

3Q'18 Earnings Release

October 25, 2018

LG Electronics

All information regarding management performance and financial results of LG Electronics (the “Company”) during the 3rd 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 3rd quarter of 2018 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 2018.

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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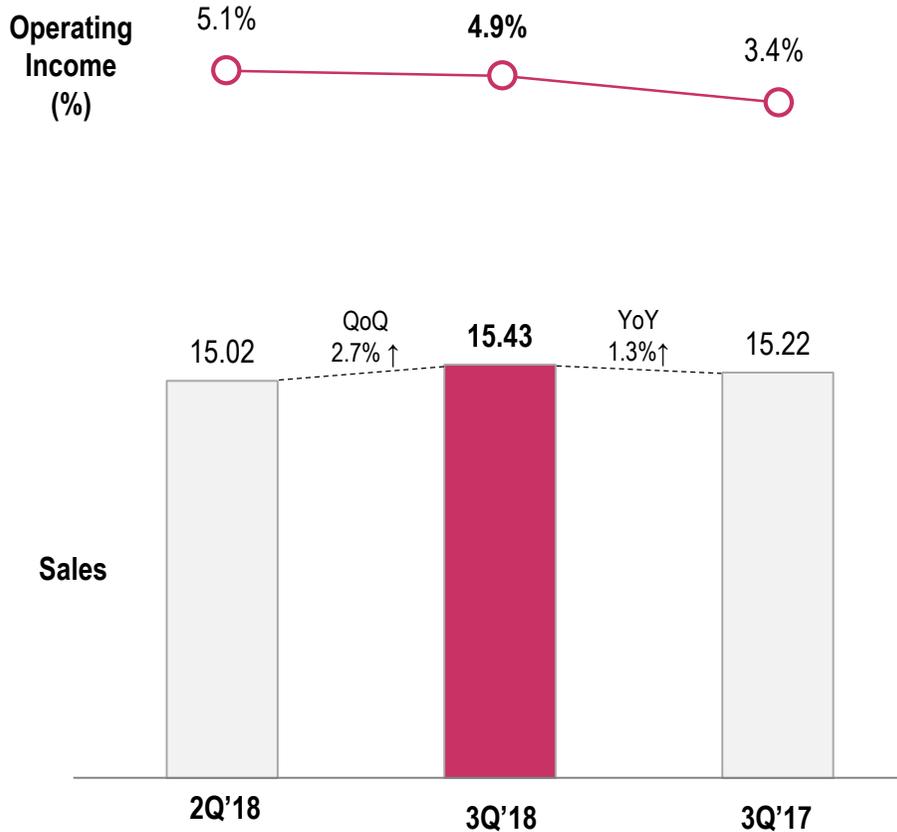
Consolidated Earnings and Outlook

Consolidated Earnings and Outlook

Sales / Profits

Sales / Profits

(Unit : KRW tn)



Performance by Division

(Unit : KRW bn)

		2Q'18	QoQ	3Q'18	YoY	3Q'17
Consolidated ^{*1)}	Sales	15,019.4	2.7%	15,427.0	1.3%	15,224.1
	O.I	771.0	-22.2	748.8	232.7	516.1
	(%)	5.1%	-0.2%p	4.9%	1.5%p	3.4%
H&A ^{*2)}	Sales	5,258.1	-7.7%	4,852.1	1.5%	4,780.7
	Home Appliance & Air Solution	457.2	-47.5	409.7	-1.7	411.4
	(%)	8.7%	-0.3%p	8.4%	-0.2%p	8.6%
HE ^{*2)}	Sales	3,822.2	-2.9%	3,711.1	-8.6%	4,059.2
	Home Entertainment	407.0	-81.9	325.1	-65.7	390.8
	(%)	10.6%	-1.8%p	8.8%	-0.8%p	9.6%
MC	Sales	2,072.3	-1.5%	2,041.0	-24.0%	2,684.2
	Mobile Communications	-185.4	39.1	-146.3	234.6	-380.9
	(%)	-8.9%	1.7%p	-7.2%	7.0%p	-14.2%
VC ^{*3)}	Sales	872.8	34.7%	1,176.0	41.2%	833.0
	Vehicle Components	-32.5	-10.4	-42.9	-12.1	-30.8
	(%)	-3.7%	0.1%p	-3.6%	0.1%p	-3.7%
B2B ^{*4)}	Sales	588.5	-2.0%	576.7	-10.2%	642.0
	Business to Business	39.0	-3.9	35.1	-19.5	54.6
	(%)	6.6%	-0.5%p	6.1%	-2.4%p	8.5%

*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 module business has been restated to B2B from 'Others'

Consolidated Earnings and Outlook

Income Trend / Cash Flow

Income Trend

(Unit : KRW bn)

	2Q'18	QoQ	3Q'18	YoY	3Q'17
Operating Income	771.0	-22.2	748.8	+232.7	516.1
Net financial income/expense	-63.4	-27.7	-91.1	-29.0	-62.1
Gain/Loss on equity method	-105.8	+111.0	5.2	-160.4	165.6
Other non-operating income/expense	-53.4	+6.0	-47.4	+56.5	-103.9
Income Before Tax	548.4	+67.1	615.5	+99.8	515.7
Corporate income tax	221.9	-103.5	118.4	-61.2	179.6
Net Income	326.5	+170.6	497.1	+161.0	336.1
EBITDA	1,242.3		1,255.1		957.1

Cash Flow

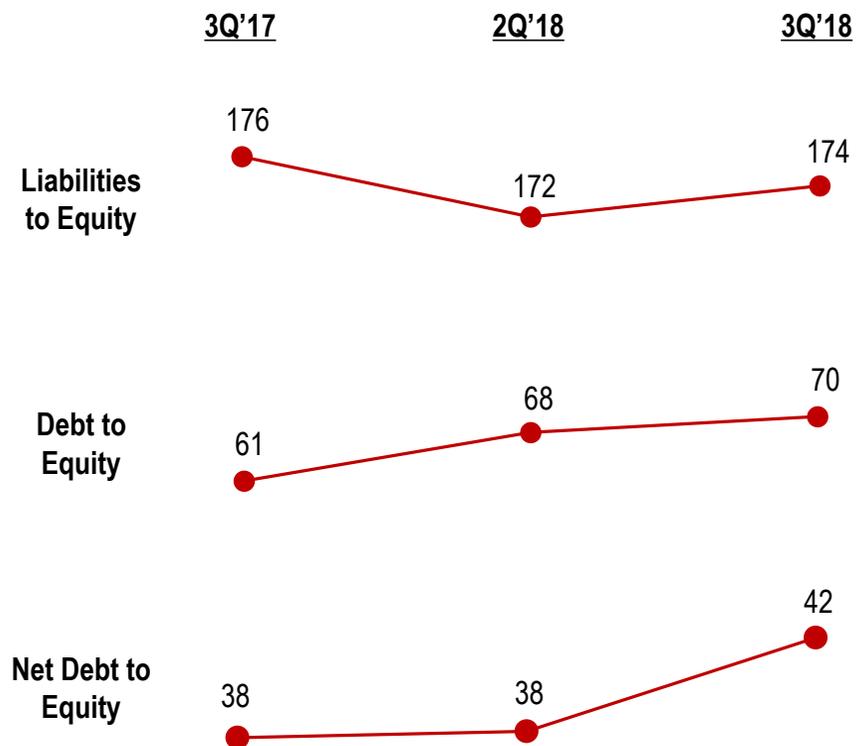
(Unit : KRW bn)

	2Q'18	3Q'18
<input type="checkbox"/> Cash at the beginning of period	3,753.1	4,659.6
• Cash flow from operating activities	890.1	1,269.2
Net income/loss	326.5	497.1
Depreciation	471.3	506.3
Gain/Loss on equity method investment	105.8	-5.2
• Cash flow from investing activities ^{*1)}	-940.5	-1,690.2
Increase in tangible assets	-800.7	-788.6
Increase in intangible assets	-161.9	-152.5
• Cash flow from financing activities	963.0	356.6
Dividend paid, etc	-105.5	-
Increase/Decrease in debt	1,068.5	356.6
• Effects of exchange rate changes on cash and cash equivalents	-6.1	-56.9
<input type="checkbox"/> Net changes in cash	906.5	-121.3
<input type="checkbox"/> Cash at the end of period	4,659.6	4,538.3
Net C/F	-56.5	-477.9

*1) The amount paid for acquisition of ZKW is included

Leverage Ratio

(Unit: %)



Financial Position

(Unit : KRW tn)

	3Q'17	2Q'18	3Q'18
Assets	41.13	42.92	45.07
Current Assets	19.60	20.54	20.70
Cash	3.49	4.66	4.54
Inventory	6.36	5.98	6.56
Non-Current Assets	21.53	22.38	24.37
Liabilities	26.20	27.16	28.62
Current Liabilities	17.01	17.29	17.83
Non-Current Liabilities	9.19	9.87	10.79
Equity	14.93	15.76	16.45
Debt	9.16	10.69	11.51
Net Debt	5.68	6.03	6.97

Business Environment

- Continued business risk caused by rising U.S. protectionism and slowing demand from emerging markets
- Strong price competition from entering year-end peak season

Sales & Profits Outlook

- Maintain solid sales YoY
- Operating profits to continuously improve YoY

II

Performance and Outlook by Division

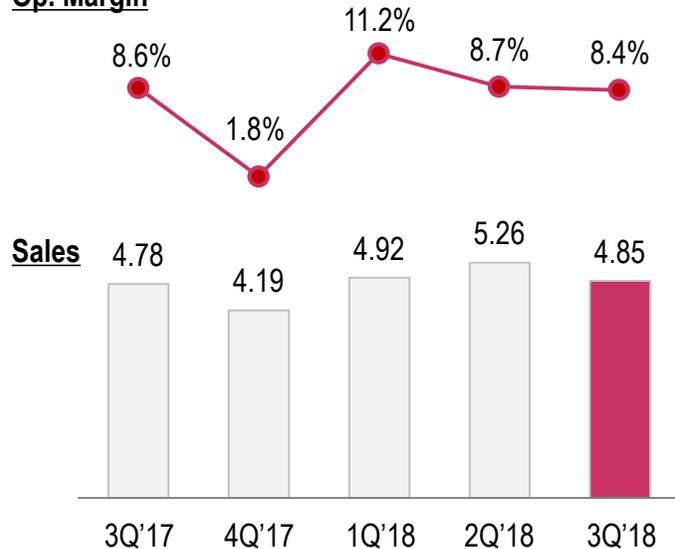
Performance and Outlook by Division

H&A (Home Appliance and Air Solution)

Performance*1)

(Unit: %, KRW tn)

Op. Margin



3Q'18 Performance

- **Sales** : Achieved 4.9 tril. Won, thanks to sales growth in Korea, Europe, and North America in spite of economic slowdown and currency headwinds from emerging markets such as Asia, MEA, and LATAM
- **Profitability** : Despite foreign currencies and regional headwinds, maintained strong profitability from sales growth of premium products and continuous cost improvement

4Q'18 Outlook

- **Market** : Despite the low season in the domestic market, demand for new growth products will continue to grow, and uncertainties in overseas markets will persist due to currency risk and trade conflict
- **LGE** : Plan to improve both sales and profitability YoY through expansion of peak season sales of premium products in North America, India, etc.

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'

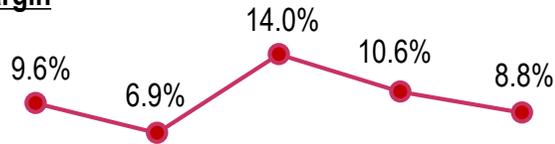
Performance and Outlook by Division

HE (Home Entertainment)

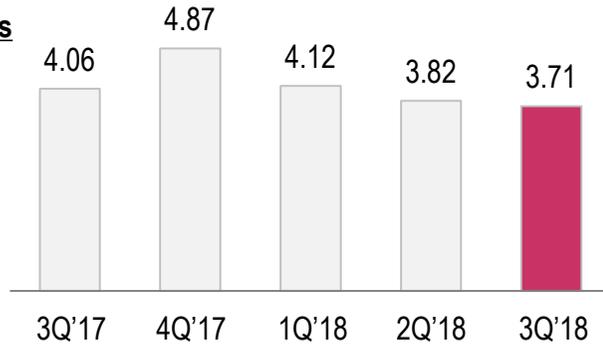
Performance*1)

(Unit: %, KRW tn)

Op. Margin



Sales



Key Products



LG SIGNATURE OLED TV W



LG Super UHD TV (Nano Cell TV)

3Q'18 Performance

- **Sales** : Sales declined QoQ and YoY mainly from shifted demand to the 1st half due to sports event and sluggish economy in LATAM
- **Profitability** : Even though profitability came down due to sales decline and weak currency in emerging markets, maintained strong profitability by focusing on sales of premium products

4Q'18 Outlook

- **Market** : Going into peak season, demand from developed markets with higher premium product portion is expected to grow YoY, but global TV demand will be stagnant YoY as economies in MEA and LATAM continues to be sluggish. However, growth trend will continue in premium TV market with OLED TVs and UHD TVs
- **LGE** : Actively response to year-end peak season TV demand by launching strategic models focused on premium products in order to increase sales, and maintain a stable profit structure

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

Performance and Outlook by Division

MC (Mobile Communications)

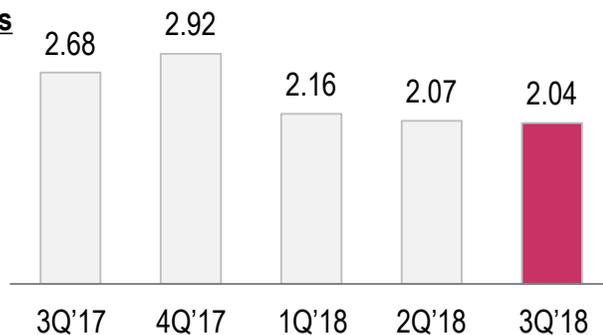
Performance

(Unit: %, KRW tn)

Op. Margin



Sales



Key Products



V40ThinQ



G7ThinQ



Q Stylus

3Q'18 Performance

- **Sales** : Sales declined YoY from weak global smartphone demand and intensifying competition, but maintained sales QoQ by strengthening mid-end products

- **Profitability** : Profitability improvement trend continued from better material and overhead cost efficiency based on platform / modular strategy and improved product portfolio

4Q'18 Outlook

- **Market** : Competition in the premium smartphone market is expected to intensify as the market enters the peak season, and price competition and promotion cost will increase accordingly
- **LGE** : Expand sales and improve profitability with new competitive models such as V40ThinQ, the smartphone with penta-cameras, two on the front and three on the back, boombox speaker, and improved AI function, and other products at reasonable prices

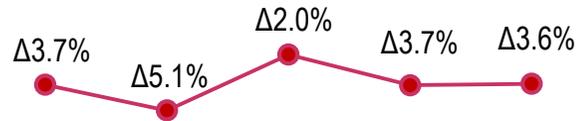
Performance and Outlook by Division

VC (Vehicle Components)

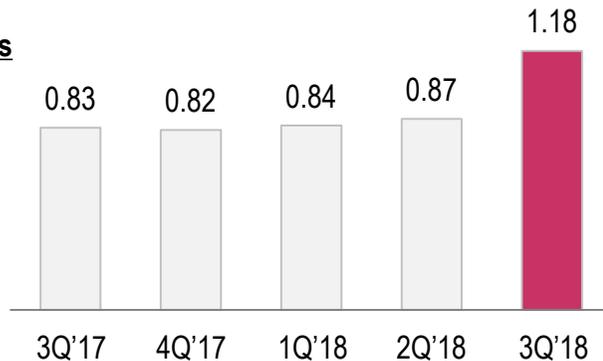
Performance*1)

(Unit: %, KRW tn)

Op. Margin



Sales



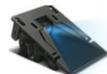
Key Products



- AV/AVN
- Telematics
- CID



- Traction Motor
- Inverter
- Battery Pack



- ADAS Camera
- LCD Cluster
- Automotive Lamp

Infotainment Devices

xEV Solution

Safety & Convenience Devices

3Q'18 Performance

- **Sales** : Grew 35% QoQ and 41% YoY through mass production of new projects in infotainment business and addition of ZKW
- **Profitability** : Despite rising raw material prices and additional costs incurred for new projects, profitability improved slightly supported by sales growth

4Q'18 Outlook

- **Market** : Uncertainties in global automotive and vehicle component industries to continue as protectionism intensifies in auto industry in U.S, China, etc.
- **LGE** : Focus on stable supply of products and profitability management of new projects while paying close attention to changes in external environment
Plan to review mid to long-term global production strategy to preemptively respond to related business risk

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

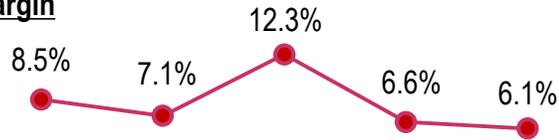
Performance and Outlook by Division

B2B (Business to Business)

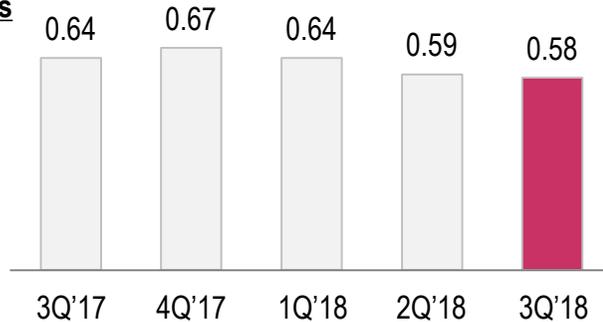
Performance*1)

(Unit: %, KRW tn)

Op. Margin



Sales



Key Products



Information Display



Solar Module

3Q'18 Performance

- **Sales** : Even though Information display business continued to grow, sales in solar module business declined slightly QoQ and by 10% YoY
- **Profitability** : Despite cost structure improvement, profitability came down due to the impact of safeguard duty on solar modules and continued price drop in key markets

4Q'18 Outlook

- **Market** : Information display market is expected to grow mainly in premium products, while intense price competition is anticipated in solar module market due to policy changes in major countries
- **LGE** : Increase sales and profitability in the information display business by expanding premium product sales and expand sales and secure profits in solar module business by diversifying and penetrating into new markets

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



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Income Statement

(Unit: KRW bn, %)

	2017										2018					
	1Q		2Q		3Q		4Q		Total		1Q		2Q		3Q	
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%
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%
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%
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%
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%
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%
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%
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%
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%
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%
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%
Controlled shares	795.3		497.5		318.1		114.9		1,725.8		716.7		283.3		410.4	
Noncontrolled shares	40.4		17.4		18.0		67.9		143.7		13.2		43.2		86.7	

*) Since the information regarding results of 2Q'18 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)

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

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(Unit: KRW bn)

		1Q'17	2Q'17	3Q'17	4Q'17	'17 Total	1Q'18	2Q'18	3Q'18	QoQ	YoY
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	-8%	1%
	Op. Income	511.4	449.4	411.4	76.6	1,448.8	553.1	457.2	409.7		
	(%)	11.4%	8.9%	8.6%	1.8%	7.8%	11.2%	8.7%	8.4%		
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	-3%	-9%
	Op. Income	327.0	282.4	390.8	336.3	1,336.5	577.3	407.0	325.1		
	(%)	8.5%	7.7%	9.6%	6.9%	8.1%	14.0%	10.6%	8.8%		
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	-2%	-24%
	Op. Income	0.1	-139.7	-380.9	-216.3	-736.8	-136.1	-185.4	-146.3		
	(%)	0.0%	-5.4%	-14.2%	-7.4%	-6.6%	-6.3%	-8.9%	-7.2%		
VC (Vehicle Components)	Sales	847.2	840.4	833.0	818.0	3,338.6	840.0	872.8	1,176.0	35%	41%
	Op. Income	-15.5	-18.6	-30.8	-42.0	-106.9	-17.0	-32.5	-42.9		
	(%)	-1.8%	-2.2%	-3.7%	-5.1%	-3.2%	-2.0%	-3.7%	-3.6%		
B2B (Business to Business)	Sales	519.4	531.6	642.0	668.7	2,361.7	642.7	588.5	576.7	-2%	-10%
	Op. Income	27.0	22.5	54.6	47.8	151.9	78.8	39.0	35.1		
	(%)	5.2%	4.2%	8.5%	7.1%	6.4%	12.3%	6.6%	6.1%		
Others	Sales	588.9	839.8	915.2	928.3	3,272.2	979.5	1,200.3	1,010.5	-16%	10%
	Op. Income	6.4	46.8	40.2	28.6	121.9	43.4	85.4	51.0		
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	-3%	-4%
	Op. Income	856.4	642.8	485.2	231.0	2,215.4	1,099.5	770.7	631.7		
	(%)	6.4%	4.8%	3.5%	1.6%	4.0%	8.0%	5.6%	4.7%		
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	52%	29%
	Op. Income	66.8	32.6	55.9	141.2	296.5	16.8	13.4	129.7		
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		
	Op. Income	1.7	11.3	25.0	5.4	43.4	8.5	13.1	12.6		
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	3%	1%
	Op. Income	921.5	664.1	516.1	366.8	2,468.5	1,107.8	771.0	748.8		
	(%)	6.3%	4.6%	3.4%	2.2%	4.0%	7.3%	5.1%	4.9%		

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