

4Q'16 Earnings Release

Jan 25th 2017

LG Electronics

All information regarding management performance and financial results of LG Electronics (the “Company”) during the 4th quarter of 2016 as contained herein has been prepared on a consolidated basis in accordance with International Financial Reporting Standards (“IFRS”).

The information regarding results of 4th quarter of 2016 has been prepared in advance, prior to being audited by outside auditors, solely for the convenience of investors of the Company, and is subject to change in the process of final audit 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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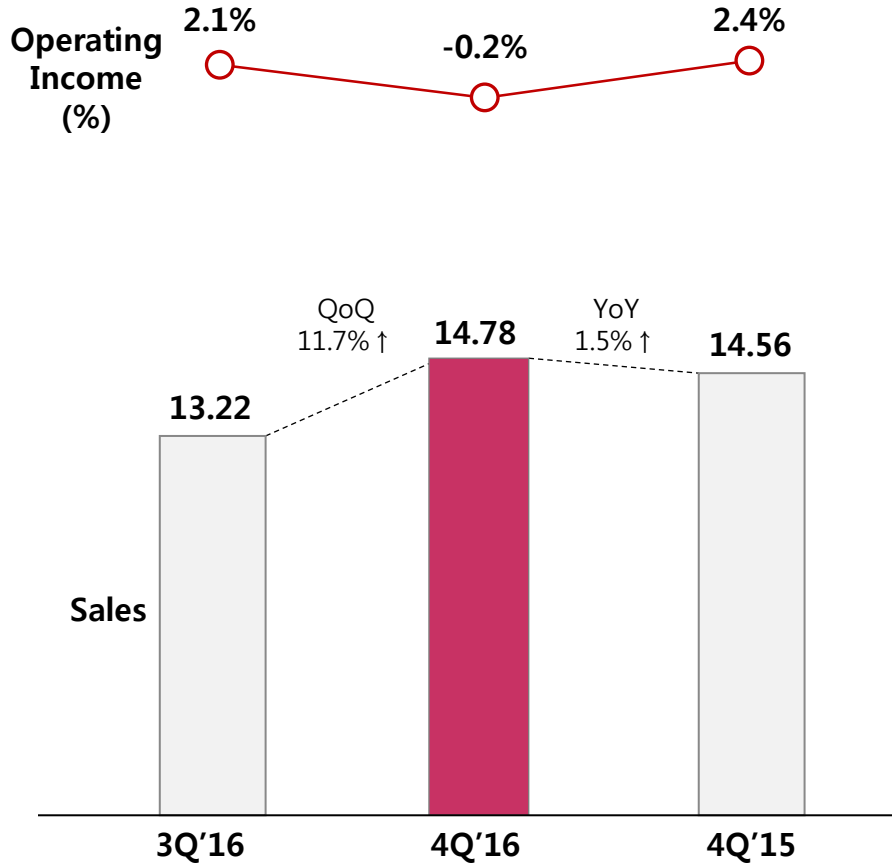
Consolidated Earnings and Outlook

Consolidated Earnings and Outlook

Sales/Profits

Sales / Profits

(Unit : KRW tn)



Performance by Division

(Unit : KRW bn)

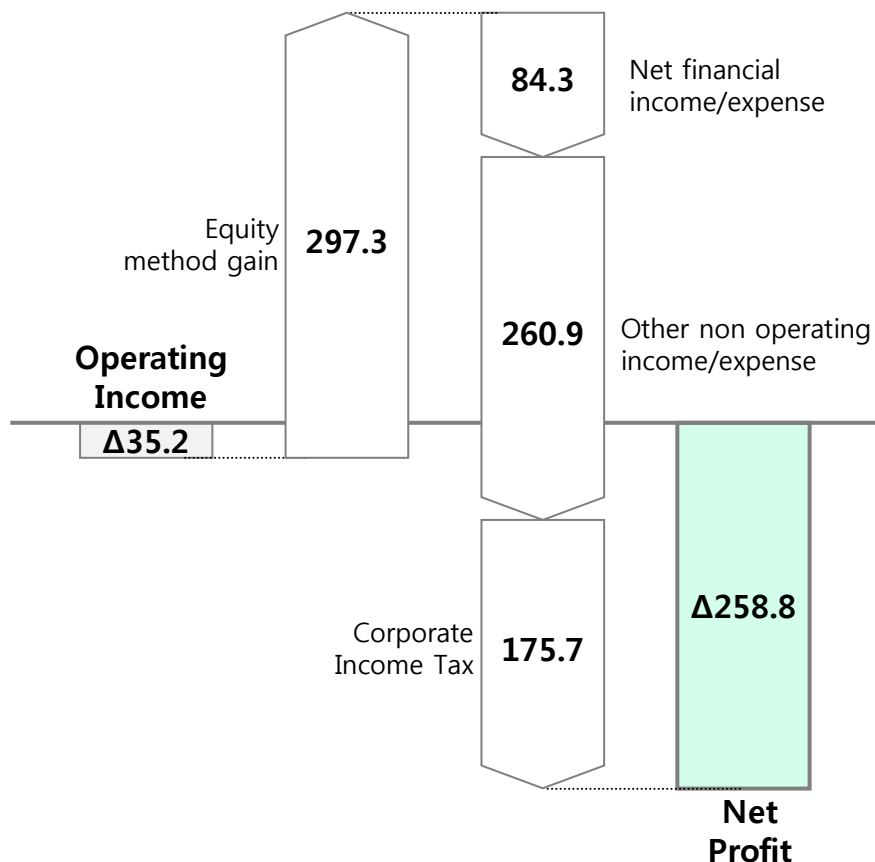
		3Q'16	QoQ	4Q'16	YoY	4Q'15
Consolidated ^{*1)}	Sales	13,224.3	11.7%	14,777.7	1.5%	14,560.1
	O.I	283.2	-318.4	-35.2	-384.2	349.0
	(%)	2.1%	-2.3%p	-0.2%	-2.6%p	2.4%
H&A Home Appliance & Air Solution	Sales	4,271.2	-5.3%	4,043.3	5.6%	3,829.5
	O.I	342.8	-192.7	150.1	-64.7	214.8
	(%)	8.0%	-4.3%p	3.7%	-1.9%p	5.6%
MC ^{*2)} Mobile Communications	Sales	2,517.0	15.4%	2,903.6	-20.9%	3,670.1
	O.I	-436.4	-30.6	-467.0	-406.1	-60.9
	(%)	-17.3%	1.2%p	-16.1%	-14.4%p	-1.7%
HE Home Entertainment	Sales	4,141.5	15.7%	4,793.3	1.1%	4,739.7
	O.I	381.5	-217.5	164.0	54.8	109.2
	(%)	9.2%	-5.8%p	3.4%	1.1%p	2.3%
VC Vehicle Components	Sales	674.9	28.3%	865.7	66.4%	520.4
	O.I	-16.2	1.7	-14.5	-24.2	9.7
	(%)	-2.4%	0.7%p	-1.7%	-3.6%p	1.9%

*1) Including LG Innotek

*2) IPD(Innovative Personal Device) department within MC division has been restated to "Others" since 1Q'16

4Q'16 Income Analysis

(Unit : KRW bn)



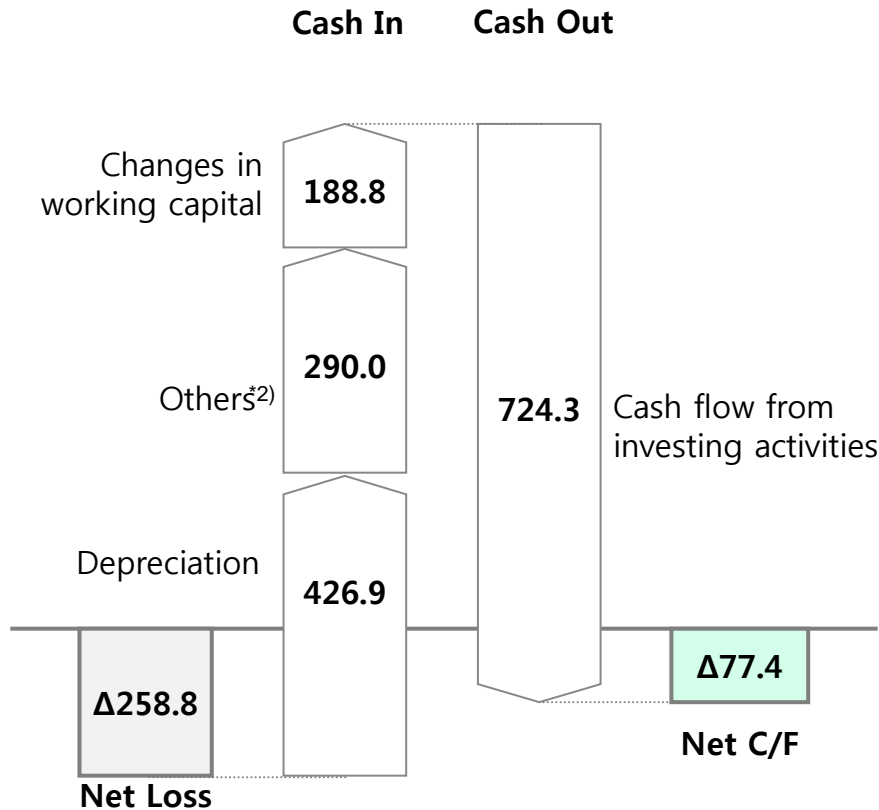
Income Trend

(Unit : KRW bn)

	3Q'16	QoQ	4Q'16	YoY	4Q'15
Operating Income	283.2	-318.4	-35.2	-384.2	349.0
Net financial income/expense	-106.8	22.5	-84.3	10.2	-94.5
Gain/Loss on equity method	19.9	277.4	297.3	299.5	-2.2
Other non-operating income/expense	-148.4	-112.5	-260.9	-129.2	-131.7
Income before tax	47.9	-131.0	-83.1	-203.7	120.6
Corporate Income Tax	129.4	46.3	175.7	-84.2	259.9
Income (Loss) from discontinued operations	-	-	-	1.2	-1.2
Net Income	-81.5	-177.3	-258.8	-118.3	-140.5
EBITDA	711.2		391.6		832.8

4Q'16 Net Cash Flow^{*1)}

(Unit : KRW bn)



Cash Flow Statement

(Unit : KRW bn)

	3Q'16	4Q'16
☐ Cash at the beginning of period	2,908.0	3,488.5
• Cash flow from operating activities	1,043.9	690.3
Net income/loss	-81.5	-258.8
Depreciation	428.0	426.9
Gain/Loss on equity method investment	-19.9	-297.3
Changes in working capital	437.2	188.8
Others	280.3	630.7
• Cash flow from investing activities	-643.3	-724.3
Increase in tangible assets	-482.2	-644.4
Increase in intangible assets	-116.9	-118.1
• Cash flow from financing activities	279.8	-396.0
Dividend paid, etc	-17.2	-2.5
Increase/Decrease in debt	297.0	-393.5
• FX effect from cash denominated in foreign currency	-99.9	-43.4
☐ Net changes in cash	580.5	-473.4
☐ Cash at the end of period	3,488.5	3,015.1

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

*2) This refers to summation of ① others in cash flow from operating activities and ② FX effect from cash denominated in foreign currency and ③ gain/loss on equity method Investment

Leverage Ratio

(Unit : %)

4Q'15 3Q'16 4Q'16

Liability
to Equity

180 196 183

Debt to
Equity

68 72 65

Net Debt to
Equity

47 44 42

Balance Sheet

(Unit : KRW tn)

	4Q'15	3Q'16	4Q'16
Assets	36.31	37.29	37.86
Current Assets	16.4	17.28	16.99
Cash	2.71	3.49	3.02
Inventory	4.87	5.54	5.17
Non-Current Assets	19.91	20.01	20.87
Liabilities	23.33	24.71	24.50
Current Liabilities	14.78	15.36	15.75
Non-Current Liabilities	8.55	9.35	8.75
Equity	12.98	12.58	13.36
Debt	8.83	9.00	8.66
Net Debt	6.12	5.51	5.64

Y2017 Business Environment

- Uncertainty of global economy may rise and slow growth of global economy would continue due to the increase in interest rates and strong US dollar.
- Volatilities of raw material and panel prices.
- Expansion of protective trade, with an emphasis on anti-globalization and nationalism

Y2017 Key Strategies

- Balanced growth for both B2C/B2B business and pursue profitable growth through premium brand
- Appliance and TV will continue to enhance the premium brand and sustain stable margin structure.
- Establish profit making business structure by enhancing product competitiveness for mobile handsets.
- Expand successful strategic partnership and focus on both quality & profitability for electric vehicle component business.
- Prepare for future business such as Robot / IoT / Artificial Intelligence

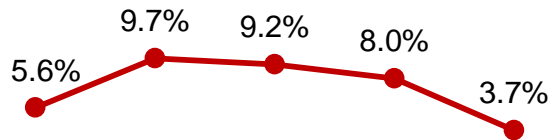
1Q'17 Sales & Profits

- Anticipate high-single digit YoY increase in revenue
- Expect significant QoQ improvement on profits

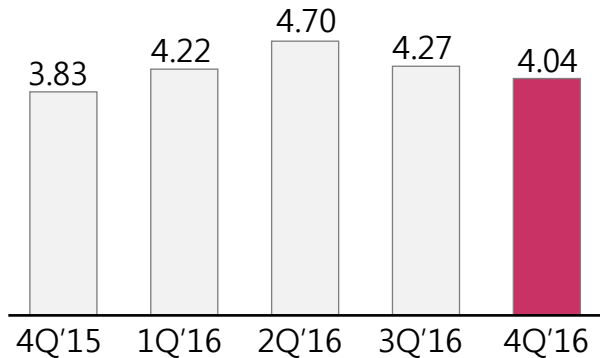
II Performance and Outlook by Division

Quarterly Performance (Unit : %, KRW tn)

Op. Margin



Sales



Key Product



InstaView DID



Stand Type A/C



TWINWash

4Q'16 Performance

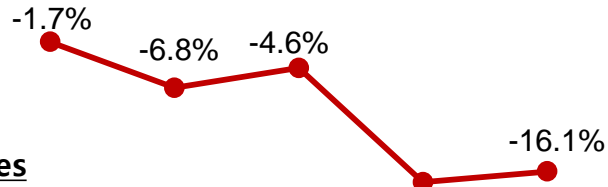
- **Sales** : Revenue rose 6% YoY and posted 4.0 tril. Won, largely driven by the sales increase in domestic region.
 - Domestic : Increased 16% YoY driven by the strong performance in TWINWash washing machine, Bottom freezer refrigerators and new model of Styler and Dryer.
 - Overseas : MEA region revenue decreased YoY due to low level of oil price and unfavorable fx movements. However, overall revenue is similar on account of strong market growth in Europe, Asia, North America region
- **Profitability** : Profitability decreased temporarily due to the marketing expense for "LG Signature", "SIGNATURE KITCHEN SUITE" brand and product launch.

2017 Outlook

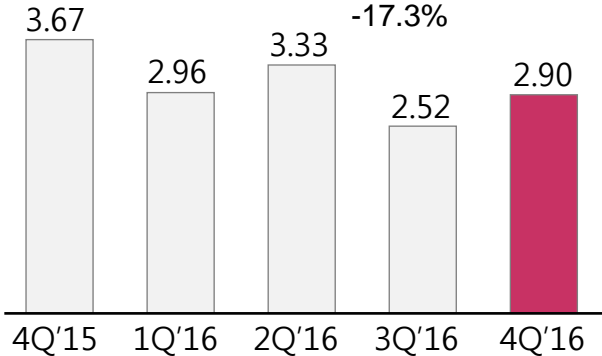
- **Market** : Slow growth of global economy may influence the appliance market. However, the demand for High energy efficiency/Premium/Convergence products are expected to increase.
- **LGE** : In B2C business, expand premium product sales such as TWINWash washing machine, InstaView, and Door-In-Door refrigerator etc. to generate stable margin. In B2B business, accelerate growth in system A/C, Built-in appliance, Component business to enhance business operation system.

Quarterly Performance (Unit : %, KRW tn)

Op. Margin



Sales



Key Product



Premium Smart Phone V20



Mass-tier Smart Phone K8

4Q'16 Performance

- **Sales** : Revenue increased 15% QoQ with the strong sales of premium smartphone V20.
 - Smartphone shipments marked 14.1M Units. (QoQ 4% ↑, YoY 8% ↓)
 - Smartphone shipments in North America region increased 15% QoQ.
 - Shipment of Mass-tier smartphone K/X Series increased 1% QoQ.
- **Profitability** : Loss continued due to weak sales of G5, marketing expense for V20, and expenses associated with finalizing the business structure improvement activities.

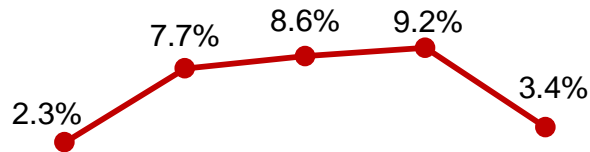
2017 Outlook

- **Market** : The Innovation competition among new premium products and price competition in mass-tier zone will be intensified. Also the consumer's sensitiveness on quality and stability of the smartphone is expected to rise continuously.
- **LGE** : Recover premium position in 2017 by launching successful flagship model. Create Mega hit model in mass-tier zone to proceed profitable growth. Strengthen the basic performance, quality and safety of the product in order to enhance customer's credibility and satisfaction.

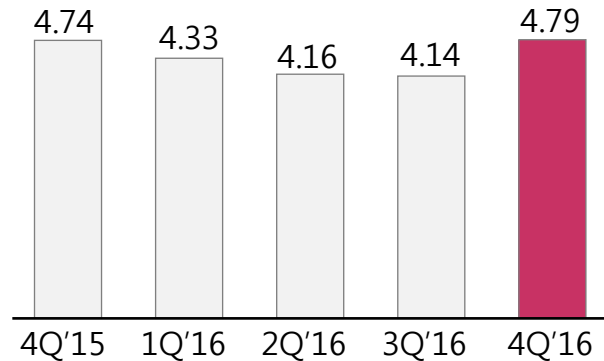
*1 The IPD(Innovative Personal Device) department within MC division has been restated to others since 1Q'16

Quarterly Performance (Unit : %, KRW tn)

Op. Margin



Sales



Key Product



LG SIGNATURE OLED TV W

4Q'16 Performance

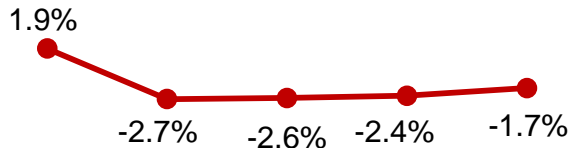
- **Sales :** Increased 16% QoQ due to seasonality and strong sales in premium TV such as OLED TV and UHD TV.
 - QoQ TV Revenue growth came out mainly from OLED TV/UHD TV sales in developed regions such as North America, Europe, Japan
- **Profitability :** Despite the strong performance in premium TV sales, Profitability decreased QoQ due to high marketing expense and panel price incline.

2017 Outlook

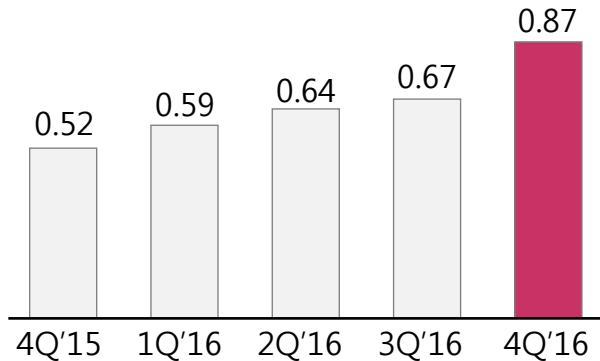
- **Market :** Although the overall TV demand is expected to remain sluggish, the premium TV demand such as OLED TV and UHD TV will increase continuously.
- **LGE :** Enhance premium brand image by launching “Another level of TV” such as LG Signature OLED TV W. Secure Solid profitability by increasing the revenue of UHD TV and leading the way to popularize the OLED TV market.

Quarterly Performance (Unit : %, KRW tn)

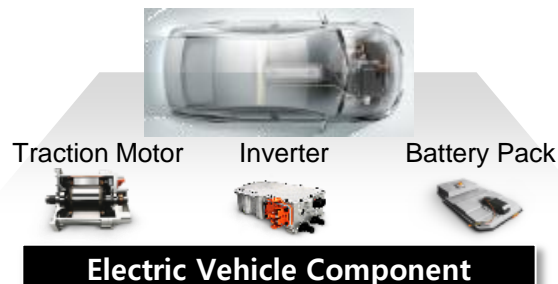
Op. Margin



Sales



Key Product



4Q'16 Performance

- **Sales** : Increased 28% QoQ, 66% YoY due to high growth in electric vehicle components and Car Infotainment business
- **Profitability** : Despite the profitability improvement from the revenue increase, slight loss occurred due to the early R&D investment for new business incubation and project increase.

2017 Outlook

- **Market** : For infotainment business, demands of integrating electronic components such as Infotainment, Convenience, Safety components are increasing. Also, competitor's M&A and Chinese vendors entering the market may expedite tough price competition. In terms of electric vehicle component business, spearheaded by GM Chevrolet BOLT, EV with longer distance and affordable price will open up the EV market.
- **LGE** : Focus on High-end product to enhance the business operation and strengthen product competitiveness based on differentiation, advanced technology for infotainment business. By utilizing GM Chevrolet BOLT as a reference, expand the customer base and prepare for global business operation.



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Income Statement

(Unit : KRW bn, %)

	2015					2016				
	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total
Sales	13,994.4 100.0%	13,925.7 100.0%	14,028.8 100.0%	14,560.1 100.0%	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%
Cost of goods sold	10,906.1 77.9%	10,732.7 77.1%	10,769.9 76.8%	11,226.4 77.1%	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%
Gross profit	3,088.3 22.1%	3,193.0 22.9%	3,258.9 23.2%	3,333.7 22.9%	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%
Selling & admin expense	2,783.1 19.9%	2,948.9 21.2%	2,964.9 21.1%	2,984.7 20.5%	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%
Operating income (Loss)	305.2 2.2%	244.1 1.8%	294.0 2.1%	349.0 2.4%	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%
Financial income (Expense)	-102.9 -0.7%	-98.1 -0.7%	-65.0 -0.5%	-94.5 -0.6%	-360.5 -0.6%	-120.9 -0.9%	-81.5 -0.6%	-106.8 -0.8%	-84.3 -0.6%	-393.5 -0.7%
Gains (loss) on equity method investment	168.3 1.2%	123.4 0.9%	70.0 0.5%	-2.2 0.0%	359.5 0.6%	-22.3 -0.2%	-26.2 -0.2%	19.9 0.2%	297.3 2.0%	268.7 0.5%
Other non operating income (Loss)	-320.9 -2.3%	42.5 0.3%	-188.1 -1.3%	-131.7 -0.9%	-598.2 -1.1%	-80.4 -0.6%	-1.6 0.0%	-148.4 -1.1%	-260.9 -1.8%	-491.3 -0.9%
Net income before tax	49.7 0.4%	311.9 2.2%	110.9 0.8%	120.6 0.8%	593.1 1.0%	281.6 2.1%	475.3 3.4%	47.9 0.4%	-83.1 -0.6%	721.7 1.3%
Corporate Income Tax	11.3 0.1%	83.2 0.6%	-14.2 -0.1%	259.9 1.8%	340.2 0.6%	83.5 0.6%	206.8 1.5%	129.4 1.0%	175.7 1.2%	595.4 1.1%
Income (Loss) from continuing operations	38.4 0.3%	228.7 1.6%	125.1 0.9%	-139.3 -1.0%	252.9 0.4%	198.1 1.5%	268.5 1.9%	-81.5 -0.6%	-258.8 -1.8%	126.3 0.2%
Income (Loss) from discontinued operations	0.0 0.0%	-2.3 0.0%	-0.3 0.0%	-1.2 0.0%	-3.8 0.0%	0.0 0.0%	0.0 0.0%	0.0 0.0%	0.0 0.0%	0.0 0.0%
Net income	38.4 0.3%	226.4 1.6%	124.8 0.9%	-140.5 -1.0%	249.1 0.4%	198.1 1.5%	268.5 1.9%	-81.5 -0.6%	-258.8 -1.8%	126.3 0.2%
Controlled shares	2.2	187.1	83.7	-148.6	124.4	190.6	271.0	-62.0	-322.7	76.9
Noncontrolled shares	36.2	39.3	41.1	8.1	124.7	7.5	-2.5	-19.5	63.9	49.4

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

Balance Sheet

(Unit : KRW bn)

	2015				2016			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Assets	37,253.7	37,979.5	38,947.4	36,313.9	37,176.9	37,245.0	37,285.6	37,855.3
Current Assets	17,649.5	18,122.3	18,831.1	16,397.6	17,378.8	17,271.8	17,277.5	16,990.6
Cash and cash equivalents	2,034.3	2,576.5	2,961.3	2,710.2	3,294.8	2,908.0	3,488.5	3,015.1
Accounts receivable	7,867.7	8,119.4	8,034.7	7,093.4	6,838.2	7,351.8	6,644.7	7,059.9
Inventory	5,828.7	5,554.7	5,880.3	4,872.7	5,417.8	5,209.5	5,544.8	5,171.0
Other	1,918.8	1,871.7	1,954.8	1,721.3	1,828.0	1,802.5	1,599.5	1,744.6
Non-current Assets	19,604.2	19,857.2	20,116.3	19,916.3	19,798.1	19,973.2	20,008.1	20,864.7
Investment	4,662.6	4,814.1	4,951.3	4,841.9	4,768.3	4,721.1	4,701.7	5,104.6
PP&E	10,475.0	10,550.6	10,496.9	10,460.3	10,359.8	10,514.9	10,606.2	11,222.4
Intangible assets	1,386.6	1,402.0	1,417.1	1,473.3	1,468.9	1,509.1	1,523.5	1,571.1
Other	3,080.0	3,090.5	3,251.0	3,140.8	3,201.1	3,228.1	3,176.7	2,966.6
Liabilities	24,499.5	24,794.6	25,523.8	23,330.4	24,186.9	24,116.7	24,707.8	24,498.6
Accounts payable	6,958.2	6,416.0	7,219.8	6,087.0	6,561.4	6,315.3	6,740.7	6,746.4
Debt	9,568.4	9,894.7	9,773.9	8,827.3	9,291.7	8,801.6	9,007.7	8,659.0
Other	7,972.9	8,483.9	8,530.1	8,416.1	8,333.8	8,999.8	8,959.4	9,093.2
Equity	12,754.2	13,184.9	13,423.6	12,983.5	12,990.0	13,128.3	12,577.8	13,356.7

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

Appendix

Summarized Financial Statements (Consolidated)

(Unit : KRW bn)

		1Q'15	2Q'15	3Q'15	4Q'15	'15 Total	1Q'16	2Q'16	3Q'16	4Q'16	QoQ	YoY	'16 Total
H&A (Home Appliance & Air Solution)	Sales	4,063.1	4,485.3	4,153.4	3,829.5	16,531.3	4,219.5	4,700.2	4,271.2	4,043.3	-5%	6%	17,234.2
	Op. Income	229.5	291.8	245.6	214.8	981.7	407.8	433.7	342.8	150.1			1,334.4
	(%)	5.6%	6.5%	5.9%	5.6%	5.9%	9.7%	9.2%	8.0%	3.7%			7.7%
MC (Mobile Communications)	Sales	3,508.4	3,544.8	3,280.1	3,670.1	14,003.4	2,963.2	3,325.8	2,517.0	2,903.6	15%	-21%	11,709.6
	Op. Income	56.8	-19.2	-96.3	-60.9	-119.6	-202.2	-153.5	-436.4	-467.0			-1,259.1
	(%)	1.6%	-0.5%	-2.9%	-1.7%	-0.9%	-6.8%	-4.6%	-17.3%	-16.1%			-10.8%
HE (Home Entertainment)	Sales	4,436.7	3,934.8	4,286.4	4,739.7	17,397.6	4,333.4	4,157.2	4,141.5	4,793.3	16%	1%	17,425.4
	Op. Income	-6.2	-82.7	37.0	109.2	57.3	335.2	356.7	381.5	164.0			1,237.4
	(%)	-0.1%	-2.1%	0.9%	2.3%	0.3%	7.7%	8.6%	9.2%	3.4%			7.1%
VC (Vehicle Components)	Sales	382.6	450.8	478.6	520.4	1,832.4	592.9	639.6	674.9	865.7	28%	66%	2,773.1
	Op. Income	-2.4	-1.5	-0.8	9.7	5.0	-15.8	-16.8	-16.2	-14.5			-63.3
	(%)	-0.6%	-0.3%	-0.2%	1.9%	0.3%	-2.7%	-2.6%	-2.4%	-1.7%			-2.3%
Others	Sales	402.2	413.0	601.3	558.9	1,975.4	393.7	362.2	532.8	414.7	-22%	-26%	1,703.4
	Op. Income	-40.2	9.0	48.6	27.9	45.3	-19.7	-0.6	0.3	15.9			-4.1
<hr/>													
LGE Consolidated Excluding LG Innotek(①)	Sales	12,793.0	12,828.7	12,799.8	13,318.6	51,740.1	12,502.7	13,185.0	12,137.4	13,020.6	7%	-2%	50,845.7
	Op. Income	237.5	197.4	234.1	300.7	969.7	505.3	619.5	272.0	-151.5			1,245.3
	(%)	1.9%	1.5%	1.8%	2.3%	1.9%	4.0%	4.7%	2.2%	-1.2%			2.4%
<hr/>													
LG Innotek(②)	Sales	1,541.3	1,447.1	1,558.8	1,590.9	6,138.1	1,195.0	1,120.5	1,384.5	2,054.6	48%	29%	5,754.6
	Op. Income	69.0	49.0	60.6	45.1	223.7	0.4	-34.0	20.6	117.8			104.8
<hr/>													
LGE-LG Innotek Inter-company Transaction (③)	Sales	339.9	350.1	329.8	349.4	1,369.2	335.6	302.6	297.6	297.5	-0%	-15%	1,233.3
	Op. Income	1.3	2.3	0.7	-3.2	1.1	0.5	0.9	9.4	1.5			12.3
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LGE Consolidated (①+②-③)	Sales	13,994.4	13,925.7	14,028.8	14,560.1	56,509.0	13,362.1	14,002.9	13,224.3	14,777.7	12%	1%	55,367.0
	Op. Income	305.2	244.1	294.0	349.0	1,192.3	505.2	584.6	283.2	-35.2			1,337.8
	(%)	2.2%	1.8%	2.1%	2.4%	2.1%	3.8%	4.2%	2.1%	-0.2%			2.4%

*) The IPD(Innovative Personal Device) department within MC division has been restated to others since 1Q'16

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