

1Q15 Earnings Release

April 29th 2015
LG Electronics

All information regarding management performance and financial results of LG Electronics (the “Company”) during the 1st 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 1st 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 2nd 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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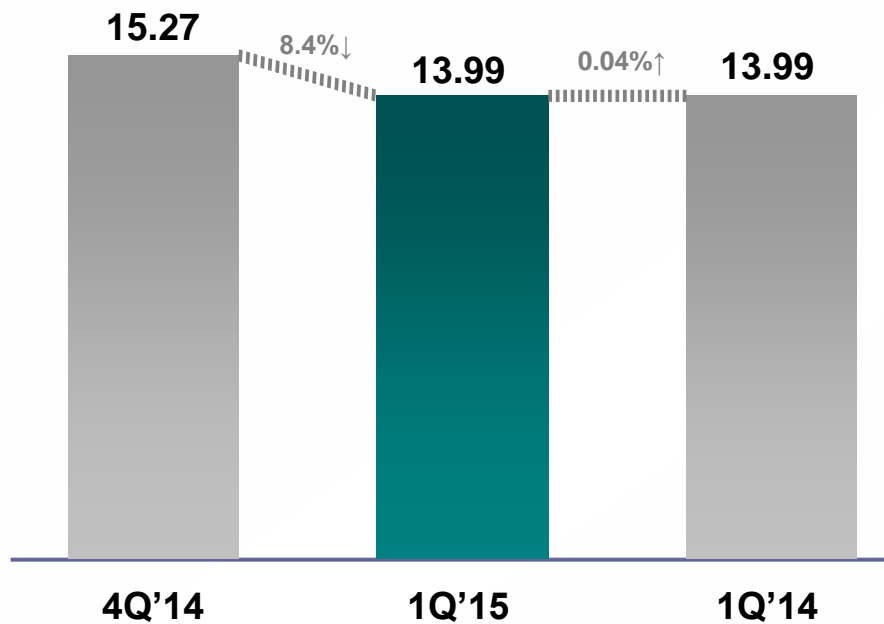




I . 1Q15 Results

Sales

(Unit : KRW tn)



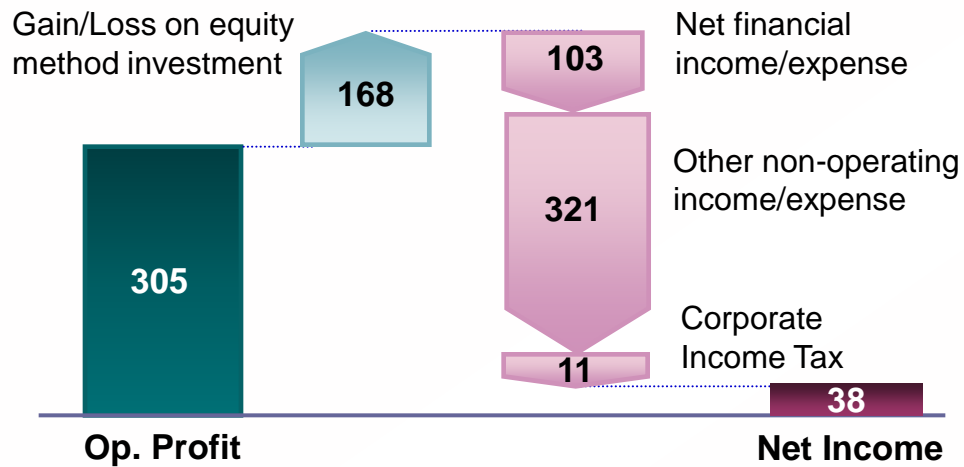
Profit

(Unit : KRW bn)

	4Q'14	1Q'15	1Q'14
Operating Profit	275	305	479
EBITDA	775	796	974
Income	-206	38	93

Net Income

(Unit : KRW bn)



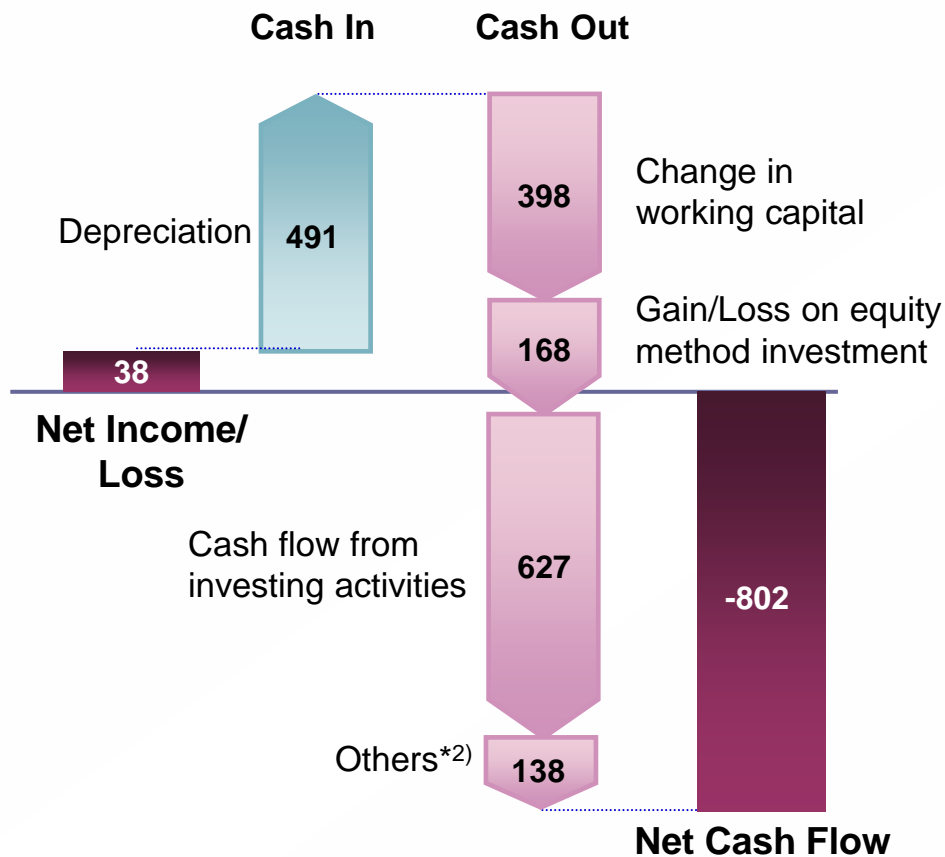
Gain/Loss on Equity Method Investment

(Unit : KRW bn)

	4Q'14	1Q'15
LG Display	148	167
Others	-8	1
Gain/Loss on equity method investment	140	168

Net Cash Flow *1)

(Unit : KRW bn)



Cash Flow Statement

(Unit : KRW bn)

	<u>4Q'14</u>	<u>1Q'15</u>
Cash at the beginning of period	2,950	2,244
Cash flow from operating activities	353	-118
Net income/loss	-206	38
Depreciation	500	491
Gain/Loss on equity method investment	-140	-168
Change in working capital	436	-398
Others	-237	-81
Cash flow from investing activities	-625	-627
Increase in tangible assets	-567	-476
Increase in intangible assets	-87	-168
Cash flow from financing activities	-435	592
Increase/Decrease in debt	-427	592
FX effect from cash denominated in foreign currency	1	-57
Net changes in cash	-706	-210
Cash at the end of period	2,244	2,034

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

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

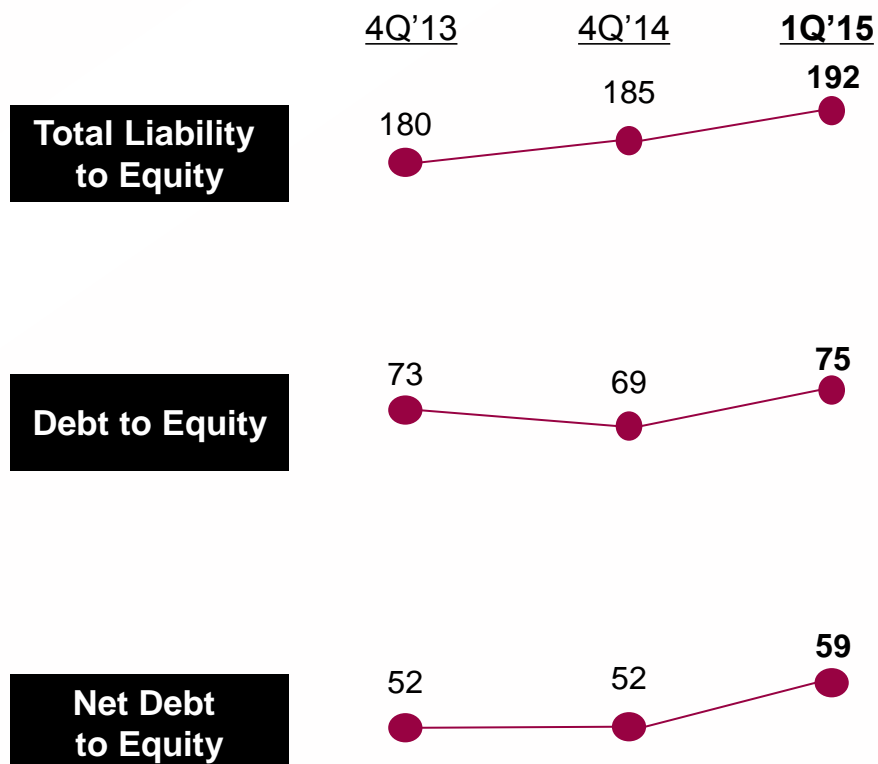
Balance Sheet

(Unit: KRW tn)

	4Q'13	4Q'14	1Q'15
Assets	35.53	37.07	37.25
Current Assets	16.33	17.48	17.65
Cash	2.65	2.24	2.03
Inventory	4.84	5.71	5.83
Non-Current Assets	19.20	19.59	19.60
Liabilities	22.84	24.08	24.50
Current Liabilities	15.01	15.76	15.23
Non-Current Liabilities	7.83	8.32	9.27
Equity	12.69	12.99	12.75
Debt	9.21	9.00	9.57
Net Debt	6.56	6.76	7.54

Leverage Ratio

(Unit : %)





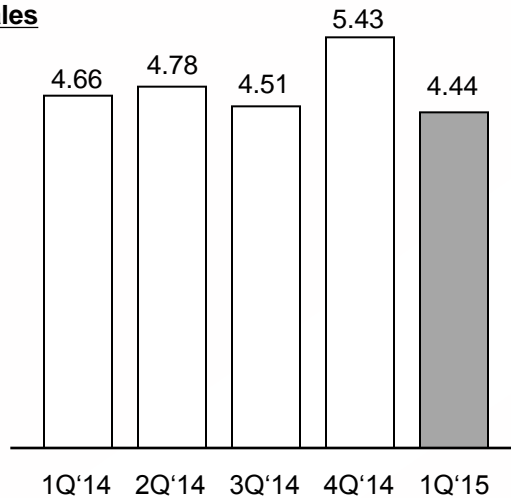
II. Performance and Outlook

Quarterly Performance (KRW tn)

Op. Margin



Sales



1Q15 Performance

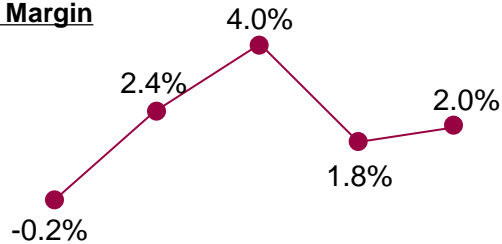
- **Sales:** Decreased 18% QoQ due to seasonality and decreased 5% YoY due to weaker currency movements in the emerging markets
 - LCD TV : Sales decreased QoQ in North America, Europe, CIS, and Latin America due to seasonality and unfavorable FX movements
- **Profitability:** Operating profit margins declined QoQ due to weaker currency movements in emerging markets such as Russia and Brazil and weaker revenue due to seasonality

2Q15 Outlook

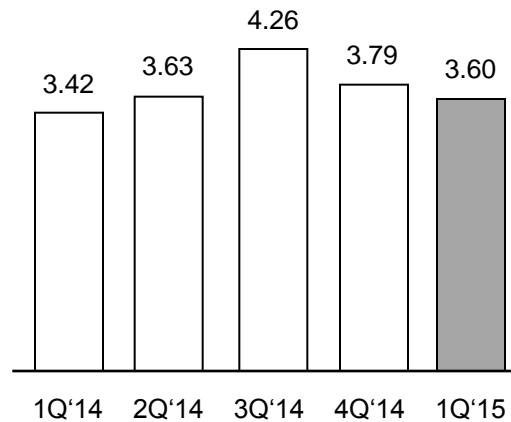
- **Market:** Expect TV demand to increase especially from Asia and North America. Also, expect the B2B market, mainly for monitor signage, to grow
- **LGE:** Plan to increase sales by strengthening marketing activities for new products, and to manage profitability with better product mix by increasing sales in Ultra HD TV and OLED TV

Quarterly Performance (KRW tn)

Op. Margin



Sales



1Q15 Performance

- **Sales:** Increased by 5% QoQ, decreased by 5% YoY to 3.6 trillion won
 - Achieved 15.4M units of smartphone shipments (YoY 26%↑, QoQ 1%↓)
 - Improved sales in N. America by 66% YoY with stronger sales in mass tier smartphones
 - Although sales in domestic market decreased by 25% YoY due to the influence of the handset distribution law reform, increased by 57% QoQ due to the effect of launching G Flex2
- **Profitability:** Although sales increased slightly due to lower ASP because of intensified competition and unfavorable global FX movements, operating profit margins improved both QoQ and YoY due to stronger sales from North America and efficient usage of resources

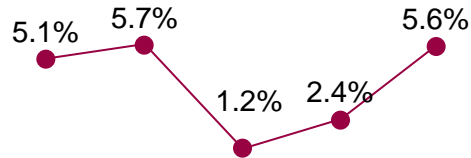
2Q15 Outlook

- **Market:** Expect smartphone market to grow continuously, especially for the LTE market. However, competition to gain market share will be intensified in all regions with the launch of new models in the premium segment and stronger lineups from competitors, and with intensified price competition as a result of the sales expansion in the mass market
- **LGE:** Plan to increase revenue by strengthening our presence in the premium market with the launch of the G4 along with launching new models in the mass segment, and with this, improve profitability with better cost competitiveness

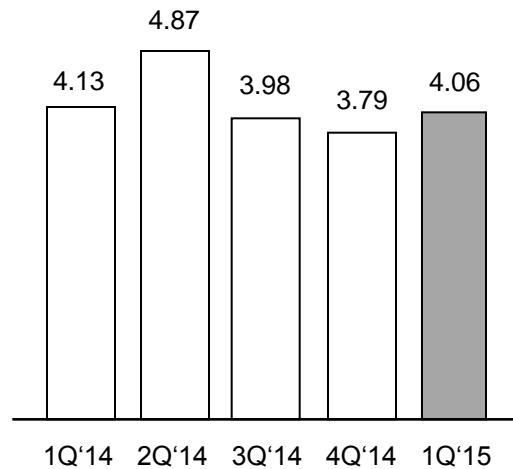
II. Performance and Outlook by Division Home Appliance & Air Solution

Quarterly Performance (KRW tn)

Op. Margin



Sales



1Q15 Performance

- **Sales:** Decreased by 2% YoY, and increased by 7% QoQ to 4.1 trillion won
 - Domestic: Although sales in premium refrigerators increased, total sales were flat YoY due to weaker sales in air-conditioners
 - Overseas: Sales decreased by 4% YoY due to intensified competition in North America and unfavorable FX movements in emerging markets such as CIS and Central & South America
- **Profitability:** In spite of decreasing sales and increasing marketing expense, profit improved YoY due to better product mix and optimizing cost structure

2Q15 Outlook

- **Market:** Expect stronger demand for air-conditioners and refrigerators due to the peak-season. However, there are also swing factors for demand in the domestic market depending on the weather conditions
- **LGE:** Plan to launch market leading products in premium markets continuously along with maximizing sales for air-conditioners and refrigerators during the peak season. Also, plan to improve cost structure with lower raw material costs

1Q15 Performance

- **Sales: Increased 33% YoY to 0.38 trillion won mainly from Car Infotainment business**
 - Car Infotainment: Sales increased from main business such as telematics, Audio & Video, and Audio & Video Navigation
 - Vehicle Engineering: Sales increased due to stronger sales from Russia and India
- **Profitability: Posted 24 trillion won operating loss due to increasing R&D for electric car components and automotive electronic components**

2Q15 Outlook

- **Market: In the long term, we expect more opportunities to arise for our car infotainment, electric car components, and the automotive electronic components business due to stronger demand for electric cars and the smart-cars globally**
- **LGE: Plan to expand sales and orders mainly for the car infotainment and vehicle engineering businesses in the short term. Also, we plan to commercialize the electric car components business and the automotive application components business in the long term**



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Income Statement

(Unit : KRW bn)

	2014										2015	
	1Q		2Q		3Q		4Q		Total		1Q	
Sales	13,988.8	100%	15,066.9	100%	14,713.0	100%	15,272.1	100%	59,040.8	4%	13,994.4	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%
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%
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%
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%
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%
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%
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%
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%
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%
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%
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%
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%
Controlling Interest	74.9		369.1		159.7		-204.3		399.4		2.2	
Non-controlling Interest	17.7		42.7		43.0		-1.4		102.0		36.2	

Balance Sheet

(Unit : KRW bn)

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

(Unit : KRW bn)

		1Q'14	2Q'14	3Q'14	4Q'14	'14 Total	1Q'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	-18%	-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%		
MC (Mobile Communications)	Sales	3,422.6	3,631.2	4,257.7	3,793.8	15,105.3	3,596.5	-5%	5%
	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%		
H&A (Home Appliance & Air Solution)	Sales	4,129.7	4,870.1	3,981.0	3,790.7	16,771.5	4,064.4	7%	-2%
	Op. Income (%)	211.0 5.1%	275.4 5.7%	47.2 1.2%	92.4 2.4%	626.0 3.7%	229.3 5.6%		
VC (Vehicle Components)	Sales	-	-	-	-	-	382.6	-	-
	Op. Income (%)	-	-	-	-	-	-2.4 -0.6%	-	-
Others *1)	Sales	664.4	626.3	737.8	805.9	2,834.4	312.8		
	Op. Income	-0.7	1.8	12.3	51.3	64.6	-56.1		
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	-7%	-1%
	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%		
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	-15%	6%
	Op. Income	63.1	89.9	102.9	58.1	314.0	69.0		
LGE earnings from LG innotek (③)	Sales	348.1	386.8	419.8	360.4	1,515.1	339.9	-6%	-2%
	Op. Income	3.4	2.7	0.4	-3.1	3.4	1.3		
LGE Consolidated (①+②-③)	Sales	13,988.8	15,066.9	14,713.0	15,272.1	59,040.8	13,994.4	-8%	0%
	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%		

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

* 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.