



FUTURING *SMART ENERGY*

2Q16 Review & Outlook

LS IS

Disclaimer

This presentation material is prepared for investors' reference, based on data that have not been filed with the financial supervisory commission.

Actual business performance may not necessarily be consistent with the projections herein, as a result of unexpected changes in the market environment and other conditions.

The financial information in this document are consolidated earnings results based on K-IFRS.

Total Results

2Q '16 Total Results

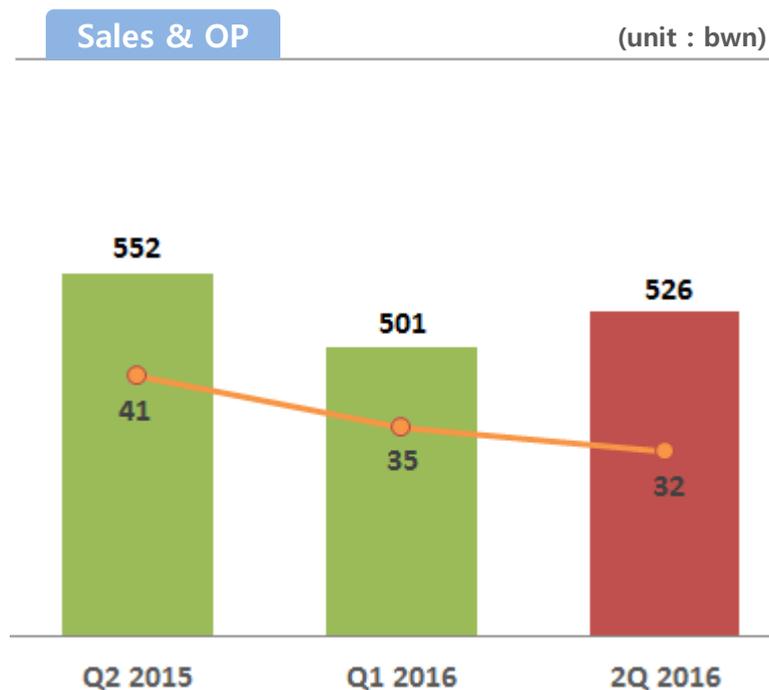
◆ Sales

Y-o-Y 26.5bwn decreased(Δ 4.8%), Q-o-Q 24.7bwn increased(4.9%)

◆ Operating Profit

Y-o-Y 9bwn decreased(Δ 22.0%), Q-o-Q 3bwn decreased(Δ 8.6%)

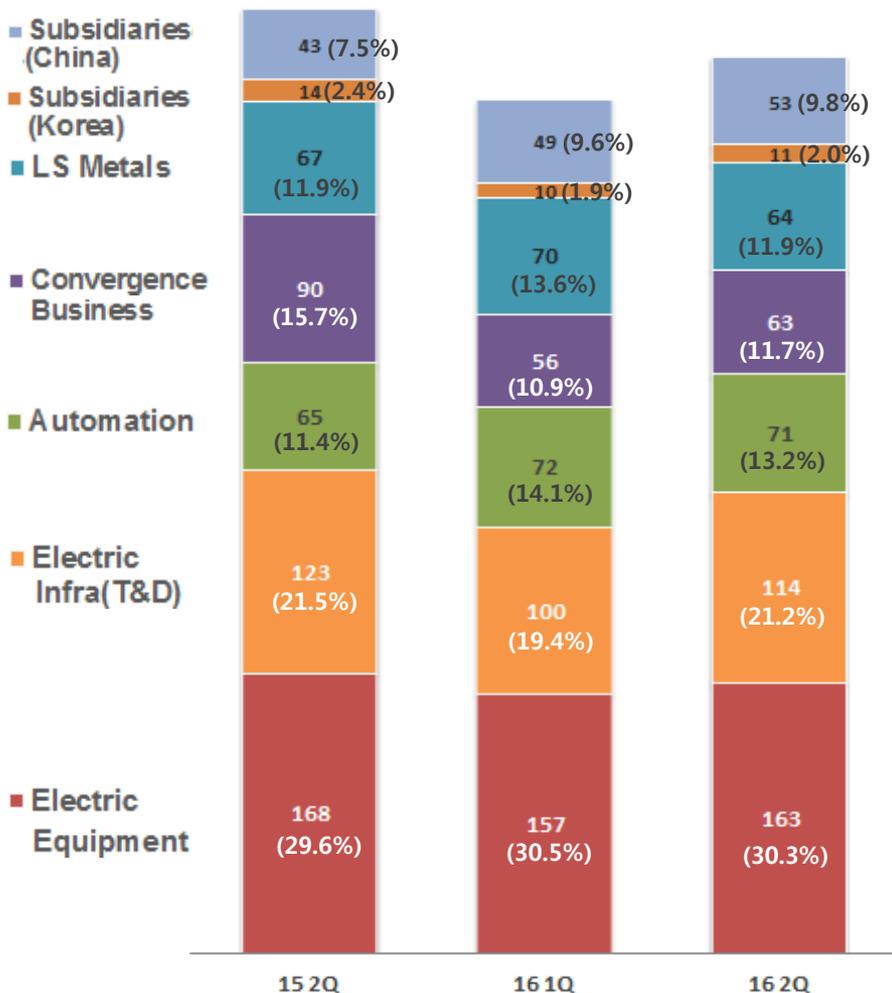
Income Statement			(unit : bwn)		
Segment	Q2 2015	Q1 2016	Q2 2016	Y-o-Y	Q-o-Q
Sales	552	501	526	Δ 4.8%	4.9%
Operating profit	41	35	32	Δ 22.0%	Δ 8.6%
Profit before tax	40	23	26	Δ 35.4%	15.0%
Net income	28	17	20	Δ 26.5%	17.4%



2Q '16 Sales Breakdown

Breakdown by Business

(unit : bwn)



* Convergence Business includes Trans SOC, Solar, Smart-Grid and EV components.

* Sales of subsidiaries are before the consolidated adjustments.

◆ Headquarters

- Electric Equipment : Volume decreased due to economic struggle, but improved profitability by high-end market
- Electric Infra : Weak domestic, but Iraq improved
- Automation : Continuous performance creation from conglomerate market
- Convergence : Allowance for bad debts from solar business worsened performance

◆ Subsidiaries

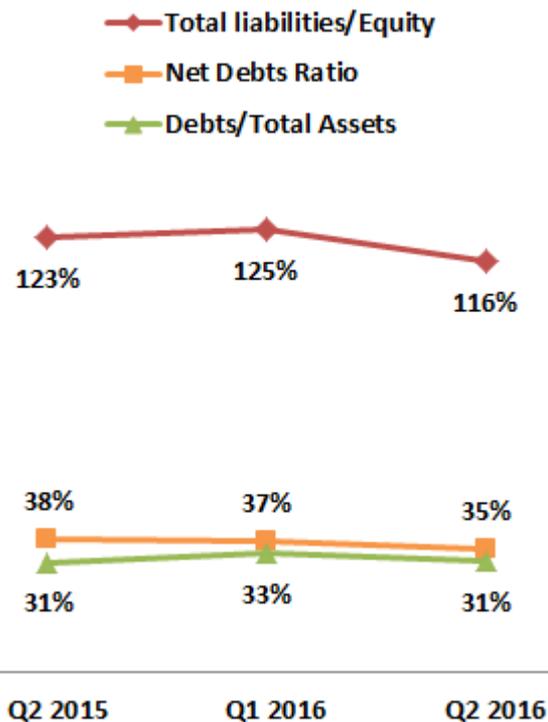
- Wuxi : Sustainable growth from Solar PCU market
- Dalian : Volume from PJT by Korean Co. decreased
- LS Metals : Maintained in the black due to production innovation activities

2Q '16 Financial Position

- ◆ Total assets 2,200bwn (Y-o-Y 2bwn decreased, Q-o-Q 52.8bwn decreased)
Total liabilities 1,180bwn (Y-o-Y 32.9bwn decreased, Q-o-Q 70.8bwn decreased)
- ◆ Total liabilities/Equity posted 116%, and other financial ratio maintained healthy favorable status

Financial Statement			(unit : bwn)		
Segment	Q2 2015	Q1 2016	Q2 2016	Y-o-Y	Q-o-Q
Total Assets	2,202	2,253	2,200	△0%	△2%
Current Assets	1,320	1,409	1,356	3%	△4%
Cash & cash equivalent	310	385	330	6%	△14%
Total Liabilities	1,213	1,251	1,180	△3%	△6%
Debts	682	753	686	1%	△9%
Net Debts	371	369	356	△4%	△4%
Equity	989	1,002	1,020	3%	2%

Financial Ratios



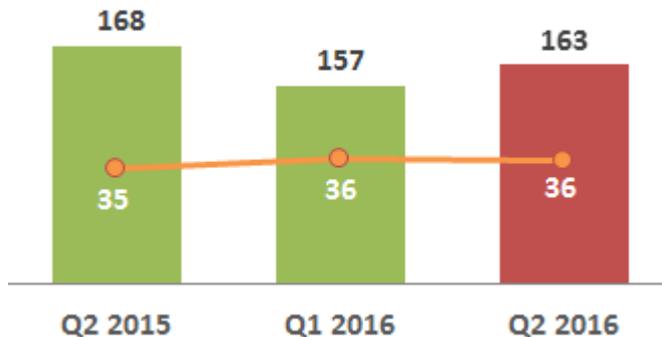
Business Results & Outlook

Electric Equipment

2Q '16 Results

- ◆ Sales Y-o-Y 3.0% decreased, Q-o-Q 4.2% increased
- ◆ OP Y-o-Y 3.2% increased, Q-o-Q 0.6% decreased
- Volume decreased due to economic struggle, but improved profitability by high-end market
- Despite unfavorable demand from emerging market, Vietnam market improved (Sales increased 136% in Y-o-Y)

◆ Sales & OP trends (unit : bwn)



2nd half Outlook

[Market]

- Sustained favorable demand in renewable energy market
- Volume decrease risk exists due to global recession
- Favorable demand in Retrofit market

[LSIS]

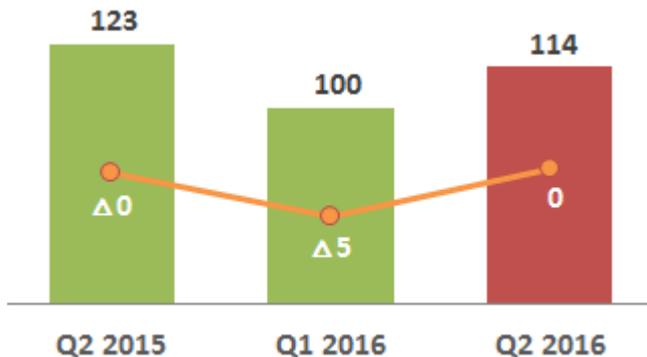
- Demand response in renewable energy market (Developing large capacity DC product)
- Respond to favorable construction market in Vietnam and international fund utilization
- Respond to favorable demand in Retrofit market

Electric Infra(T&D)

2Q '16 Results

- ◆ Sales Y-o-Y 6.8% decreased, Q-o-Q 14.4% increased
- ◆ OP Y-o-Y, Q-o-Q turned into profit-making
 - Weak domestic due to lack of backlog on the impact of bidding restriction by disposition of collusion
 - Oversea improved from Iraq region

◆ Sales & OP trends (unit : bwn)



2nd half Outlook

[Market]

- Infra investment decreased by global recession
- Favorable demand from domestic market
- New PJT from HVDC business

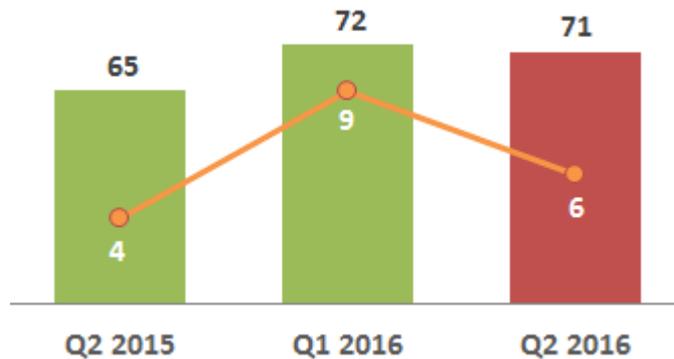
[LSIS]

- Domestic performance improve by favorable demand
- New PJT's from Saudi-Arabia and Equador
- HVDC revenue recognition & prepare for new HVDC PJT
- Participate domestic FACTS(Flexible AC Transmission) market

2Q '16 Results

- ◆ Sales Y-o-Y 9.9% increased, Q-o-Q 1.8% decreased
- ◆ OP Y-o-Y 52.8% increased, Q-o-Q 38.9% decreased
- Continuous performance improvement from conglomerate market
- Despite global economic struggle, SE market improved

◆ Sales & OP trends (unit : bwn)



2nd half Outlook

[Market]

- Capex decrease by economic recession
- Smart factory market expansion by government policy

[LSIS]

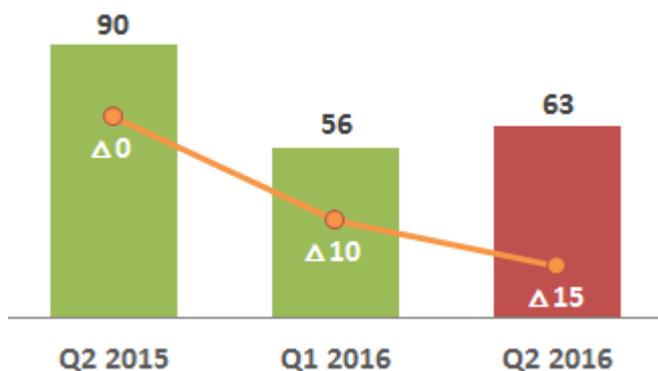
- Strengthen direct sales activities to conglomerates
- Enhance participation in Smart factory market
(Develop Smart-station and apply pilot application on LSIS's factory, secure smart factory solution according to factory size by business cooperation)
- Oversea performance improve through Vietnam and India market

Convergence Business

2Q '16 Results

- ◆ Sales Y-o-Y 29.6% decreased, Q-o-Q 12.7% increased
- ◆ OP Y-o-Y, Q-o-Q continuous loss
- Trans S.O.C profitability decreased by product mix
- Allowance for bad debts from Solar power business
- Won a new ESS PJT from Kepco.

◆ Sales & OP trends (unit : bwn)



2nd half Outlook

[Market]

- New policy on ESS from Korean government
(New guidance for using ESS as an emergency electric power source, Introduction private rate on ESS users, Allowed power broker business etc)
- Global Market expansion in photovoltaic market

[LSIS]

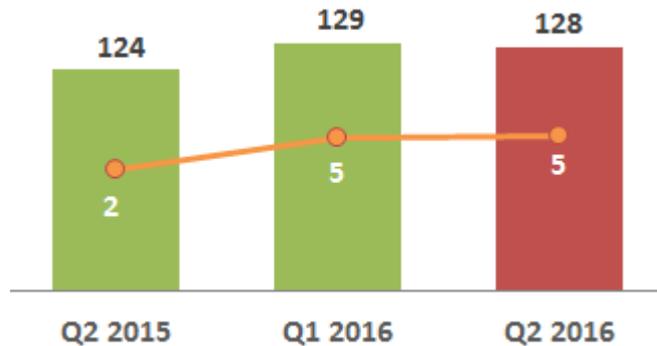
- Find convergence business model in renewable energy market
- Volume increase from solar power & smart-grid business
- Implement a new ESS PJT from Kepco
- Implement a new DC distribution PJT
- Improve business performance in railway system in oversea market

Subsidiaries

2Q '16 Results

- ◆ Sales Y-o-Y 3.4% increased, Q-o-Q 0.6% decreased
- ◆ OP Y-o-Y 165% increased, Q-o-Q 3.9% increased
- Revenue growth from renewable energy market in China
- LS Metals maintained in the black due to production innovation activities

◆ Sales & OP trends (unit : bwn)



2nd half Outlook

[Market]

- Extension of competition with global players in Chinese renewable energy market
- Energy infra PJT profitability decreased due to oil price drop

[LSIS]

- Development enlargement in large capacity product for renewable energy market
- Maintain performance improvement in Wuxi
- LS Metals expects turn around yearly

Appendix 1-1) Income Statement

(unit : bwn)

Segment	'15.2Q	'16.1Q	'16.2Q	QoQ	YoY
Sales	552	501	526	4.9%	△4.8%
Costs of Sales	△442	△399	△415	4.0%	△6.0%
Gross Profit	110	101	110	8.8%	0.1%
(%)	(20.0%)	(20.2%)	(21.0%)	-	-
SG&A	△69	△67	△78	17.7%	13.1%
Operating Profit	41	35	32	△8.6%	△22.0%
(%)	(7.4%)	(7.0%)	(6.1%)	-	-
Non-OP and Loss	△0	△12	△6	△52.5%	1,350.0%
Profit before tax	40	23	26	15.0%	△35.4%
Net Income	28	17	20	17.4%	△26.5%
(%)	(5.0%)	(3.4%)	(3.8%)	-	-
EBITDA Margin	12.3%	10.0%	10.1%	-	-

Appendix 1-2) Statement of Financial position

(unit : bwn)

Segment	'15.2Q	'16.1Q	'16.2Q	QoQ	YoY
Total Assets	2,202	2,253	2,200	△2%	△0%
Current Assets	1,320	1,409	1,356	△4%	3%
Cash&Cash Equivalents	310	384	330	△14%	6%
Inventories	169	170	166	△2%	△2%
Other Current Assets	841	855	860	1%	2%
Non-Current Assets	882	844	844	△0%	△4%
Tangible Assets	668	630	624	△1%	△6%
Intangible Assets	140	136	132	△2%	△5%
Other Non-Current Assets	74	78	87	11%	17%
Total Liabilities	1,213	1,251	1,180	△6%	△3%
Current Liabilities	577	660	669	1%	16%
Short-term borrowings	100	202	218	8%	118%
Non-Current Liabilities	636	591	511	△13%	△20%
Long-term borrowings	582	552	468	△15%	△20%
Equity	989	1,002	1,020	2%	3%
Current Ratio	229%	213%	203%	△11%p	△26%p
Equity/Total Assets	45%	44%	46%	2%p	1%p
Total Liabilities/Equity	123%	125%	116%	△9%p	△7%p
Net debts Ratio	38%	37%	35%	△2%p	△3%p

Appendix 1-3) Statements of Cash Flows

(unit : bwn)

Segment	'15.2Q	'16.2Q	YoY
Cash and cash equivalents at the beginning of year	332	286	△46
Cash Flows From Operating Activities	138	195	56
Cash Flows From Investing Activities	△47	△67	△20
Capex	△44	△25	20
R&D	△7	△6	1
Others	5	△36	△41
Cash Flows From Financing Activities	△114	△84	30
Effect of exchange rate changes on cash and cash equivalents	0	△0	△1
Cash and cash equivalents at the end of 1st half	310	330	19

Growing into a World's Best from the Nation's First!

Leading company in the industrial electric, electronics, materials and energy field following its separation from LG in 2003

LS History



Management Philosophy

Greater value together!

LSpartnership[®]



LS is a faithful and reliable business partner
Collaboration with LS people leads to greater success

Leader in Power Solutions, Automation & Green Business

The Leading Company in the Power Distribution & Automation Industry

The first to build a Smart Grid, Green Village and Green Factory

Founded	1974
Sales	2,202billion(KRW)
Employees	3,500
Headquarters	LS Tower, Gyeonggi-do, Korea
Plants	Total 7 Plants
Overseas subsidiaries	China, Vietnam, Japan, etc.
Overseas branches	USA, Europe, Russia, Vietnam, etc.

(As of 2015)



1. A History of Challenging the Future (1970's ~ 2007)

1970's '74 Jul. Established Goldstar Instrument & Electrical Co., Ltd

1980's '87 Mar. Established Goldstar Industrial Systems Co., Ltd.



2007 Feb. Opened Marketing Subsidiary in Dubai

2005 Mar. Renamed from LG to LS Industrial Systems
Sep. Constructed the Electric & Automation equipment factory in Wuxi, China

2003 Nov. Disaffiliated from LG Group, joined LS Group

2001 Jun. Constructed Dalian factory

2000 Sep. Established high-voltage testing agency

1990's '94 Jul. Listed Goldstar Industrial Systems on the Korea Stock Exchange

'95 Feb. Renamed from Goldstar to LG Industrial Systems (LGIS)

'95 Sep. LGIS merged Goldstar I&E & Goldstar Mechanical & Electrical

'99 Apr. LGIS merged LG Metal

'99 Aug. Sold copper smelting, Vending Machine, Elevator & Escalator unit

2. Shifting the strategy to growth paradigm (2007 ~ 2012)

- 2008**
- Apr. Relocated its headquarters to Anyang LS Tower
 - Sep. Received the Korea Best Company Award (Electricity & Cable industry category)
 - Oct. LS Industrial Systems(currently LSIS) Opened R&D Center in Shanghai, China



- 2012**
- May. completed a EV Relay factory in Cheongju, Korea
 - Jun. Awarded the Best Korean Company Grand Award
 - Dec. Selected as one of the Top 100 Global Innovators by Thompson Reuters
 - Dec. US and Chinese patent acquired for smart meter technology

- 2011**
- Oct. Completed the Busan HVDC Plant
 - Nov. Included in the Fortune Korea's 500 Fastest Growing Companies
 - Nov. Selected as one of the Top 100 Global Innovators by Thompson Reuters



- 2009**
- Mar. Published the Green Business Vision
 - Oct. Share in Mecapion acquired
 - Oct. European sales corporation established



- 2010**
- Jan. LS Power Semitech J/V established
 - Feb. LS Sauter established
 - Apr. LS Metal spun off from LSIS and newly established LS Metal
 - Apr. Construction of Busan plant completed
 - May. LS Hogae Electric established in China
 - May. LS Industrial Systems(currently LSIS) got the largest number of Green Certification as the first company in Korea
 - Jul. LS Industrial Systems(currently LSIS) opened R&D Center in Beijing, China

3. Challenging for the future of Smart Energy (2013 ~ 2015)

- 2013**
- Apr. Awarded the Great Place to Work Award for 2 consecutive years
 - May. MOU with China's Dongfang Group for developing green automobile parts
 - May. Concluded contract for the transfer of HVDC technology, and partnered with KAPES and Alstom
 - Jun. Awarded the Best Korean Company Grand Award
 - Oct. Selected as one of the Top 100 Global Innovators by Thompson Reuters
 - Nov. Awarded the 39th Korea National Quality Grand Award
 - Dec. Won the 500 million Trade Tower Award

- 2015**
- Jan. Declared value-based management
 - Mar. Newly constructed R&D campus in Anyang



- 2014**
- Jan. Launched new strategic automation product lines for A&D
 - May. LSIS Vice Chairman Ja-kyun Koo Received Gold Tower Order of Industrial Service Merit
 - May. Won the World's Largest Order for Smart Grid Project in Iraq
 - Jun. Awarded the Best Korean Company Grand Award for 7 consecutive years
 - Jul. Marked the 40th anniversary of the foundation
 - Sep. Ranked number one in the Korean Standard – Quality Excellence Index for 2 consecutive years
 - Nov. Selected as one of the Top 100 Global Innovators by Thompson Reuters

We guarantee all our customers a safe and affluent life and a happy future by supplying them with convenient smart energy.

Mission

FUTURING SMART ENERGY

Vision 2020



Strategy

- Boosting Our Market Position as a Power Solutions Provider
- Leading New Markets through Convergence and Combination
- Expansion of Global Markets
- Securing Operational Excellence

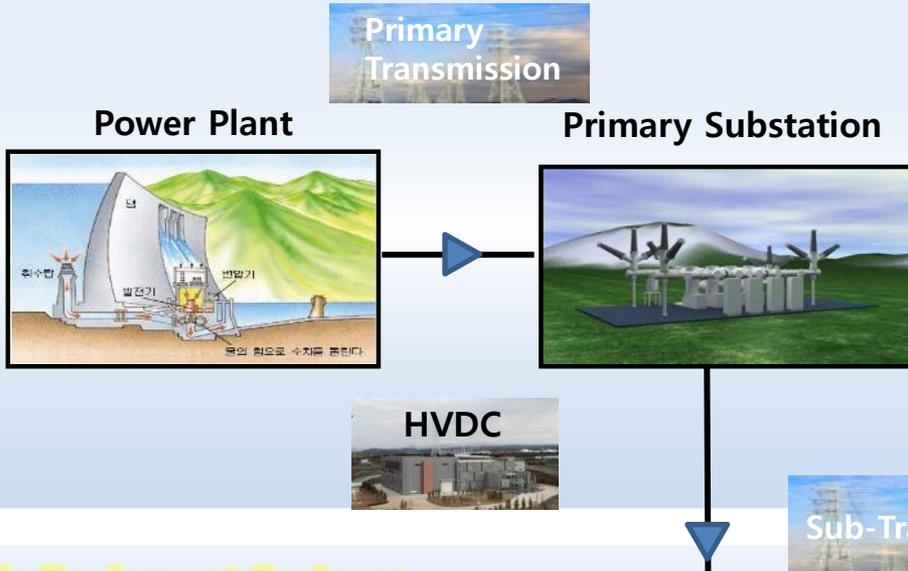
Core Value



Appendix 3) Business Introduction

Leading Provider of Total Electric Power, Automation & Green Business Solutions

Electric Infra Business

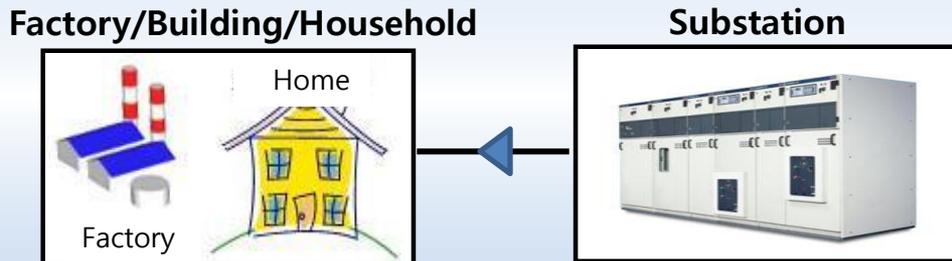


Ultra-high voltage power transmission & distribution system equipment such as gas insulated switchgear (GIS)

< Main Products >

- Gas Insulated Switchgear (GIS)
- Power Transformers
- Remote Monitoring & Diagnosis Equipment
- HVDC

Electric Equipment Business



Top low and medium voltage electrical equipment for electricity users

< Main Products >

- Switchgear (SWGR)
- Vacuum Circuit Breakers (VCB)
- Air Circuit Breakers (ACB)
- Molded Case Circuit Breakers (MCCB)
- Magnetic Contactors (MC)0

Appendix 3) Business Introduction

Automation Business

Factory / Building
(FA/PA)



Discrete Automation



Process Automation



Building Automation

From simple automation control to large-scale manufacturing facilities and process control, LSIS provides the optimal solutions to diverse industrial fields.

< Main Products >

- Variable Frequency Drive
- PLC (Programmable Logic Controller)
- HMI (Human Machine Interface)
- Servo Drive & Motor
- DCS (Distributed Control System)
- RTU (Remote Terminal Unit)

Convergence Business



Smart Grid



Green Car Solution



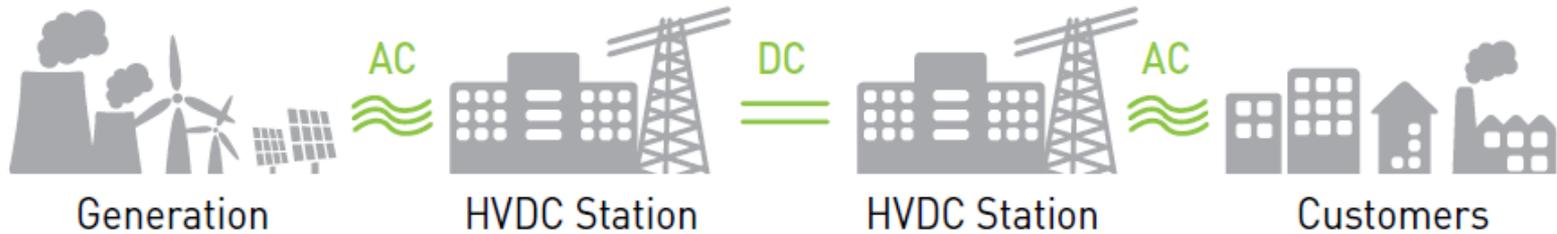
Photovoltaic System



Railway System

Appendix 4) HVDC

HVDC system converts AC to DC to transmit long distance and then converts back again to AC to connect with the AC grid with very low loss



Long Distance Transmission with Lower Cost

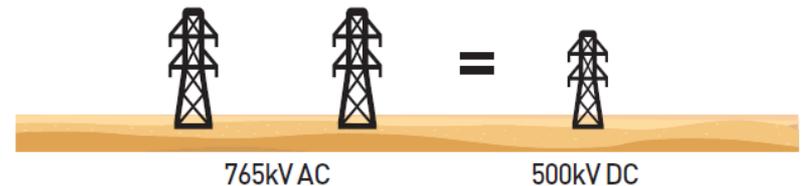
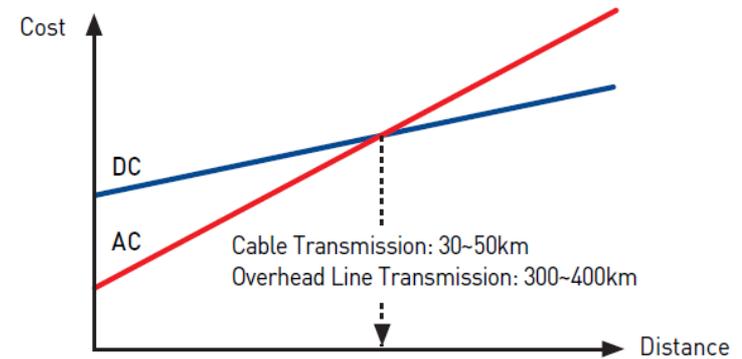
HVDC is the only option for the overhead transmission longer than 300km or submarine/underground 40km thanks to DC characteristics.

Eco-friendly Transmission

HVDC system has lower environmental impact because it requires fewer overhead lines comparing to AC system. The technology is also the key component in the future energy system based on renewable energy sources.

Optimal Grid Management

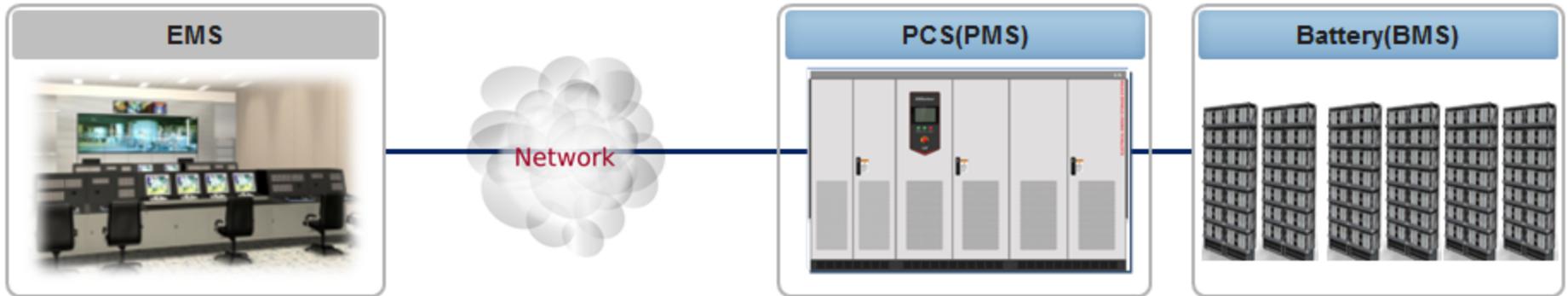
HVDC can directly interconnect load centers with huge energy sources efficiently. Therefore, negative impact on the grid is minimized. HVDC also improves the performance of AC grid by means of additional controllability.



Appendix 5) ESS Applications

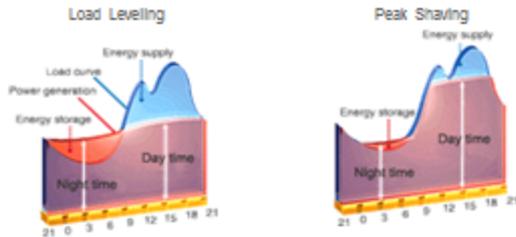
ESS(Energy Storage System) includes PCS(Power Conversion System) and battery, and make an efficient way of use electricity power

Concept of ESS



Function of ESS

➤ Peak Shaving, Load Leveling



➤ Renewable Energy Smoothing



➤ Frequency Regulation



• EMS : Energy Management System

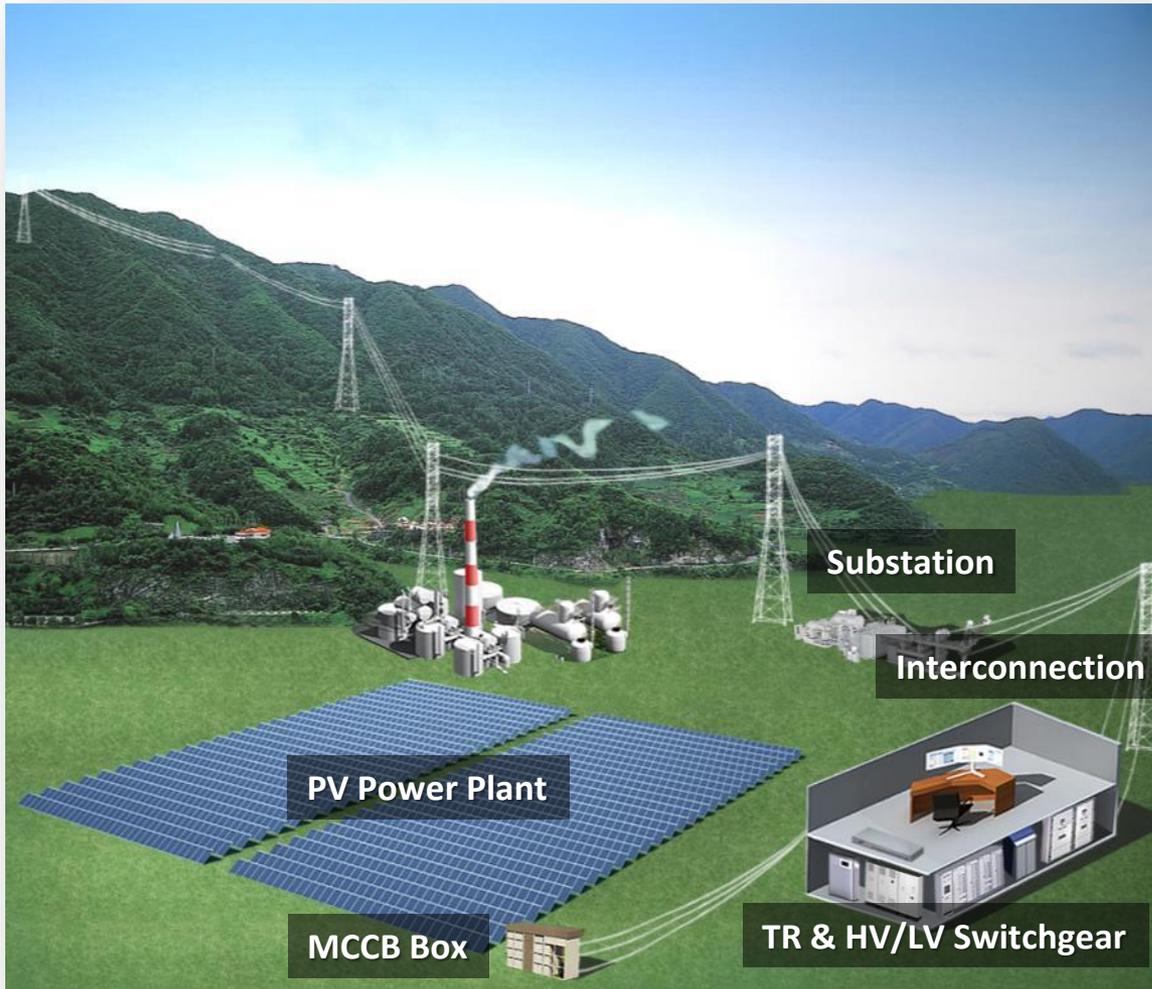
• PCS : Power Conditioning System

• PMS : Power Management System

• BMS : Battery Management System

Appendix 6) PV Power Plant

We provide total solution for PV Power Plant. In addition to PV products, we can provide customers with all kinds of electric power equipment manufactured by LSIS.



System Components



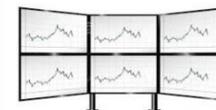
PV Power System
- Module
- Inverter
- Balance of System



- HV Switchgear
- MV Switchgear
- LV Switchgear



Transformer



Monitoring(SCADA)