

3Q'17 Earnings Release

October 26, 2017

LG Electronics

All information regarding management performance and financial results of LG Electronics (the “Company”) during the 3rd 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 3rd 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 the 4th quarter 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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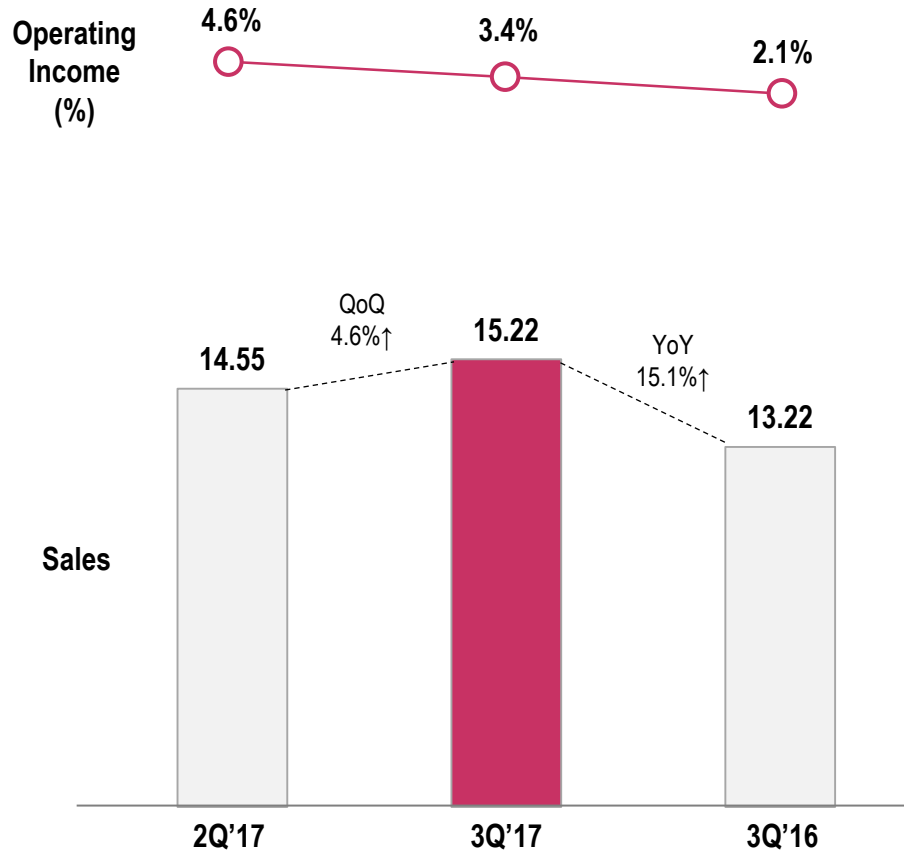
Consolidated Earnings and Outlook

Consolidated Earnings and Outlook

Sales / Profits

Sales / Profits

(Unit : KRW tn)



Performance by Division

(Unit : KRW bn)

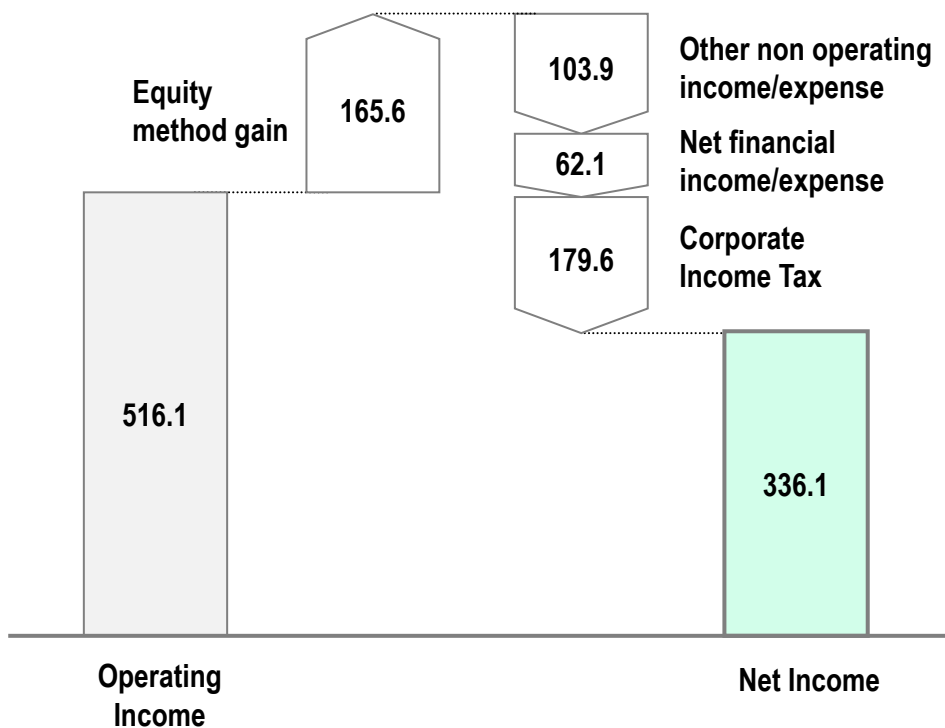
		2Q'17	QoQ	3Q'17	YoY	3Q'16
Consolidated ^{*1)}	Sales	14,551.4	4.6%	15,224.1	15.1%	13,224.3
	O.I	664.1	-148.0	516.1	232.9	283.2
	(%)	4.6%	-1.2%p	3.4%	1.3%p	2.1%
H&A ^{*2)} Home Appliance & Air Solution	Sales	5,264.6	-5.3%	4,984.4	16.4%	4,281.6
	O.I	464.3	-39.4	424.9	88.0	336.9
	(%)	8.8%	-0.3%p	8.5%	0.6%p	7.9%
HE Home Entertainment	Sales	4,234.9	9.5%	4,637.6	12.0%	4,141.5
	O.I	343.0	115.0	458.0	76.5	381.5
	(%)	8.1%	1.8%p	9.9%	0.7%p	9.2%
MC ^{*2)} Mobile Communications	Sales	2,701.4	3.9%	2,807.7	7.9%	2,601.4
	O.I	-132.4	-242.9	-375.3	50.3	-425.6
	(%)	-4.9%	-8.5%p	-13.4%	3.0%p	-16.4%
VC Vehicle Components	Sales	882.6	-1.0%	873.4	29.4%	674.9
	O.I	-16.4	-12.6	-29.0	-12.8	-16.2
	(%)	-1.9%	-1.4%p	-3.3%	-0.9%p	-2.4%

*1) Including LG Innotek

*2) From 2Q'17, Companion Device(Innovative Personal Device) has been restated to MC division from Others.
From 3Q'17, Smart Lighting has been restated to H&A division from Others.

Income Analysis

(Unit : KRW bn)



Income

(Unit : KRW bn)

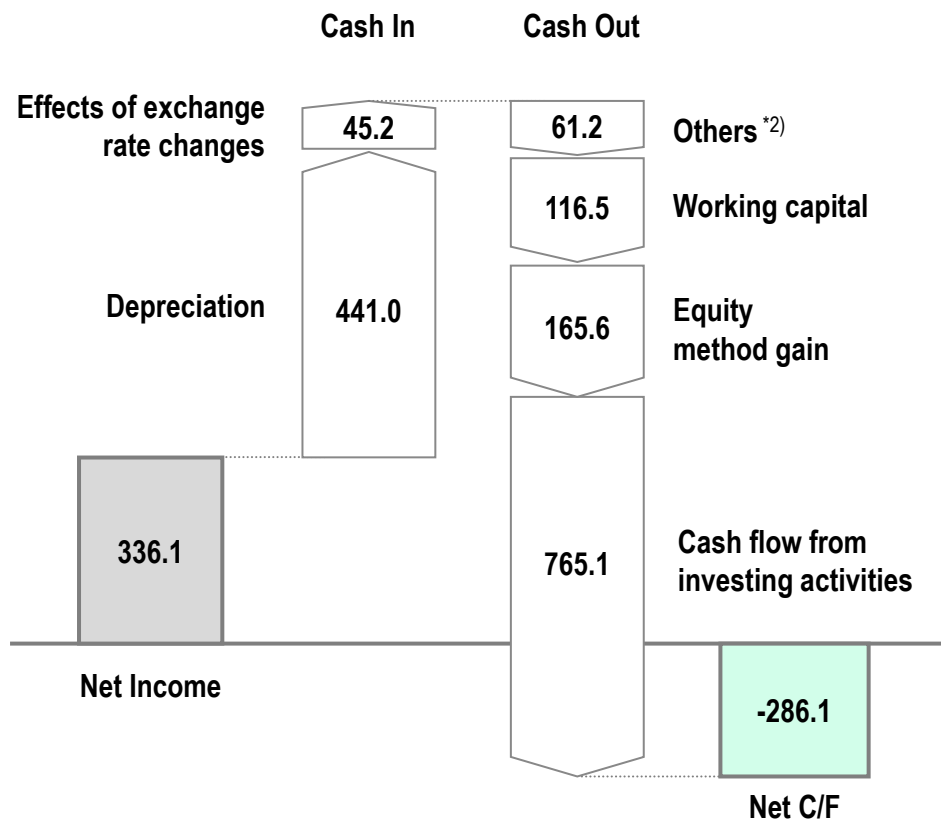
	2Q'17	QoQ	3Q'17	YoY	3Q'16
Operating Income	664.1	-148.0	516.1	+232.9	283.2
Net financial income/expense	-53.1	-9.0	-62.1	+44.7	-106.8
Gain/Loss on equity method	258.1	-92.5	165.6	+145.7	19.9
Other non-operating income/expense	-126.9	+23.0	-103.9	+44.5	-148.4
Income before tax	742.2	-226.5	515.7	+467.8	47.9
Corporate Income Tax	227.3	-47.7	179.6	+50.2	129.4
Net Income	514.9	-178.8	336.1	+417.6	-81.5
EBITDA	1,100.3		957.1		711.2

Consolidated Earnings and Outlook

Cash Flow

Net Cash Flow*1)

(Unit : KRW bn)



Cash Flow

(Unit : KRW bn)

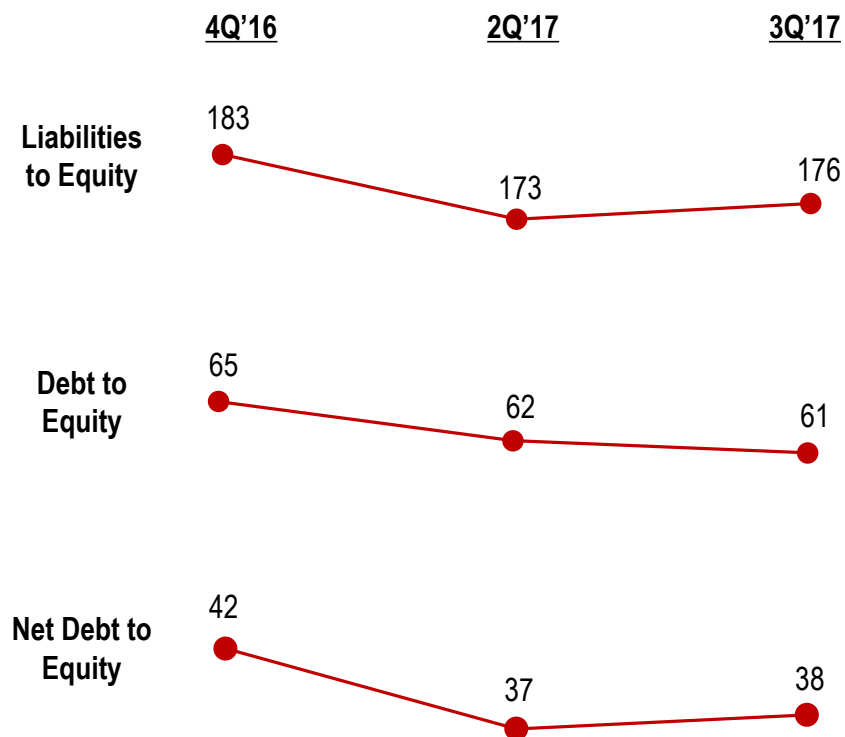
	2Q'17	3Q'17
☐ Cash at the beginning of period	3,031.9	3,604.4
• Cash flow from operating activities	936.3	433.8
Net income/loss	514.9	336.1
Depreciation	436.2	441.0
Gain/Loss on equity method investment	-258.1	-165.6
Changes in working capital	-598.4	-116.5
Others	841.7	-61.2
• Cash flow from investing activities	-597.5	-765.1
Increase in tangible assets	-427.9	-620.7
Increase in intangible assets	-168.1	-161.3
• Cash flow from financing activities	163.0	168.2
Dividend paid, etc	-90.4	-11.4
Increase/Decrease in debt	253.4	179.6
• Effects of exchange rate changes on cash and cash equivalents	70.7	45.2
☐ Net changes in cash	572.5	-117.9
☐ Cash at the end of period	3,604.4	3,486.5

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

*2) Others: Increase/decrease of Deferred Income Tax Asset/Liabilities and other Asset/Liabilities

Leverage Ratio

(Unit: %)



Financial Position

(Unit : KRW tn)

	4Q'16	2Q'17	3Q'17
Assets	37.86	39.34	41.13
Current Assets	16.99	18.28	19.60
Cash	3.02	3.60	3.49
Inventory	5.17	5.62	6.36
Non-Current Assets	20.87	21.06	21.53
Liabilities	24.50	24.93	26.20
Current Liabilities	15.74	15.97	17.01
Non-Current Liabilities	8.76	8.96	9.19
Equity	13.36	14.41	14.93
Debt	8.66	8.96	9.16
Net Debt	5.64	5.36	5.68

Business Environment

- Continued business risk caused by trade conflict from increasing U.S. trade protectionism
 - Strong price competition risk from entering year-end peak season
-

Key Strategies

- Increase premium product sales by differentiating marketing activities
 - Secure competitiveness in B2B business by making the best use of strengths in B2C
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Sales & Profits Outlook (4Q'17)

- Sales increase by more than 10% YoY
- Down QoQ operating income due to seasonality, but maintain stable profitability

II

Performance and Outlook by Division

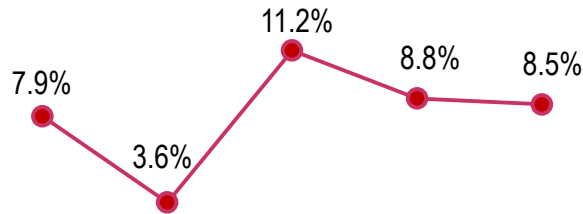
Performance and Outlook by Division

H&A (Home Appliance and Air Solution)

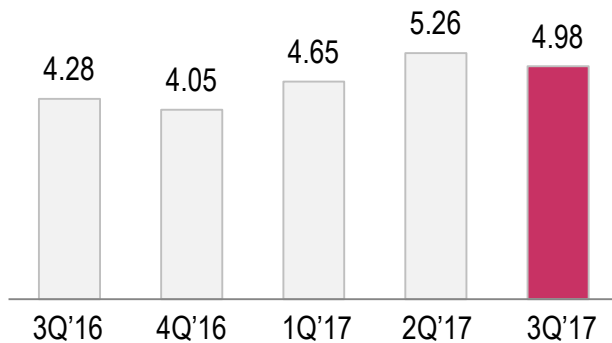
Performance*1)

(Unit: %, KRW tn)

Op. Margin



Sales



Key Products



InstaView DID



TWINWash



CordZero A9

3Q'17 Performance

- **Sales : 5.0 tril. Won, up 16% YoY driven by strong performance in domestic market and sales growth in overseas market including North America, Europe and Asia**
 - Domestic : Up 30% YoY from strong air conditioner sales during peak season and continuous boom of new growth products such as Dryer, Air Purifier and CordZero Handstick vacuum
 - Overseas: Despite sluggish growth in Central Asia due to low oil price and weak currency, up 10% YoY (based on USD) from solid sales in North America, Europe and Asia
- **Profitability : Despite raw material price increase, profitability improved YoY from solid earnings in domestic market and sales expansion of premium appliances**

4Q'17 Outlook

- **Market : Expect growing demand in Europe, Asia, Latin America from global economic recovery trend; Anticipate continuous demand growth in newly added premium home appliances (Air/Water Purifier, CordZero Handstick vacuum) and new growth products(Styler, Dryer)**
- **LGE : Maintain solid profitability by maximizing sales of premium products such as InstaView Refrigerator and TWINWash washing machine; Continue cost structure improvement activities**

*1) From 3Q'17, Smart Lighting has been restated to H&A division from Others

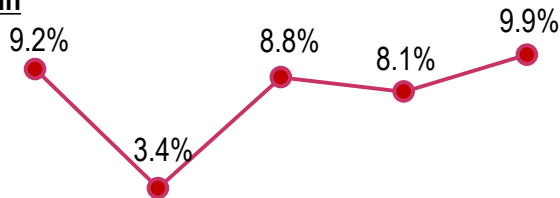
Performance and Outlook by Division

HE (Home Entertainment)

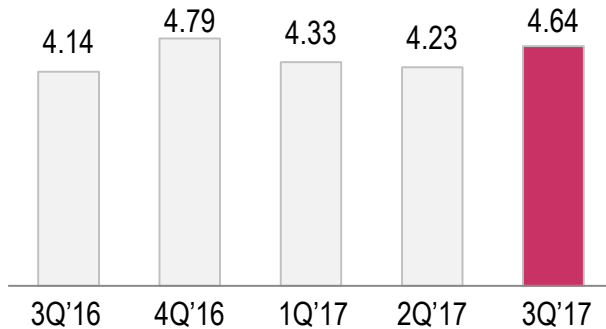
Performance

(Unit: %, KRW tn)

Op. Margin



Sales



Key Products



LG SIGNATURE OLED TV W



LG Nano Cell TV

3Q'17 Performance

- **Sales** : Up more than 10% YoY, by improving product mix from premium TV sales growth and by increasing TV shipments in North America, Asia and Latin America
 - Achieved strong sales growth in OLED TV and Ultra HD TV from proactive marketing mainly in developed markets
- **Profitability** : Achieved strong profitability by increasing sales and by improving profit structure through continuous premium product sales

4Q'17 Outlook

- **Market** : Despite continuous risks in interest rate increase and F/X fluctuation, expect global TV market to grow QoQ by entering year-end peak season and by increasing demand in premium products such as OLED TV and Ultra HD TV
- **LGE** : Focus on establishing stable profit structure by expanding sales through active response to customers' year-end premium TV demand

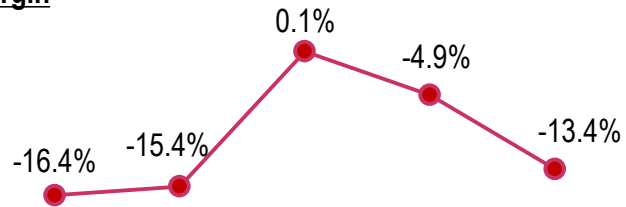
Performance and Outlook by Division

MC (Mobile Communications)

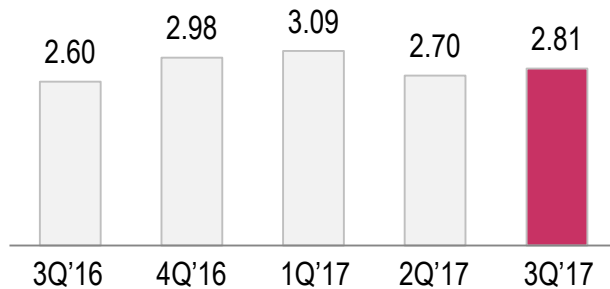
Performance*1)

(Unit: %, KRW tn)

Op. Margin



Sales



Key Products



G6+



Q6



V30

3Q'17 Performance

- **Sales** : Up 4% QoQ and up 8% YoY from steady sales of G6 and strong performance of mass-tier smartphone lineup such as Q6/K series
 - Achieved smartphone shipment of 13.7mn units (+3% QoQ, +1% YoY)
 - Smartphone shipment increased 9% QoQ in North America and 44% QoQ in domestic market
 - Mass-tier smartphone shipment recorded up 6% QoQ
- **Profitability** : Down QoQ by increasing raw material price from unit cost rise in core materials such as memory and by applying one time royalty expense

4Q'17 Outlook

- **Market** : Strong competition in new premium models by entering year-end peak season; Expect promotion expense increase from intensified market share and price competition
- **LGE** :
 - Focus on global launching of V30, which has been favorably reviewed by the customers from its high performance in camera/video, ultralight design and 6 inch OLED Full Vision
 - Increase sales portion of mass-tier models such as Q6
 - Improve cost competitiveness and business fundamentals by reinforcing platform and modular activities in manufacturing process

*1) From 2Q'17, Companion Device(Innovative Personal Device) has been restated to MC division from Others

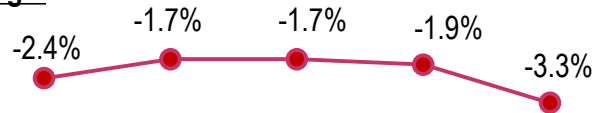
Performance and Outlook by Division

VC (Vehicle Components)

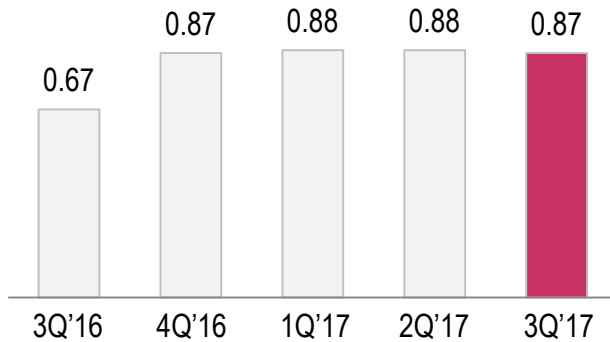
Performance

(Unit: %, KRW tn)

Op. Margin



Sales



Key Products

Infotainment



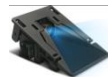
- AV/AVN
- Telematics
- CID

EV Solution



- Traction motor
- Inverter
- Battery Pack

Security & Safety



- ADAS Camera
- LCD Cluster
- Automotive lamp

3Q'17 Performance

- **Sales** : Up 29% YoY by increasing smart infotainment product sales from new customers and by growing sales of EV components;
Slow growth due to car OEM's inventory adjustment and sluggish vehicle sales
 - Infotainment : Improved from telematics and CID product sales
 - EV components : Improved YoY from sales growth of GM BOLT
- **Profitability** : Slight loss due to burden of advanced resource input in EV components and new infotainment business

4Q'17 Outlook

- **Market** : Expect market to expand as more car OEM from North America and Europe to proactively announce EV manufacturing plans and as IT manufacturers are entering electric car component market from increasing electric component ratio in vehicle component market
- **LGE** : Lead the infotainment market by preparing future communication technology;
Strengthen Tier-1 position in EV components by referencing GM BOLT project



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Income Statement

(Unit: KRW bn, %)

	2016										2017					
	1Q		2Q		3Q		4Q		Total		1Q		2Q		3Q	
Sales	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%	14,551.4	100.0%	15,224.1	100.0%
Cost of goods sold	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%	10,830.0	74.4%	11,619.9	76.3%
Gross profit	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%	3,721.4	25.6%	3,604.2	23.7%
Selling & admin expense	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%	3,057.3	21.0%	3,088.1	20.3%
Operating income (Loss)	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%	664.1	4.6%	516.1	3.4%
Financial income (Expense)	-120.9	-0.9%	-81.5	-0.6%	-106.8	-0.8%	-84.3	-0.6%	-393.5	-0.7%	-109.2	-0.7%	-53.1	-0.4%	-62.1	-0.4%
Gains (loss) on equity method investment	-22.3	-0.2%	-26.2	-0.2%	19.9	0.2%	297.3	2.0%	268.7	0.5%	230.1	1.6%	258.1	1.8%	165.6	1.1%
Other non operating income (Loss)	-80.4	-0.6%	-1.6	0.0%	-148.4	-1.1%	-260.9	-1.8%	-491.3	-0.9%	49.5	0.3%	-126.9	-0.9%	-103.9	-0.7%
Net income before tax	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%	742.2	5.1%	515.7	3.4%
Corporate Income Tax	83.5	0.6%	206.8	1.5%	129.4	1.0%	175.7	1.2%	595.4	1.1%	256.2	1.7%	227.3	1.6%	179.6	1.2%
Net income	198.1	1.5%	268.5	1.9%	-81.5	-0.6%	-258.8	-1.8%	126.3	0.2%	835.7	5.7%	514.9	3.5%	336.1	2.2%
Controlled shares	190.6		271.0		-62.0		-322.7		76.9		795.3		497.5		318.1	
Non-controlled shares	7.5		-2.5		-19.5		63.9		49.4		40.4		17.4		18.0	

*) Since the information regarding results of 3Q'17 has been prepared in advance, it is subject to change in the process of final review by external auditors

Statements of Financial Position

(Unit: KRW bn)

	2016				2017		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Assets	37,176.9	37,244.9	37,285.6	37,855.3	38,124.5	39,342.4	41,127.2
Current Assets	17,378.8	17,271.8	17,277.5	16,990.6	17,474.9	18,275.2	19,597.9
Cash and cash equivalents	3,294.8	2,908.0	3,488.5	3,015.1	3,031.9	3,604.4	3,486.5
Accounts receivable	6,838.2	7,351.8	6,644.7	7,059.9	7,360.1	7,344.6	7,737.6
Inventory	5,417.8	5,209.5	5,544.8	5,171.0	5,392.0	5,620.2	6,358.0
Other	1,828.0	1,802.5	1,599.5	1,744.6	1,690.9	1,706.0	2,015.8
Non-current Assets	19,798.1	19,973.1	20,008.1	20,864.7	20,649.6	21,067.2	21,529.3
Investment	4,768.3	4,721.1	4,701.7	5,104.6	5,175.0	5,503.8	5,695.8
PP&E	10,359.8	10,514.9	10,606.2	11,222.4	11,086.9	11,171.4	11,385.1
Intangible assets	1,468.9	1,509.1	1,523.5	1,571.1	1,610.4	1,703.6	1,778.0
Other	3,201.1	3,228.0	3,176.7	2,966.6	2,777.3	2,688.4	2,670.4
Liabilities	24,186.9	24,116.6	24,707.8	24,498.6	24,432.9	24,934.3	26,202.3
Accounts payable	6,561.4	6,315.3	6,740.7	6,746.4	7,613.2	7,116.9	8,127.2
Debt	9,291.7	8,801.6	9,007.7	8,659.0	8,629.2	8,956.5	9,163.7
Other	8,333.8	8,999.7	8,959.4	9,093.2	8,190.5	8,860.9	8,911.4
Equity	12,990.0	13,128.3	12,577.8	13,356.7	13,691.6	14,408.1	14,924.9

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(Unit: KRW bn)

		1Q'16	2Q'16	3Q'16	4Q'16	'16 Total	1Q'17	2Q'17	3Q'17	QoQ	YoY
H&A (Home Appliance & Air Solution)	Sales	4,229.9	4,711.9	4,281.6	4,054.7	17,278.1	4,647.7	5,264.6	4,984.4	-5%	16%
	Op. Income	404.0	429.9	336.9	146.8	1,317.6	519.1	464.3	424.9		
	(%)	9.6%	9.1%	7.9%	3.6%	7.6%	11.2%	8.8%	8.5%		
HE (Home Entertainment)	Sales	4,333.4	4,157.2	4,141.5	4,793.4	17,425.5	4,326.1	4,234.9	4,637.6	10%	12%
	Op. Income	335.2	356.7	381.5	164.0	1,237.4	382.2	343.0	458.0		
	(%)	7.7%	8.6%	9.2%	3.4%	7.1%	8.8%	8.1%	9.9%		
MC (Mobile Communications)	Sales	3,020.6	3,421.2	2,601.4	2,980.7	12,023.9	3,091.7	2,701.4	2,807.7	4%	8%
	Op. Income	-193.7	-139.5	-425.6	-459.3	-1,218.1	3.7	-132.4	-375.3		
	(%)	-6.4%	-4.1%	-16.4%	-15.4%	-10.1%	0.1%	-4.9%	-13.4%		
VC (Vehicle Components)	Sales	592.9	639.6	674.9	865.6	2,773.0	876.4	882.6	873.4	-1%	29%
	Op. Income	-15.8	-16.8	-16.2	-14.4	-63.2	-14.5	-16.4	-29.0		
	(%)	-2.7%	-2.6%	-2.4%	-1.7%	-2.3%	-1.7%	-1.9%	-3.3%		
Others	Sales	325.9	255.1	438.0	326.2	1,345.2	340.0	403.7	611.2	51%	40%
	Op. Income	-24.4	-10.8	-4.6	11.4	-28.4	-34.1	-15.7	6.6		
LGE Consolidated Excluding LG Innotek (①)	Sales	12,502.7	13,185.0	12,137.4	13,020.6	50,845.7	13,281.9	13,487.2	13,914.3	3%	15%
	Op. Income	505.3	619.5	272.0	-151.5	1,245.3	856.4	642.8	485.2		
	(%)	4.0%	4.7%	2.2%	-1.2%	2.4%	6.4%	4.8%	3.5%		
LG Innotek (②)	Sales	1,195.0	1,120.5	1,384.5	2,054.6	5,754.6	1,644.7	1,339.6	1,787.3	33%	29%
	Op. Income	0.4	-34.0	20.6	117.8	104.8	66.8	32.6	55.9		
LGE-LG Innotek Inter-company Transaction (③)	Sales	335.6	302.6	297.6	297.5	1,233.3	269.4	275.4	477.5	73%	60%
	Op. Income	0.5	0.9	9.4	1.5	12.3	1.7	11.3	25.0		
LGE Consolidated (①+②-③)	Sales	13,362.1	14,002.9	13,224.3	14,777.7	55,367.0	14,657.2	14,551.4	15,224.1	5%	15%
	Op. Income	505.2	584.6	283.2	-35.2	1,337.8	921.5	664.1	516.1		
	(%)	3.8%	4.2%	2.1%	-0.2%	2.4%	6.3%	4.6%	3.4%		

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