

4Q'18 Earnings Release

January 31, 2019

LG Electronics

All information regarding management performance and financial results of LG Electronics (the “Company”) during the 4th quarter of 2018 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 2018 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 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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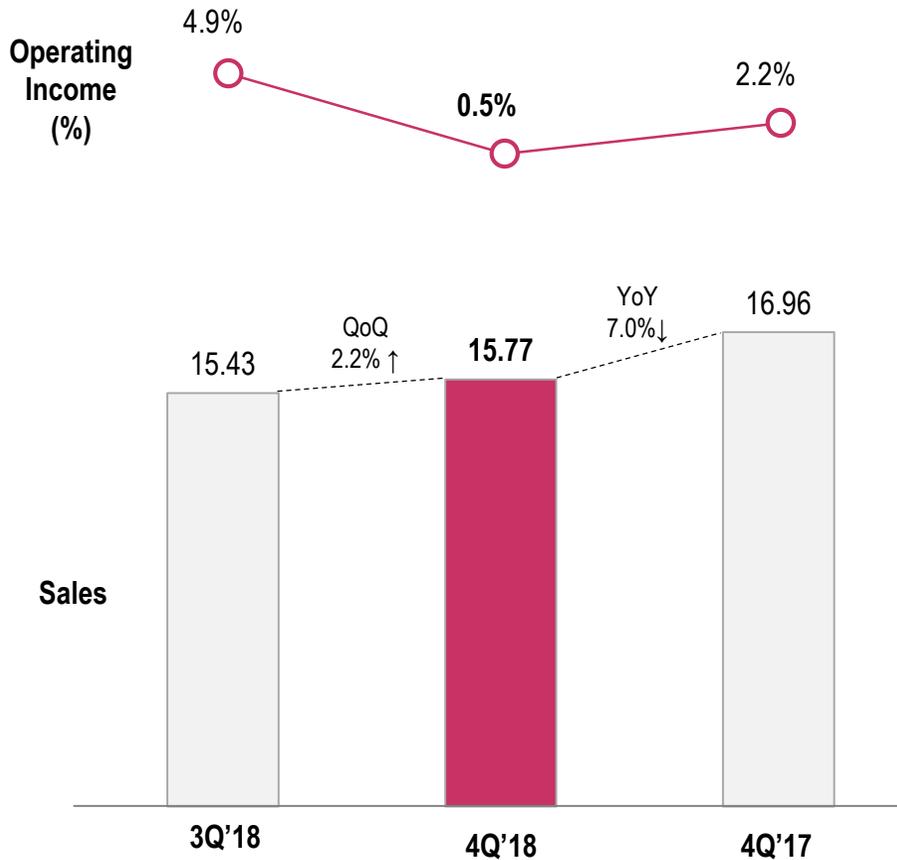
Consolidated Earnings and Outlook

Consolidated Earnings and Outlook

Sales / Profits

Sales / Profits

(Unit : KRW tn)



Performance by Division

(Unit : KRW bn)

		3Q'18	QoQ	4Q'18	YoY	4Q'17
Consolidated *1)	Sales	15,427.0	2.2%	15,772.3	-7.0%	16,963.6
	O.I	748.8	-673.1	75.7	-291.1	366.8
	(%)	4.9%	-4.4%p	0.5%	-1.7%p	2.2%
H&A *2)	Sales	4,852.1	-10.8%	4,327.9	3.3%	4,189.5
	Home Appliance & Air Solution	409.7	-304.9	104.8	28.2	76.6
	(%)	8.4%	-6.0%p	2.4%	0.6%p	1.8%
HE *2)	Sales	3,711.1	22.8%	4,557.2	-6.4%	4,868.0
	Home Entertainment	325.1	-116.0	209.1	-127.2	336.3
	(%)	8.8%	-4.2%p	4.6%	-2.3%p	6.9%
MC	Sales	2,041.0	-16.3%	1,708.2	-41.6%	2,923.0
	Mobile Communications	-146.3	-176.0	-322.3	-106.0	-216.3
	(%)	-7.2%	-11.7%p	-18.9%	-11.5%p	-7.4%
VC *3)	Sales	1,176.0	18.9%	1,398.8	71.0%	818.0
	Vehicle Components	-42.9	15.5	-27.4	14.6	-42.0
	(%)	-3.6%	1.6%p	-2.0%	3.1%p	-5.1%
B2B *4)	Sales	576.7	3.7%	597.8	-10.6%	668.7
	Business to Business	35.1	-20.2	14.9	-32.9	47.8
	(%)	6.1%	-3.6%p	2.5%	-4.6%p	7.1%

*1) LG Innotek is included, and from 3Q'18 ZKW which was acquired in August is included

*2) From 1Q'18, Energy Management Solution, Energy Storage System has been restated to 'H&A division' from 'Others' and ID division has been restated to 'B2B division' from 'HE division'

*3) From 3Q'18, ZKW which was acquired in August is included

*4) From 1Q'18, B2B division has been newly established. ID(Information Display) business has been restated to B2B from 'HE division' and solar panel business has been restated to B2B from 'Others'

Consolidated Earnings and Outlook

Income Trend / Cash Flow

Income Trend

(Unit : KRW bn)

	3Q'18	QoQ	4Q'18	YoY	4Q'17
Operating Income	748.8	-673.1	75.7	-291.1	366.8
Net financial income/expense	-91.1	+16.9	-74.2	+48.8	-123.0
Gain/Loss on equity method	5.2	+46.1	51.3	+37.6	13.7
Other non-operating income/expense	-47.4	-129.7	-177.1	-127.9	-49.2
Income Before Tax	615.5	-739.8	-124.3	-332.6	208.3
Corporate income tax	118.4	-162.0	-43.6	-69.1	25.5
Net Income	497.1	-577.8	-80.7	-263.5	182.8
EBITDA	1,255.1		625.2		834.5

Cash Flow

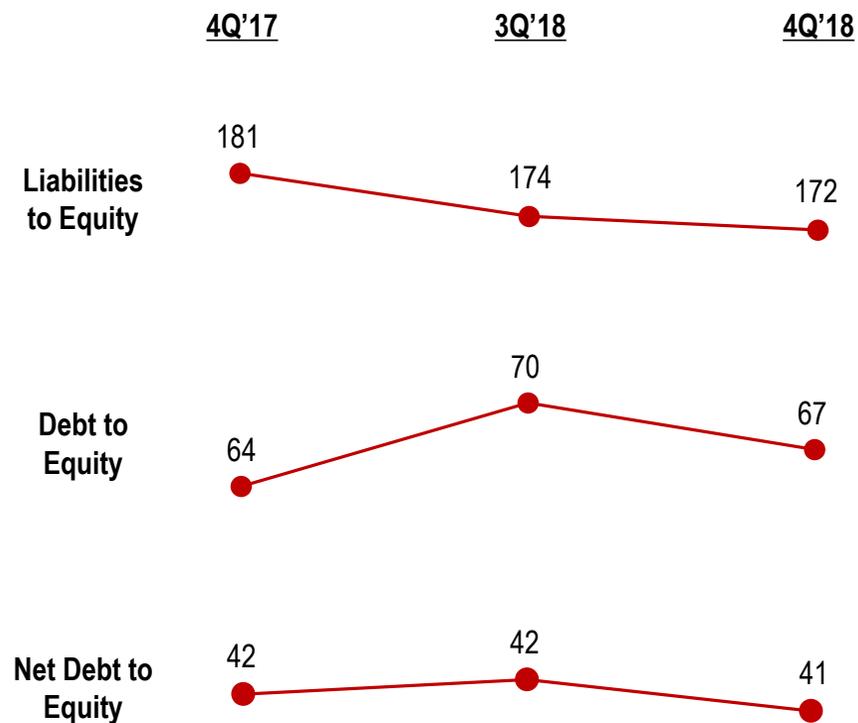
(Unit : KRW bn)

	3Q'18	4Q'18
<input type="checkbox"/> Cash at the beginning of period	4,659.6	4,538.3
• Cash flow from operating activities	1,269.2	1,356.6
Net income/loss	497.1	-80.7
Depreciation	506.3	549.5
Gain/Loss on equity method investment	-5.2	-51.3
• Cash flow from investing activities ^{*1)}	-1,690.2	-994.4
Increase in tangible assets	-788.6	-785.7
Increase in intangible assets	-152.5	-208.0
• Cash flow from financing activities	356.6	-644.7
Dividend paid, etc	-	-17.1
Increase/Decrease in debt	356.6	-627.6
• Effects of exchange rate changes on cash and cash equivalents	-56.9	14.6
<input type="checkbox"/> Net changes in cash	-121.3	-267.9
<input type="checkbox"/> Cash at the end of period	4,538.3	4,270.4
Net C/F	-477.9	376.8

*1) The amount paid for acquisition of ZKW is included in 3Q'18

Leverage Ratio

(Unit: %)



Financial Position

(Unit : KRW tn)

	4Q'17	3Q'18	4Q'18
Assets	41.22	45.07	44.33
Current Assets	19.20	20.70	19.36
Cash	3.35	4.54	4.27
Inventory	5.91	6.56	6.02
Non-Current Assets	22.02	24.37	24.97
Liabilities	26.55	28.62	28.02
Current Liabilities	17.54	17.83	17.13
Non-Current Liabilities	9.01	10.79	10.89
Equity	14.67	16.45	16.31
Debt	9.45	11.51	10.90
Net Debt	6.10	6.97	6.63

Business Environment (Y2019)

- Global economy continues to slow down
- Intensifying competition among industries to take initiative

Key Strategies

- Profitable growth driven strategy to strengthen market dominance
- Allocate resources into strategic and new businesses to accelerate future growth

Sales & Profits Outlook (Y2019,1Q'19)

- Maintain growth in sales and generate solid profits in 2019
- Anticipate consolidated sales to increase and operating profit to significantly improve QoQ

II

Performance and Outlook by Division

Performance and Outlook by Division

H&A (Home Appliance and Air Solution)

4Q'18 Performance

- **Sales** : Even though sales from emerging markets declined due to rising currency risk in LATAM region and geopolitical risk in MEA region such as Iran sanctions, grew 3.3% YoY to 4.3 tril. Won, thanks to steady sales growth in Korea, Europe, and Asia
- **Profitability** : Improved profitability YoY supported by expansion of premium product sales in domestic market and continuous cost improvement

Y2019 Outlook

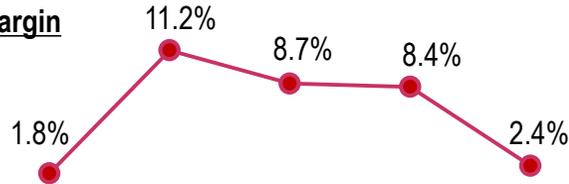
- **Market** : Demand for new growth products will continue to grow in domestic market, and uncertainties in overseas markets will elevate due to rising currency risk and trade conflict
- **LGE** : Maintain solid profitability through continuous growth in domestic market, expanding premium products sales, efficient allocation and use of resources, and improving cost structure

Focus on applying new technologies to our business

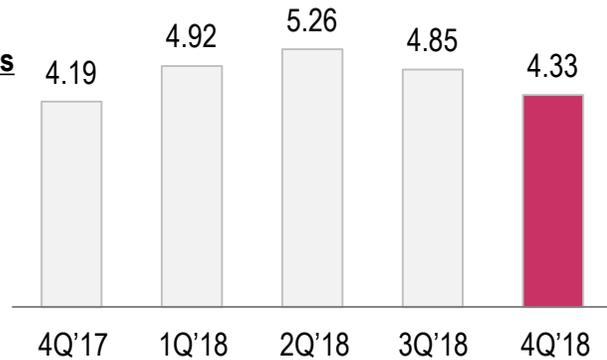
Performance*1)

(Unit: %, KRW tn)

Op. Margin



Sales



Key Products



InstaView DID



TWINWash



LG Styler

*1) From 1Q'18, Energy Management Solution, Energy Storage System has been restated to 'H&A division' from 'Others'

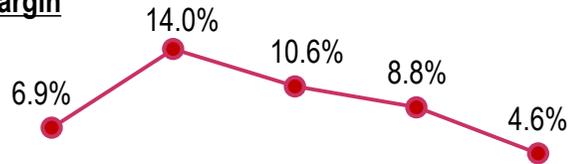
Performance and Outlook by Division

HE (Home Entertainment)

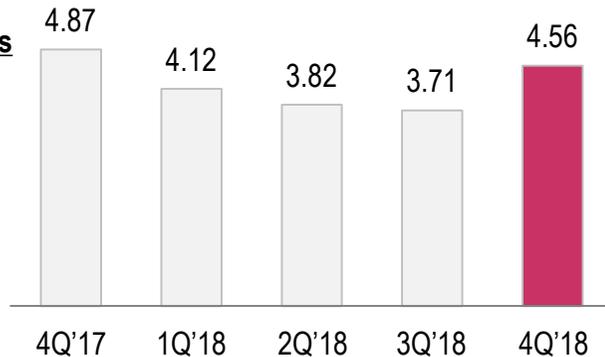
Performance*1)

(Unit: %, KRW tn)

Op. Margin



Sales



Key Products



LG SIGNATURE OLED TV W



LG Super UHD TV (Nano Cell TV)

4Q'18 Performance

- **Sales** : Grew QoQ led by year-end peak season in developed markets such as North America and Europe, but declined YoY due to economic slowdown in LATAM and MEA regions
- **Profitability** : Down QoQ due to increasing marketing expenses from intensifying competition during peak season, and down YoY from sales decline and currency headwinds from emerging markets

Y2019 Outlook

- **Market** : Global TV demand will be flat YoY, but growth trend will continue in premium TV market with OLED TVs and Ultra HD TVs
- **LGE** : Constantly expand premium TV portion through strengthening sales of OLED TVs and large screen Ultra HD TVs, and create virtuous cycle of simultaneous growth of revenue and profits

*1) From 1Q'18, ID division has been restated to 'B2B division' from 'HE division'

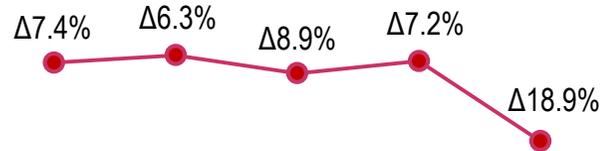
Performance and Outlook by Division

MC (Mobile Communications)

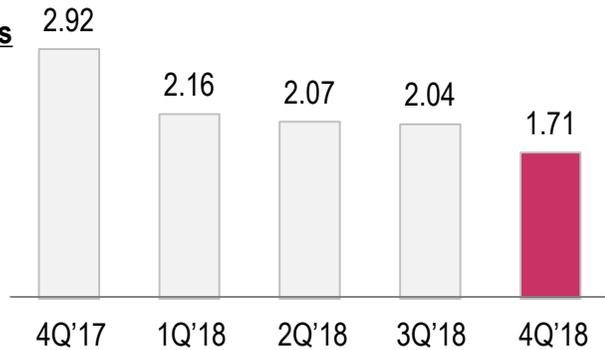
Performance

(Unit: %, KRW tn)

Op. Margin



Sales



Key Products



V40ThinQ

G7ThinQ

Q9

4Q'18 Performance

- **Sales** : Despite the launch of new competitive premium product, sales came down 16% QoQ from sluggish smartphone market and intensifying competition in mass-tier products
- **Profitability** : Even though business structure was meaningfully improved, impact on profitability was offset by smartphone sales decline
Loss widened as marketing expense increased in order to support launch of new product during peak season and reduce channel inventories

Y2019 Outlook

- **Market** : 5G network is expected to be commercialized in major markets and devices with new form factors will be launched
Smartphone demand will continue to fall and price competition will intensify
- **LGE** : Focus on operator-driven market such as North America and Korea to secure stable sales, and preoccupy 5G and new form factor device markets to capture additional sales opportunities
Expand sales and improve cost efficiency to enhance profit structure, and secure mid to long-term growth momentum and achieve meaningful improvement in profitability

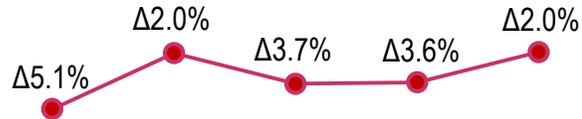
Performance and Outlook by Division

VC (Vehicle Components)

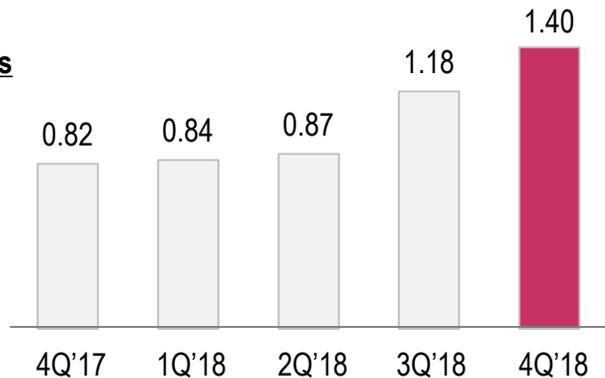
Performance*1)

(Unit: %, KRW tn)

Op. Margin



Sales



Key Products



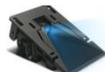
- AV/AVN
- Telematics
- CID

Infotainment Devices



- Traction Motor
- Inverter
- Battery Pack

xEV Solution



- ADAS Camera
- LCD Cluster
- Automotive Lamp

Safety & Convenience Devices

4Q'18 Performance

- **Sales** : Grew 19% QoQ and 71% YoY through mass production of new projects in infotainment business and addition of ZKW
- **Profitability** : Profitability improved both QoQ and YoY from increasing sales supported by new projects and enhanced cost structure

Y2019 Outlook

- **Market** : Market uncertainties to persist due to intensifying trade protectionism in major markets
Vehicle component market to slowdown as some automakers are expected to restructure operations
- **LGE** : Improve fundamental of the business and secure cost competitiveness
Secure long-term growth momentum through enhancing R&D capabilities and strengthening partnerships with clients

*1) From 3Q'18, ZKW which was acquired in August is included

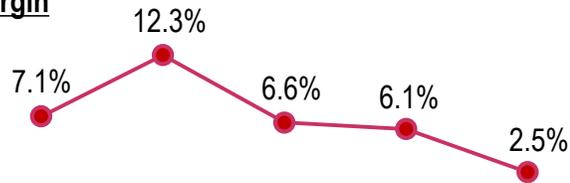
Performance and Outlook by Division

B2B (Business to Business)

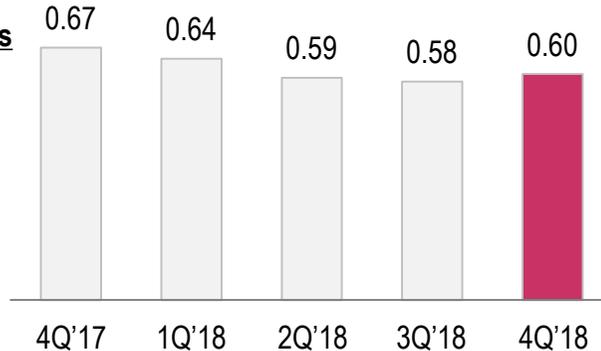
Performance*1)

(Unit: %, KRW tn)

Op. Margin



Sales



Key Products



Information Display



Solar Panel

4Q'18 Performance

- **Sales** : Declined YoY due to weak performance in Information Display business in MEA and LATAM regions, and sales decline in solar product in U.S market, but grew slightly QoQ
- **Profitability** : Though cost improvement trend continued, profit came down due to investment for global business expansion, solar safeguard duty, and declining solar panel prices

Y2019 Outlook

- **Market** : Information Display market is expected to grow mainly in premium products
Global demand for solar products will recover relative to last year but risk of supply-demand imbalance exists
- **LGE** : For Information Display business, plan to enhance sales capabilities, target new growing areas to expand sales, and improve profitability
For Solar business, expand sales through market diversification and stable operation of US solar factory

*1) From 1Q'18, B2B division has been newly established. ID(Information Display) business has been restated to B2B from 'HE division' and solar panel business has been restated to B2B from 'Others'



LG

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Sustainability Indices**

In Collaboration with RobecoSAM 

<http://www.lg.com/global>

Income Statement

(Unit: KRW bn, %)

	2017					2018														
	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total										
Sales	14,657.2	100.0%	14,551.4	100.0%	15,224.1	100.0%	16,963.6	100.0%	61,396.3	100.0%	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%
Cost of goods sold	10,963.0	74.8%	10,830.0	74.4%	11,619.9	76.3%	13,324.7	78.5%	46,737.6	76.1%	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%
Gross profit	3,694.2	25.2%	3,721.4	25.6%	3,604.2	23.7%	3,638.9	21.5%	14,658.7	23.9%	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%
Selling & admin expense	2,772.7	18.9%	3,057.3	21.0%	3,088.1	20.3%	3,272.1	19.3%	12,190.2	19.9%	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%
Operating income (Loss)	921.5	6.3%	664.1	4.6%	516.1	3.4%	366.8	2.2%	2,468.5	4.0%	1,107.8	7.3%	771.0	5.1%	748.8	4.9%	75.7	0.5%	2,703.3	4.4%
Financial income (Expense)	-109.2	-0.7%	-53.1	-0.4%	-62.1	-0.4%	-123.0	-0.7%	-347.4	-0.6%	-80.5	-0.5%	-63.4	-0.4%	-91.1	-0.6%	-74.2	-0.5%	-309.2	-0.5%
Gains (loss) on equity method investment	230.1	1.6%	258.1	1.8%	165.6	1.1%	13.7	0.1%	667.5	1.1%	-27.9	-0.2%	-105.8	-0.7%	5.2	0.0%	51.3	0.3%	-77.2	-0.1%
Other non operating income (Loss)	49.5	0.3%	-126.9	-0.9%	-103.9	-0.7%	-49.2	-0.3%	-230.5	-0.4%	-30.4	-0.2%	-53.4	-0.4%	-47.4	-0.3%	-177.1	-1.1%	-308.3	-0.5%
Net income before tax	1,091.9	7.4%	742.2	5.1%	515.7	3.4%	208.3	1.2%	2,558.1	4.2%	969.0	6.4%	548.4	3.7%	615.5	4.0%	-124.3	-0.8%	2,008.6	3.3%
Corporate Income Tax	256.2	1.7%	227.3	1.6%	179.6	1.2%	25.5	0.2%	688.6	1.1%	239.1	1.6%	221.9	1.5%	118.4	0.8%	-43.6	-0.3%	535.8	0.9%
Net Income	835.7	5.7%	514.9	3.5%	336.1	2.2%	182.8	1.1%	1,869.5	3.0%	729.9	4.8%	326.5	2.2%	497.1	3.2%	-80.7	-0.5%	1,472.8	2.4%
Controlled shares	795.3		497.5		318.1		114.9		1,725.8		716.7		283.3		410.4		-170.3		1,240.1	
Non-controlled shares	40.4		17.4		18.0		67.9		143.7		13.2		43.2		86.7		89.6		232.7	

*1) Since the information regarding results of 4Q'18 has been prepared in advance, it is subject to change in the process of final audit by external auditors

Statements of Financial Position

(Unit: KRW bn)

	2017				2018			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Assets	38,124.5	39,342.4	41,127.2	41,221.0	41,222.0	42,924.8	45,068.3	44,328.4
Current Assets	17,474.9	18,275.2	19,597.9	19,195.0	19,072.9	20,540.2	20,695.2	19,362.9
Cash and cash equivalents	3,031.9	3,604.4	3,486.5	3,350.6	3,753.1	4,659.6	4,538.3	4,270.4
Accounts receivable	7,360.1	7,344.6	7,737.6	8,178.2	7,144.8	7,701.6	7,068.7	6,371.6
Inventory	5,392.0	5,620.2	6,358.0	5,908.4	5,872.7	5,975.5	6,561.6	6,021.4
Others	1,690.9	1,706.0	2,015.8	1,757.8	2,302.3	2,203.5	2,526.6	2,699.5
Non-current Assets	20,649.6	21,067.2	21,529.3	22,026.0	22,149.1	22,384.6	24,373.1	24,965.5
Investment	5,175.0	5,503.8	5,695.8	5,620.3	5,571.0	5,465.4	5,487.7	5,537.6
PP&E	11,086.9	11,171.4	11,385.1	11,800.8	12,000.1	12,337.4	13,162.8	13,334.0
Intangible assets	1,610.4	1,703.6	1,778.0	1,854.6	1,920.7	1,997.6	2,925.7	3,001.1
Others	2,777.3	2,688.4	2,670.4	2,750.3	2,657.3	2,584.2	2,796.9	3,092.8
Liabilities	24,432.9	24,934.3	26,202.3	26,547.3	25,766.0	27,165.4	28,622.3	28,021.5
Accounts payable	7,613.2	7,116.9	8,127.2	8,137.5	7,243.0	7,533.6	7,926.2	7,216.7
Debt	8,629.2	8,956.5	9,163.7	9,450.5	9,622.2	10,690.6	11,503.9	10,901.2
Others	8,190.5	8,860.9	8,911.4	8,959.3	8,900.8	8,941.2	9,192.2	9,903.6
Equity	13,691.6	14,408.1	14,924.9	14,673.7	15,456.0	15,759.4	16,446.0	16,306.9

*1) Since the information regarding results of 4Q'18 has been prepared in advance, it is subject to change in the process of final audit by external auditors

(Unit: KRW bn)

		1Q'17	2Q'17	3Q'17	4Q'17	'17 Total	1Q'18	2Q'18	3Q'18	4Q'18	QoQ	YoY	'18 Total
H&A (Home Appliance & Air Solution)	Sales	4,504.5	5,040.3	4,780.7	4,189.5	18,515.0	4,923.9	5,258.1	4,852.1	4,327.9	-11%	3%	19,362.0
	Op. Income	511.4	449.4	411.4	76.6	1,448.8	553.1	457.2	409.7	104.8			1,524.8
	(%)	11.4%	8.9%	8.6%	1.8%	7.8%	11.2%	8.7%	8.4%	2.4%			7.9%
HE (Home Entertainment)	Sales	3,835.5	3,670.4	4,059.2	4,868.0	16,433.1	4,117.8	3,822.2	3,711.1	4,557.2	23%	-6%	16,208.3
	Op. Income	327.0	282.4	390.8	336.3	1,336.5	577.3	407.0	325.1	209.1			1,518.5
	(%)	8.5%	7.7%	9.6%	6.9%	8.1%	14.0%	10.6%	8.8%	4.6%			9.4%
MC (Mobile Communications)	Sales	2,986.4	2,564.7	2,684.2	2,923.0	11,158.3	2,158.5	2,072.3	2,041.0	1,708.2	-16%	-42%	7,980.0
	Op. Income	0.1	-139.7	-380.9	-216.3	-736.8	-136.1	-185.4	-146.3	-322.3			-790.1
	(%)	0.0%	-5.4%	-14.2%	-7.4%	-6.6%	-6.3%	-8.9%	-7.2%	-18.9%			-9.9%
VC (Vehicle Components)	Sales	847.2	840.4	833.0	818.0	3,338.6	840.0	872.8	1,176.0	1,398.8	19%	71%	4,287.6
	Op. Income	-15.5	-18.6	-30.8	-42.0	-106.9	-17.0	-32.5	-42.9	-27.4			-119.8
	(%)	-1.8%	-2.2%	-3.7%	-5.1%	-3.2%	-2.0%	-3.7%	-3.6%	-2.0%			-2.8%
B2B (Business to Business)	Sales	519.4	531.6	642.0	668.7	2,361.7	642.7	588.5	576.7	597.8	4%	-11%	2,405.7
	Op. Income	27.0	22.5	54.6	47.8	151.9	78.8	39.0	35.1	14.9			167.8
	(%)	5.2%	4.2%	8.5%	7.1%	6.4%	12.3%	6.6%	6.1%	2.5%			7.0%
Others	Sales	588.9	839.8	915.2	928.3	3,272.2	979.5	1,200.3	1,010.5	961.8	-5%	4%	4,152.1
	Op. Income	6.4	46.8	40.1	28.6	121.9	43.4	85.4	51.0	-9.6			170.2
LGE Consolidated Excluding LG Innotek (①)	Sales	13,281.9	13,487.2	13,914.3	14,395.5	55,078.9	13,662.4	13,814.2	13,367.4	13,551.7	1%	-6%	54,395.7
	Op. Income	856.4	642.8	485.2	231.0	2,215.4	1,099.5	770.7	631.7	-30.5			2,471.4
	(%)	6.4%	4.8%	3.5%	1.6%	4.0%	8.0%	5.6%	4.7%	-0.2%			4.5%
LG Innotek (②)	Sales	1,644.7	1,339.6	1,787.3	2,869.8	7,641.4	1,720.5	1,517.9	2,313.2	2,430.5	5%	-15%	7,982.1
	Op. Income	66.8	32.6	55.9	141.2	296.5	16.8	13.4	129.7	103.6			263.5
LGE-LG Innotek Inter-company Transaction (③)	Sales	269.4	275.4	477.5	301.7	1,324.0	259.9	312.7	253.6	209.9			1,036.1
	Op. Income	1.7	11.3	25.0	5.4	43.4	8.5	13.1	12.6	-2.6			31.6
LGE Consolidated (①+②-③)	Sales	14,657.2	14,551.4	15,224.1	16,963.6	61,396.3	15,123.0	15,019.4	15,427.0	15,772.3	2%	-7%	61,341.7
	Op. Income	921.5	664.1	516.1	366.8	2,468.5	1,107.8	771.0	748.8	75.7			2,703.3
	(%)	6.3%	4.6%	3.4%	2.2%	4.0%	7.3%	5.1%	4.9%	0.5%			4.4%

*1) Since the information regarding results of 4Q'18 has been prepared in advance, it is subject to change in the process of final audit by external auditors

*2) From 1Q'18, Energy Management Solution, Energy Storage System has been restated to 'H&A division' from 'Others' and ID division has been restated to 'B2B division' from 'HE division'

*3) From 1Q'18, B2B division has been newly established. ID(Information Display) business has been restated to B2B from 'HE division' and solar panel business has been restated

to B2B from 'Others'

*4) From 3Q'18, ZKW is included in VC