

2Q'19 Earnings Release

July 30, 2019

LG Electronics

All information regarding management performance and financial results of LG Electronics (the “Company”) during the 2nd quarter of 2019 as contained herein has been prepared on a consolidated basis in accordance with International Financial Reporting Standards (“IFRS”).

The information regarding results of 2nd quarter of 2019 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 3rd quarter of 2019.

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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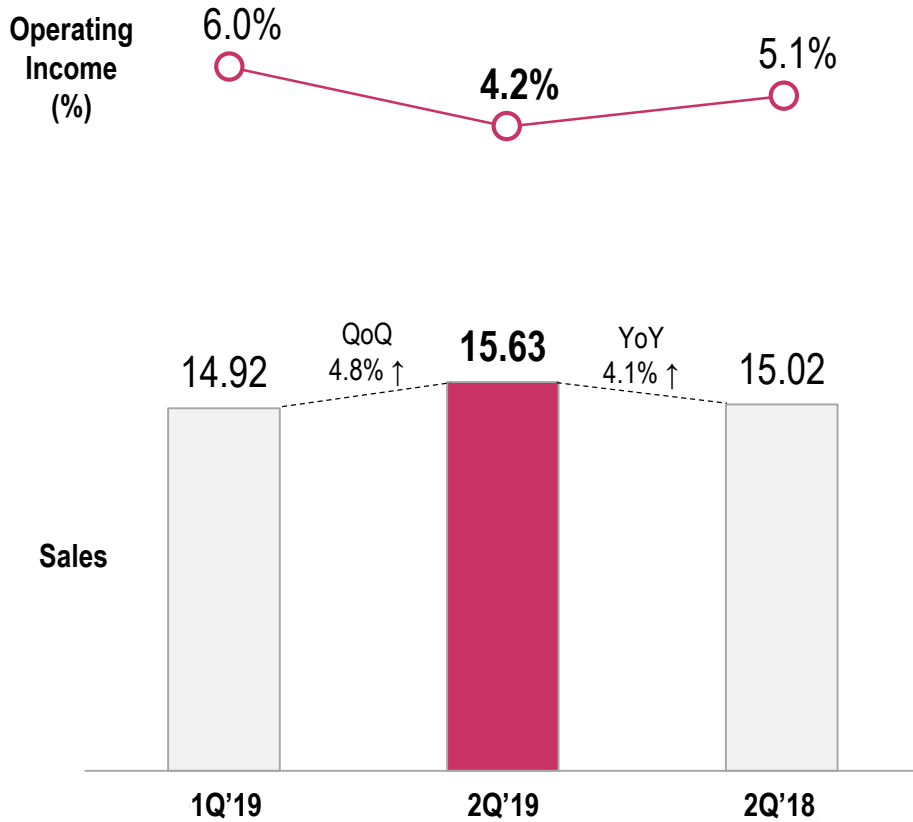
Consolidated Earnings and Outlook

Consolidated Earnings and Outlook

Sales / Profits

Sales / Profits

(Unit : KRW tn)



Performance by Division

(Unit : KRW bn)

		1Q'19	QoQ	2Q'19	YoY	2Q'18
Consolidated ^{*1)}	Sales	14,915.1	4.8%	15,629.2	4.1%	15,019.4
	O.I	900.6	-248.3	652.3	-118.7	771.0
	(%)	6.0%	-1.8%p	4.2%	-0.9%p	5.1%
H&A ^{*2)}	Sales	5,465.9	11.7%	6,102.8	16.1%	5,258.1
	Home Appliance & Air Solution	727.6	-10.1	717.5	255.7	461.8
	(%)	13.3%	-1.5%p	11.8%	+3.0%p	8.8%
HE ^{*3)}	Sales	4,023.7	-8.8%	3,671.2	-4.5%	3,845.5
	Home Entertainment	346.5	-140.9	205.6	-199.6	405.2
	(%)	8.6%	-3.0%p	5.6%	-4.9%p	10.5%
MC ^{*3)}	Sales	1,510.4	6.8%	1,613.3	-21.3%	2,049.1
	Mobile Communications	-203.5	-109.5	-313.0	-129.3	-183.7
	(%)	-13.5%	-5.9%p	-19.4%	-10.4%p	-9.0%
VS	Sales	1,347.0	5.6%	1,423.1	63.0%	872.8
	Vehicle Component Solutions	-15.3	-40.5	-55.8	-23.3	-32.5
	(%)	-1.1%	-2.8%p	-3.9%	-0.2%p	-3.7%
BS	Sales	625.6	8.0%	675.5	14.8%	588.5
	Business Solutions	55.5	2.6	58.1	19.1	39.0
	(%)	8.9%	-0.3%p	8.6%	+2.0%p	6.6%

*1) LG Innotek is included

*2) From 1Q'19, robot business has been restated to 'others' from 'H&A division'

*3) From 1Q'19, companion device business has been restated to 'HE division' from 'MC division'

Consolidated Earnings and Outlook

Income Trend / Cash Flow

Income Trend

(Unit : KRW bn)

	1Q'19	QoQ	2Q'19	YoY	2Q'18
Operating Income	900.6	-248.3	652.3	-118.7	771.0
Net financial income/expense	-78.1	-1.4	-79.5	-16.1	-63.4
Gain/Loss on equity method	-23.2	-183.5	-206.7	-100.9	-105.8
Other non-operating income/expense	-44.9	-94.1	-139.0	-85.6	-53.4
Income Before Tax	754.4	-527.3	227.1	-321.3	548.4
Corporate income tax	176.4	-55.3	121.1	-100.8	221.9
Net Income	578.0	-472.0	106.0	-220.5	326.5
EBITDA	1,509.2		1,271.7		1,242.3

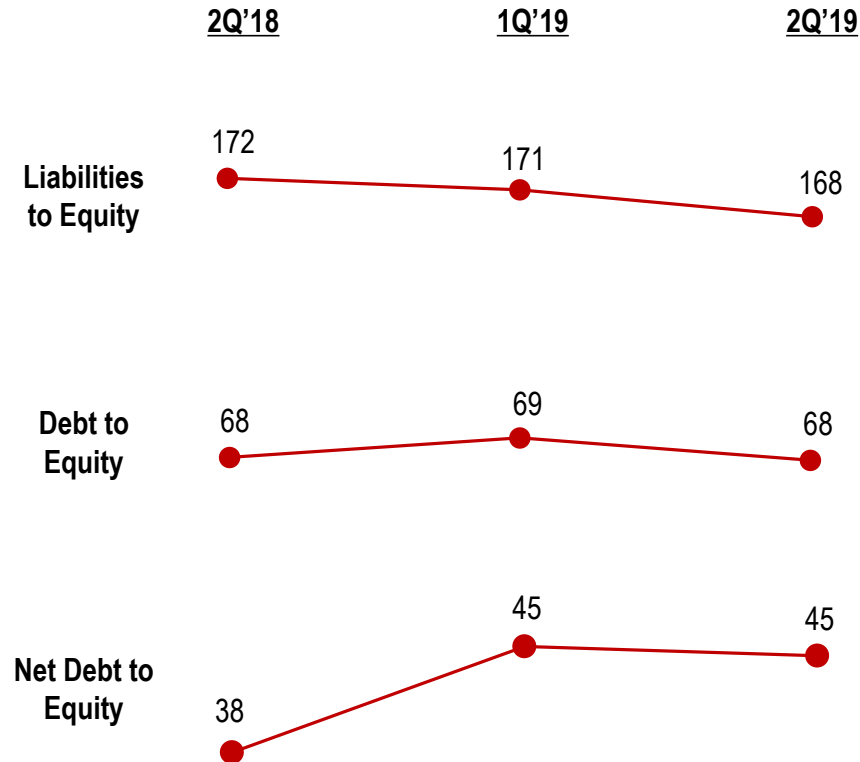
Cash Flow

(Unit : KRW bn)

	1Q'19	2Q'19
<input type="checkbox"/> Cash at the beginning of period	4,270.4	4,093.6
• Cash flow from operating activities	437.5	765.6
Net income/loss	578.0	106.0
Depreciation	608.6	619.4
Gain/Loss on equity method investment	23.2	206.7
• Cash flow from investing activities	-683.5	-466.9
Increase in tangible assets	-515.8	-452.7
Increase in intangible assets	-131.9	-131.5
• Cash flow from financing activities	27.5	-488.9
Dividend paid and others	-934	-220.3
Increase/Decrease in debt	120.9	-268.6
• Effects of exchange rate changes on cash and cash equivalents	41.7	40.8
<input type="checkbox"/> Net changes in cash	-176.8	-149.4
<input type="checkbox"/> Cash at the end of period	4,093.6	3,944.2
Net C/F	-204.3	339.5

Leverage Ratio

(Unit: %)



Financial Position

(Unit : KRW tn)

	2Q'18	1Q'19	2Q'19
Assets	42.92	45.94	45.87
Current Assets	20.54	20.18	20.13
Cash	4.66	4.09	3.94
Inventory	5.98	6.14	6.18
Non-Current Assets	22.38	25.76	25.74
Liabilities	27.16	29.00	28.77
Current Liabilities	17.29	17.51	17.22
Non-Current Liabilities	9.87	11.49	11.55
Equity	15.76	16.94	17.10
Debt	10.69	11.06	10.86
Net Debt	6.03	7.65	7.62

Business Environment

- Trade uncertainties to rise due to US trade disputes, Japan's export restrictions, and U.K. Brexit etc.
- Competition between major products to intensify from market stagnation and entrance of off-season

Key Strategies

- Maximize profit by expanding sales of differentiated / premium products
- Continuous growth by fostering B2B, strategic / new businesses
- Enhance operation efficiency and risk management

Sales & Profits Outlook (3Q'19)

- Sales to grow YoY
- Maintain stable profitability

II

Performance and Outlook by Division

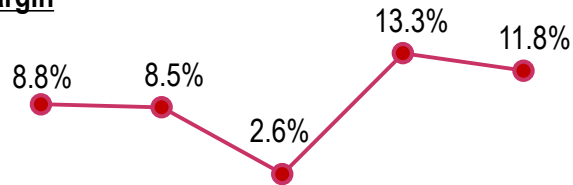
Performance and Outlook by Division

H&A (Home Appliance & Air Solution)

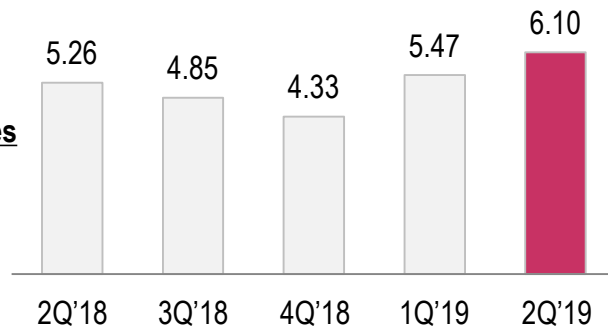
Performance*1)

(Unit: %, KRW tn)

Op. Margin



Sales



Key Products



Dish Washer



Cooktop



Mini Air Purifier



Styler

2Q'19 Performance

- **Sales** : Achieved 6.1 Tril. Won, up 16% YoY driven by continued high growth in the Korean market and growth across all regions such as North America, Europe, Middle East and Africa and others
- **Profit** : Achieved record high 2Q profit driven by solid revenue growth, increased sales of new growth products and air conditioners during the peak season and continuous improvement in cost structure

3Q'19 Outlook

- **Market** : Solid demand for new growth products in the Korean market is expected to continue, but complexity and uncertainties of overseas markets will elevate
- **LGE** : Despite the air conditioning business entering the off-season, maintain stable profitability by maximizing sales of premium & new growth products, enhancing cost structure, and by efficient allocation of resources

*1) From 1Q'19, robot business has been restated to 'others' from 'H&A division'

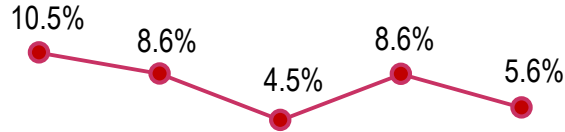
Performance and Outlook by Division

HE (Home Entertainment)

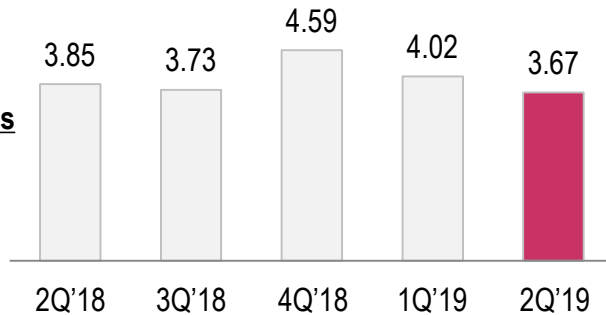
Performance*1)

(Unit: %, KRW tn)

Op. Margin



Sales



Key Products



LG Signature OLED TV W



NanoCell TV

2Q'19 Performance

- **Sales** : Declined YoY from lower demand in Europe, Latin America, etc. due to lack of major sporting events
- **Profit** : Increased marketing expenses from intensified competition caused by weak demand in major markets, and unfavorable F/X impact led profit decline

3Q'19 Outlook

- **Market** : Expect global TV demand to stagnate YoY
Demand for premium products such as OLED TV, UHD TV etc. to maintain growth trend
- **LGE** : Large screen premium products, OLED TV and NanoCell TV to drive sales growth
Despite higher marketing expenses from intensifying competition, maintain solid profit structure through improving costs and efficient allocation of marketing resources

*1) From 1Q'19, companion device business has been restated to 'HE division' from 'MC division'

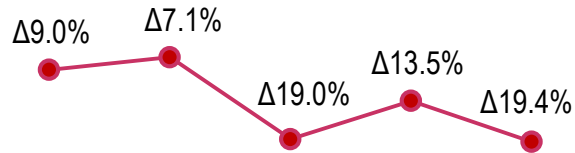
Performance and Outlook by Division

MC (Mobile Communications)

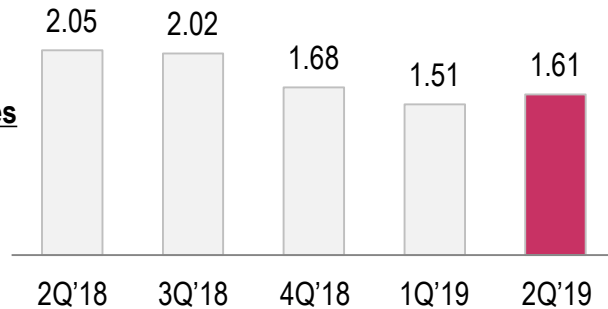
Performance*1)

(Unit: %, KRW tn)

Op. Margin



Sales



Key Products



V50ThinQ



G8ThinQ



X6

2Q'19 Performance

- **Sales** : Despite a 7% QoQ increase driven by the launch of the new 5G model, sales fell 21% YoY due to slow sales of 4G premium models and intense market competition in mass-tier products
- **Profit** : Losses widened YoY and QoQ as marketing expense increased due to the launch of new models and one-off costs associated with the transfer of domestic production lines

3Q'19 Outlook

- **Market** : Expect stagnant overall market demand
Competitors' promotion activities to intensify in 5G market especially in Korea and North America
- **LGE** : Increase sales from new competitive mass-tier models and continuous sales of 5G product
Improve cost efficiency from relocation of production lines and continue to improve business structure

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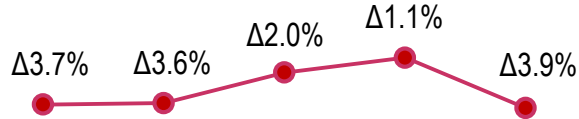
Performance and Outlook by Division

VS (Vehicle Component Solutions)

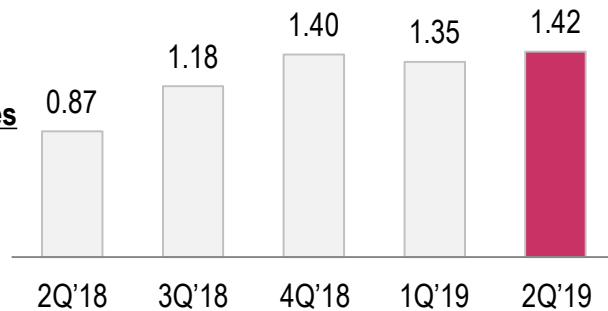
Performance

(Unit: %, KRW tn)

Op. Margin



Sales



Key Products



- AV/AVN
- Telematics
- CID

Infotainment Devices



- Traction Motor
- Inverter
- Battery Pack

xEV Solution



- ADAS Camera
- LCD Cluster
- Automotive Lamp

Safety & Convenience Devices

2Q'19 Performance

- **Sales** : Increased 63% YoY and 6% QoQ driven by new projects in infotainment business, higher demand from major auto OEMs for electric vehicle components, and effects from consolidation of ZKW
- **Profit** : Although sales from CID product grew, delays in improving stability in manufacturing process and initial production costs of other new projects led lower profitability

3Q'19 Outlook

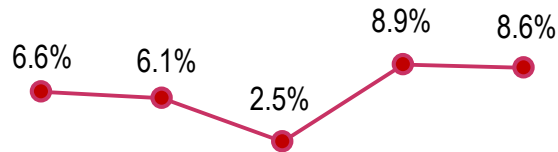
- **Market** : Global auto market demand to slow down due to US-China trade disputes and restructuring of major auto OEMs
Demand volatility to grow due to regulatory policies regarding electric vehicles
- **LGE** : Closely monitor changes in external environment and regional/auto OEMs' policies and examine adjustment of the business portfolio from a long-term perspective
Focus on stable supply of components to major OEMs and cost reduction activities in the short-term

Performance and Outlook by Division

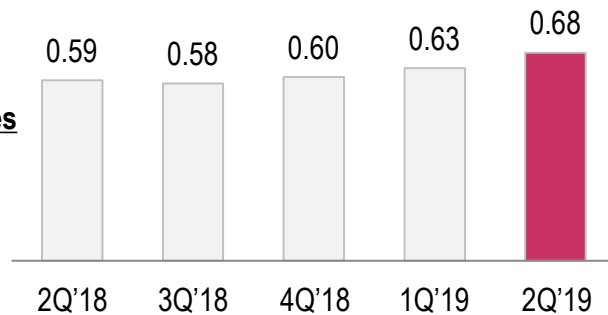
Performance

(Unit: %, KRW tn)

Op. Margin



Sales



Key Products



Information Display



Solar Modules

2Q'19 Performance

- **Sales :** Despite high level of price competition in low to mid-end signage market, the information display business grew slightly YoY driven by growth in premium products
The solar business grew YoY driven by increased demand of high-power solar modules in the European market and increased sales from residential solar modules in the US market
- **Profit :** Profit increased driven by growth of premium product sales in the information display business, expansion of sales and improved productivity in the solar module business

3Q'19 Outlook

- **Market :** Expect Information display market to grow continuously driven by LED and premium products
The solar module market demand to maintain growth in accordance to changes in regional subsidy policies
- **LGE :** Secure growth in sales and profitability in premium product categories in Information display business
Strengthen the business fundamentals of the solar module business by targeting residential solar modules in strategic regions and establishing regional portfolios



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Income Statement

(Unit: KRW bn, %)

	2018										2019			
	1Q		2Q		3Q		4Q		Total		1Q		2Q	
Sales	15,123.0	100.0%	15,019.4	100.0%	15,427.0	100.0%	15,772.3	100.0%	61,341.7	100.0%	14,915.1	100.0%	15,629.2	100.0%
Cost of goods sold	11,313.4	74.8%	11,101.5	73.9%	11,560.7	74.9%	12,285.1	77.9%	46,260.7	75.4%	11,170.1	74.9%	11,672.9	74.7%
Gross profit	3,809.6	25.2%	3,917.9	26.1%	3,866.3	25.1%	3,487.2	22.1%	15,081.0	24.6%	3,745.0	25.1%	3,956.3	25.3%
Selling & admin expense	2,701.8	17.9%	3,146.9	21.0%	3,117.5	20.2%	3,411.5	21.6%	12,377.7	20.2%	2,844.4	19.1%	3,304.0	21.1%
Operating income (Loss)	1,107.8	7.3%	771.0	5.1%	748.8	4.9%	75.7	0.5%	2,703.3	4.4%	900.6	6.0%	652.3	4.2%
Financial income (Expense)	-80.5	-0.5%	-63.4	-0.4%	-91.1	-0.6%	-74.2	-0.5%	-309.2	-0.5%	-78.1	-0.5%	-79.5	-0.5%
Gains (loss) on equity method investment	-27.9	-0.2%	-105.8	-0.7%	5.2	0.0%	51.3	0.3%	-77.2	-0.1%	-23.2	-0.2%	-206.7	-1.3%
Other non operating income (Loss)	-30.4	-0.2%	-53.4	-0.4%	-47.4	-0.3%	-177.1	-1.1%	-308.3	-0.5%	-44.9	-0.3%	-139.0	-0.9%
Net income before tax	969.0	6.4%	548.4	3.7%	615.5	4.0%	-124.3	-0.8%	2,008.6	3.3%	754.4	5.1%	227.1	1.5%
Corporate Income Tax	239.1	1.6%	221.9	1.5%	118.4	0.8%	-43.6	-0.3%	535.8	0.9%	176.4	1.2%	121.1	0.8%
Net Income	729.9	4.8%	326.5	2.2%	497.1	3.2%	-80.7	-0.5%	1,472.8	2.4%	578.0	3.9%	106.0	0.7%
Controlled shares	716.7		283.3		410.4		-170.3		1,240.1		570.9		91.6	
Non-controlled shares	13.2		43.2		86.7		89.6		232.7		7.1		14.4	

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Statements of Financial Position

(Unit: KRW bn)

	2018				2019	
	1Q	2Q	3Q	4Q	1Q	2Q
Assets	41,222.0	42,924.8	45,068.3	44,328.4	45,936.7	45,867.3
Current Assets	19,072.9	20,540.2	20,695.2	19,362.9	20,176.1	20,134.6
Cash and cash equivalents	3,753.1	4,659.6	4,538.3	4,270.4	4,093.6	3,944.2
Accounts receivable	7,144.8	7,701.6	7,068.7	6,371.6	7,244.2	7,386.8
Inventory	5,872.7	5,975.5	6,561.6	6,021.4	6,141.7	6,179.5
Others	2,302.3	2,203.5	2,526.6	2,699.5	2,696.6	2,624.1
Non-current Assets	22,149.1	22,384.6	24,373.1	24,965.5	25,760.6	25,732.7
Investment	5,571.0	5,465.4	5,487.7	5,537.6	5,575.6	5,377.2
PP&E	12,000.1	12,337.4	13,162.8	13,334.0	14,094.5	14,241.6
Intangible assets	1,920.7	1,997.6	2,925.7	3,001.1	3,002.0	2,964.8
Others	2,657.3	2,584.2	2,796.9	3,092.8	3,088.5	3,149.1
Liabilities	25,766.0	27,165.4	28,622.3	28,021.5	28,997.0	28,772.3
Accounts payable	7,243.0	7,533.6	7,926.2	7,216.7	7,798.5	7,402.5
Debt	9,622.2	10,690.6	11,503.9	10,901.2	11,055.2	10,858.1
Lease liability	-	-	-	-	684.5	700.2
Other liabilities	8,900.8	8,941.2	9,192.2	9,903.6	9,458.8	9,811.5
Equity	15,456.0	15,759.4	16,446.0	16,306.9	16,939.7	17,095.0

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(Unit: KRW bn)

		1Q'18	2Q'18	3Q'18	4Q'18	'18 Total	1Q'19	2Q'19	QoQ	YoY
H&A	Sales	4,923.9	5,258.1	4,850.9	4,327.9	19,360.8	5,465.9	6,102.8	11.7%	16.1%
	Op. Income	557.6	461.8	413.0	112.6	1,545.0	727.6	717.5		
	(%)	11.3%	8.8%	8.5%	2.6%	8.0%	13.3%	11.8%		
HE	Sales	4,141.9	3,845.5	3,734.8	4,590.0	16,312.2	4,023.7	3,671.2	-8.8%	-4.5%
	Op. Income	573.0	405.2	322.9	205.6	1,506.7	346.5	205.6		
	(%)	13.8%	10.5%	8.6%	4.5%	9.2%	8.6%	5.6%		
MC	Sales	2,134.4	2,049.1	2,017.3	1,675.4	7,876.2	1,510.4	1,613.3	6.8%	-21.3%
	Op. Income	-131.8	-183.7	-144.2	-318.5	-778.2	-203.5	-313.0		
	(%)	-6.2%	-9.0%	-7.1%	-19.0%	-9.9%	-13.5%	-19.4%		
VS	Sales	840.0	872.8	1,176.0	1,398.8	4,287.6	1,347.0	1,423.1	5.6%	63.0%
	Op. Income	-17.0	-32.5	-42.9	-27.4	-119.8	-15.3	-55.8		
	(%)	-2.0%	-3.7%	-3.6%	-2.0%	-2.8%	-1.1%	-3.9%		
BS	Sales	642.7	588.5	576.7	597.8	2,405.7	625.6	675.5	8.0%	14.8%
	Op. Income	78.8	39.0	35.1	14.9	167.8	55.5	58.1		
	(%)	12.3%	6.6%	6.1%	2.5%	7.0%	8.9%	8.6%		
Others	Sales	979.5	1,200.2	1,011.7	961.8	4,153.2	755.6	842.6	11.5%	-29.8%
	Op. Income	38.9	80.9	47.8	-17.7	149.9	-0.2	28.8		
LGE Consolidated Excluding LG Innotek (①)	Sales	13,662.4	13,814.2	13,367.4	13,551.7	54,395.7	13,728.2	14,328.5	4.4%	3.7%
	Op. Income	1,099.5	770.7	631.7	-30.5	2,471.4	910.6	641.2		
	(%)	8.0%	5.6%	4.7%	-0.2%	4.5%	6.6%	4.5%		
LG Innotek (②)	Sales	1,720.5	1,517.9	2,313.2	2,430.5	7,982.1	1,368.6	1,522.3	11.2%	0.3%
	Op. Income	16.8	13.4	129.7	103.6	263.5	-11.4	18.8		
LGE-LG Innotek Inter-company Transaction (③)	Sales	259.9	312.7	253.6	209.9	1,036.1	181.7	221.6		
	Op. Income	8.5	13.1	12.6	-2.6	31.6	-1.4	7.7		
LGE Consolidated (①+②-③)	Sales	15,123.0	15,019.4	15,427.0	15,772.3	61,341.7	14,915.1	15,629.2	4.8%	4.1%
	Op. Income	1,107.8	771.0	748.8	75.7	2,703.3	900.6	652.3		
	(%)	7.3%	5.1%	4.9%	0.5%	4.4%	6.0%	4.2%		

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