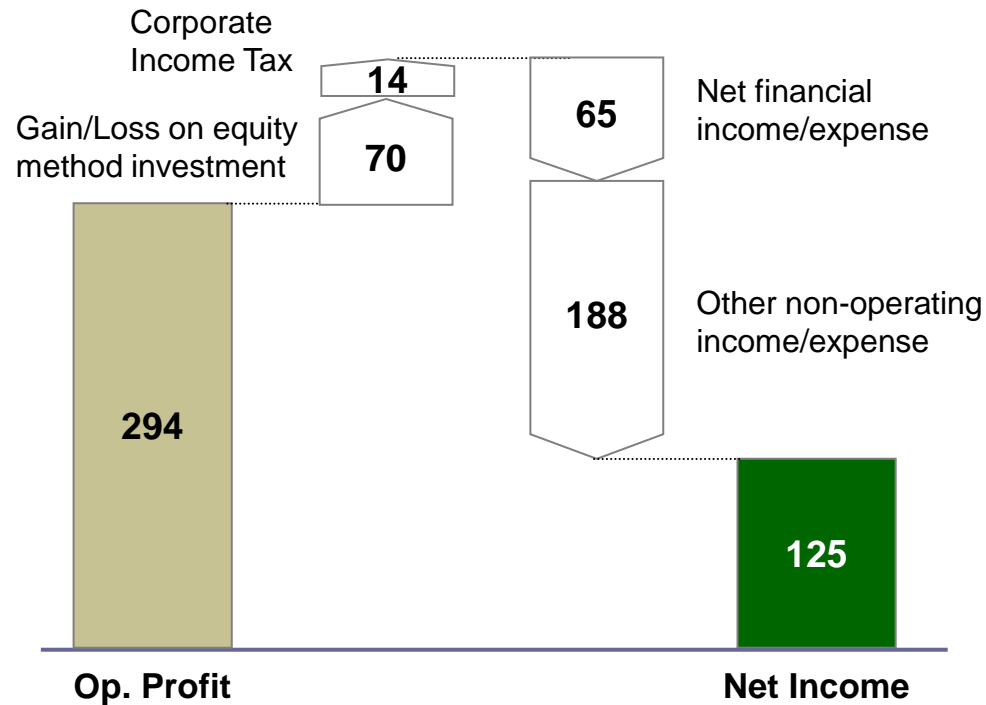
	'15.2Q	'15.3Q	'14.3Q
Operating Profit	244	294	465
EBITDA	721	776	956
Net Income	226	125	203

1. 3Q15 Results (Consolidated)

Net Income

Net Income

(Unit : KRW bn)



Gain/Loss on Equity Method Investment

(Unit : KRW bn)

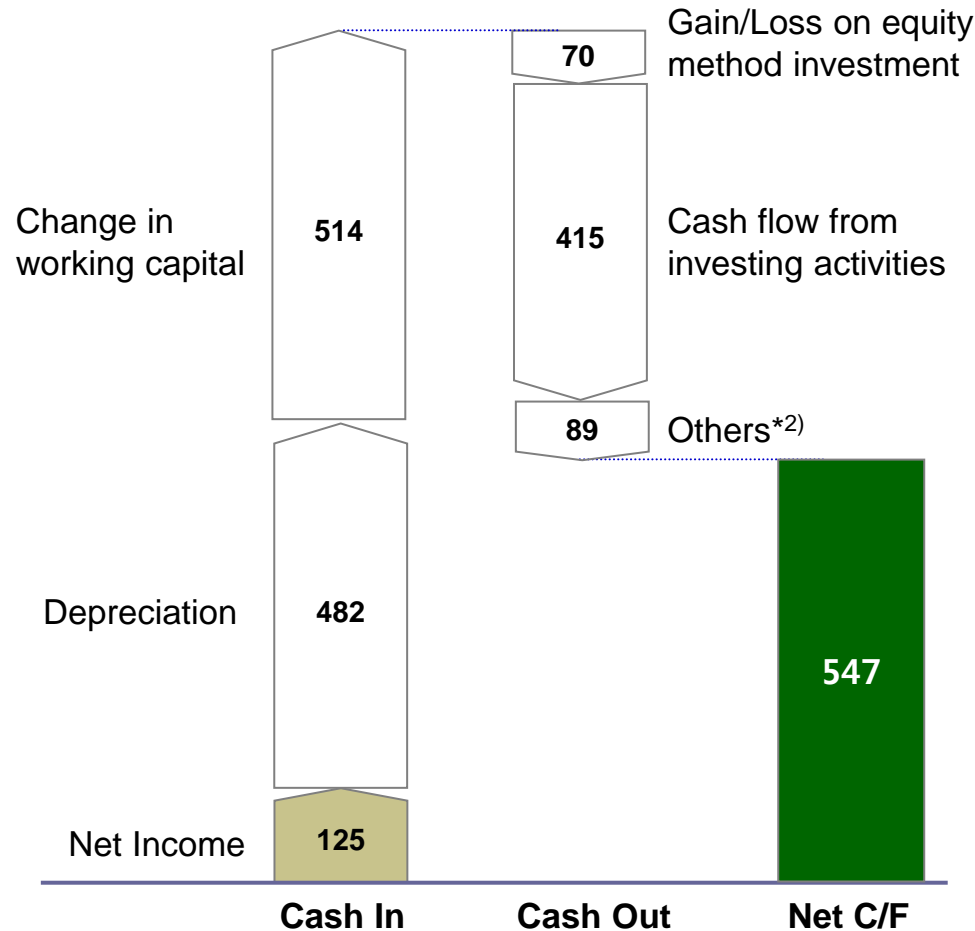
	'15.2Q	'15.3Q	'14.3Q
LG Display	121	70	124
Others	2	0	-3
Gain on equity method investment	123	70	121

1. 3Q15 Results (Consolidated)

Cash Flow Statement

Net Cash Flow *1)

(Unit : KRW bn)



Cash Flow Statement

(Unit : KRW bn)

	15.2Q	15.3Q
Cash at the beginning of period	2,034	2,577
Cash flow from operating activities	716	901
Net income/loss	226	125
Depreciation	477	482
Gain/Loss on equity method investment	- 123	- 70
Change in working capital	- 383	514
Others	519	- 150
Cash flow from investing activities	- 433	- 415
Increase in tangible assets	- 434	- 339
Increase in intangible assets	- 94	- 94
Cash flow from financing activities	223	- 162
Dividend paid and others	- 79	- 10
Increase/Decrease in debt	302	- 152
FX effect from cash denominated in foreign currency	37	60
Net changes in cash	543	384
Cash at the end of period	2,577	2,961

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

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

1. 3Q15 Results (Consolidated)

Balance Sheet / Leverage Ratio

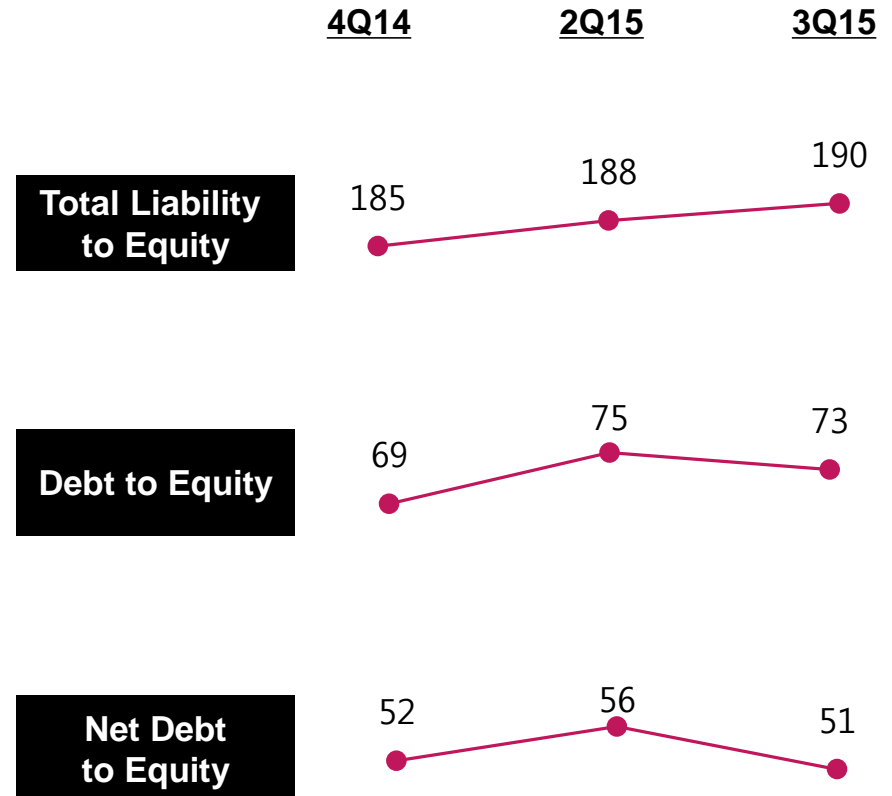
Balance Sheet

(Unit: KRW tn)

	4Q14	2Q15	3Q15
Assets	37.07	37.98	38.95
Current Assets	17.48	18.12	18.83
Cash	2.24	2.58	2.96
Inventory	5.71	5.55	5.88
Non-Current Assets	19.59	19.86	20.12
Liabilities	24.08	24.80	25.53
Current Liabilities	15.76	15.86	16.27
Non-Current Liabilities	8.32	8.94	9.26
Equity	12.99	13.18	13.42
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Debt	9.00	9.89	9.77
Net Debt	6.76	7.31	6.81

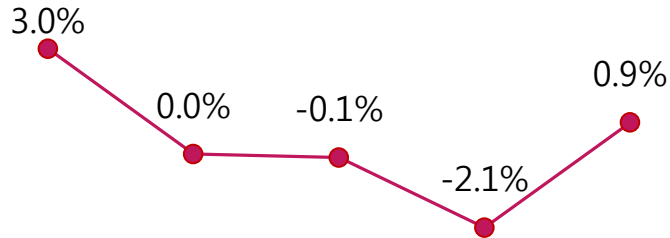
Leverage Ratio

(Unit : %)

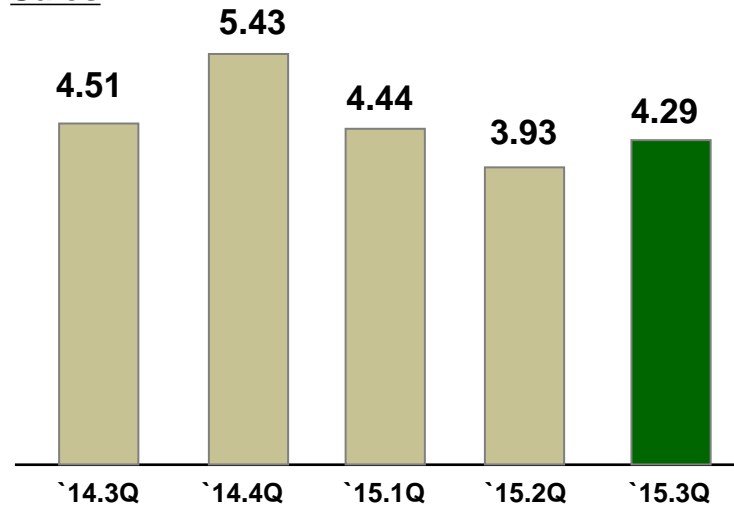


Quarterly Performance (KRW tn)

Op. Margin



Sales



3Q15 Performance

Sales:

Increased 9% QoQ due to stronger sales in UHD TV and OLED TV

- Shipments increased QoQ in the major markets such as Latin America, North America, and Russia
- Sales decreased by 5% YoY due to weak global TV market and unfavorable FX movement

Profitability:

Operating profit margins improved QoQ due to better product mix and continuous improvement of cost structure

4Q15 Outlook

Market:

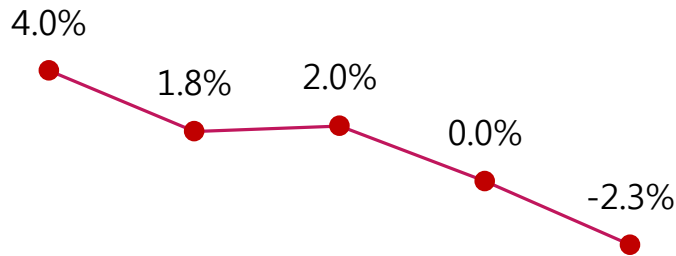
Although overall TV demand is expected to continue to remain sluggish compared to the previous year, premium TV demand such as UHD TV will increase continuously

LGE:

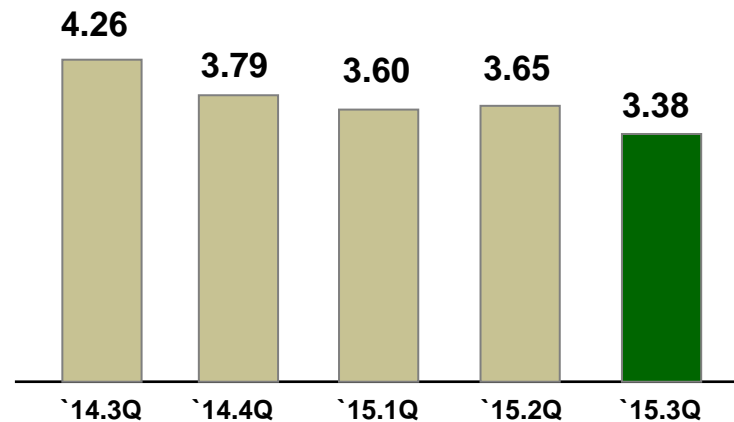
Although intensifying competition in the TV market is expected to continue for a while, LGE plans to improve profitability with expanding sales of OLED TVs and UHD TVs in premium segment and strengthening cost competitiveness

Quarterly Performance (KRW tn)

Op. Margin



Sales



3Q15 Performance

▪ Sales:

Decreased by 7% QoQ and by 21% YoY to 3.4 trillion KRW

- Achieved 14.9M units of smartphone shipments (QoQ 6%↑, YoY 11%↓)
- Sales improved in North America by 12% QoQ with stronger mass tier smartphone sales
- Sales declined in the domestic market by 16% YoY due to continuous weaker demand

▪ Profitability:

Operating profit margin decreased both QoQ and YoY due to weaker sales, price declines as a result of intensified competition, and unfavorable FX movements in major emerging markets

4Q15 Outlook

▪ Market:

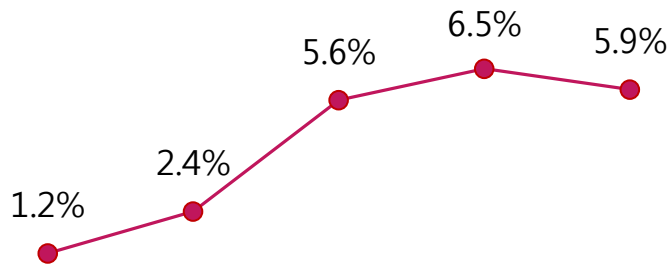
Expect overall market competition to fierce due to the launch of new models in the premium segment from competitors and continuous price competition in the mass segment

▪ LGE:

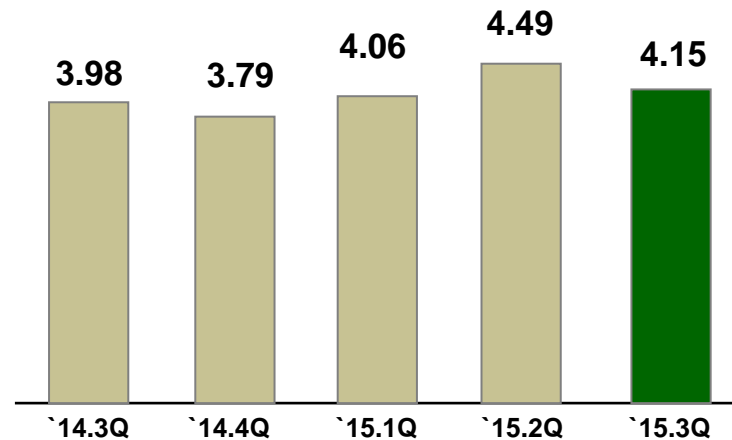
Plans to improve profitability by increasing sales with the launch of V10 and Nexus 5X along with improving cost structure

Quarterly Performance (KRW tn)

Op. Margin



Sales



3Q15 Performance

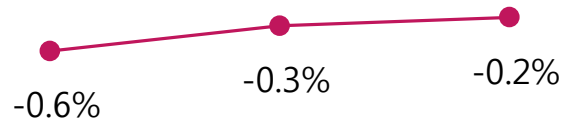
- Sales increased by 4% YoY to 4.2 trillion KRW
Operating profit margin improved by 4.7%p YoY to 5.9%
 - Refrigerators: Operating profit improved YoY due to stronger sales of premium products mainly in North America and domestic market along with improving cost structure
 - Washing Machines: Operating profit margins improved YoY due to better product mix with differentiated market leading products such as 'Twin Wash' and better cost structure
 - RAC: Sales decreased YoY due to unfavorable FX movement in emerging markets such as Brazil
 - SAC: Operating profit margins improved YoY with increasing sales

4Q15 Outlook

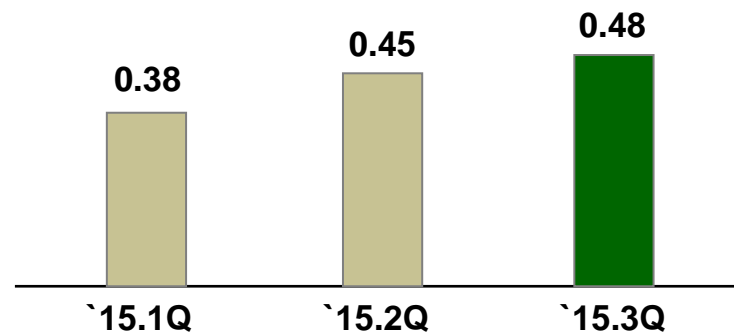
- Market:
 - Expect domestic market demand growth to slow down due to the seasonality. Also volatility in overseas market is expected to continue due to weaker demand with higher fluctuation in FX rates
- LGE:
 - In domestic market, plan to expand sales of popular models such as 'Twin Wash'. For the overseas market, plan to maximize sales in India and North America during the maintain season and keep profitability by improving cost structure

Quarterly Performance (KRW tn)

Op. Margin



Sales



3Q15 Performance

▪ Sales:

Increased 6% QoQ due to continuous improving sales in Car Infotainment business

- Car Infotainment : Increased sales from major business partners
- Vehicle Engineering : Sales were flat QoQ due to weaker demand in emerging markets such as Russia and Malaysia

▪ Profitability:

Slight operating loss due to continuous investment in R&D for electric car components and automotive electronic components

4Q15 Outlook

▪ Market:

Expect recent issue related to diesel automobiles to positively affect the electric vehicle and automotive electronic components markets. Also, we expect market demand growth for automotive electronic components to retain due to extension of smart function installed vehicles

▪ LGE:

Plan to strengthen long-term growth by securing more projects such as GM EV parts project



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Income Statement

(Unit : KRW bn)

	2014					2015		
	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q
Sales	13,988.8 100%	15,066.9 100%	14,713.0 100%	15,272.1 100%	59,040.8 100%	13,994.4 100%	13,925.7 100%	14,028.8 100%
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%	10,769.9 76.8%
Gross profit	3,225.0 23.1%	3,667.7 24.3%	3,562.7 24.2%	3,286.3 21.5%	13,741.7 23.3%	3,088.3 22.1%	3,193.0 22.9%	3,258.9 23.2%
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%	2,964.9 21.1%
Operating income (Loss)	478.8 3.4%	609.7 4.0%	465.0 3.2%	275.1 1.8%	1,828.6 3.1%	305.2 2.2%	244.1 1.8%	294.0 2.1%
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%	-65.0 -0.5%
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%	70.0 0.5%
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%	-188.1 -1.3%
Net income before tax	269.1 1.9%	620.6 4.1%	271.3 1.8%	57.3 0.4%	1,218.3 2.1%	49.7 0.4%	311.9 2.2%	110.9 0.8%
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%	-14.2 -0.1%
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%	125.1 0.9%
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%	-0.3 0.0%
Net income	92.6 0.7%	411.8 2.7%	202.7 1.4%	-205.7 -1.3%	501.4 0.8%	38.4 0.3%	226.4 1.6%	124.8 0.9%
Controlled shares	74.9	369.1	159.7	-204.3	399.4	2.2	187.2	83.7
Noncontrolled shares	17.7	42.7	43.0	-1.4	102.0	36.2	39.2	41.1

Balance Sheet

(Unit : KRW bn)

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

(Unit : KRW bn)

		1Q'14	2Q'14	3Q'14	4Q'14	'14 Total	1Q'15	2Q'15	3Q'15	QoQ	YoY
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	9%	-5%
	Op. Income (%)	216.1 4.6%	158.6 3.3%	134.5 3.0%	2.1 0.0%	511.3 2.6%	-6.2 -0.1%	-82.7 -2.1%	37.0 0.9%		
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	-7%	-21%
	Op. Income (%)	-7.3 -0.2%	86.7 2.4%	168.6 4.0%	68.1 1.8%	316.1 2.1%	72.9 2.0%	0.2 0.0%	-77.6 -2.3%		
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	-7%	4%
	Op. Income (%)	210.9 5.1%	275.2 5.7%	47.1 1.2%	92.2 2.4%	625.4 3.7%	229.5 5.6%	291.8 6.5%	245.6 5.9%		
VC (Vehicle Components)	Sales						382.6	450.8	478.6	6%	
	Op. Income (%)						-2.4 -0.6%	-1.5 -0.3%	-0.8 -0.2%		
Others	Sales	667.2	628.8	739.6	807.8	2,843.4	314.1	309.4	504.0	63%	
	Op. Income	-0.6	2.0	12.3	51.5	65.2	-56.3	-10.4	29.9		
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	0%	-5%
Op. Income (%)		419.1 3.3%	522.5 3.8%	362.5 2.7%	213.9 1.5%	1,518.0 2.8%	237.5 1.9%	197.4 1.5%	234.1 1.8%		
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	8%	-5%
Op. Income		63.1	89.9	102.9	58.1	314.0	69.0	49.0	60.6		
LGE earnings from LG innotek (③)											
Sales		348.1	386.8	419.8	360.4	1,515.1	339.9	350.1	329.8	-6%	-21%
Op. Income		3.4	2.7	0.4	-3.1	3.4	1.3	2.3	0.7		
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	1%	-5%
Op. Income (%)		478.8 3.4%	609.7 4.0%	465.0 3.2%	275.1 1.8%	1,828.6 3.1%	305.2 2.2%	244.1 1.8%	294.0 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.