

1Q'18 Earnings Release

April 26, 2018

LG Electronics

All information regarding management performance and financial results of LG Electronics (the “Company”) during the 1st 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 1st 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 2nd 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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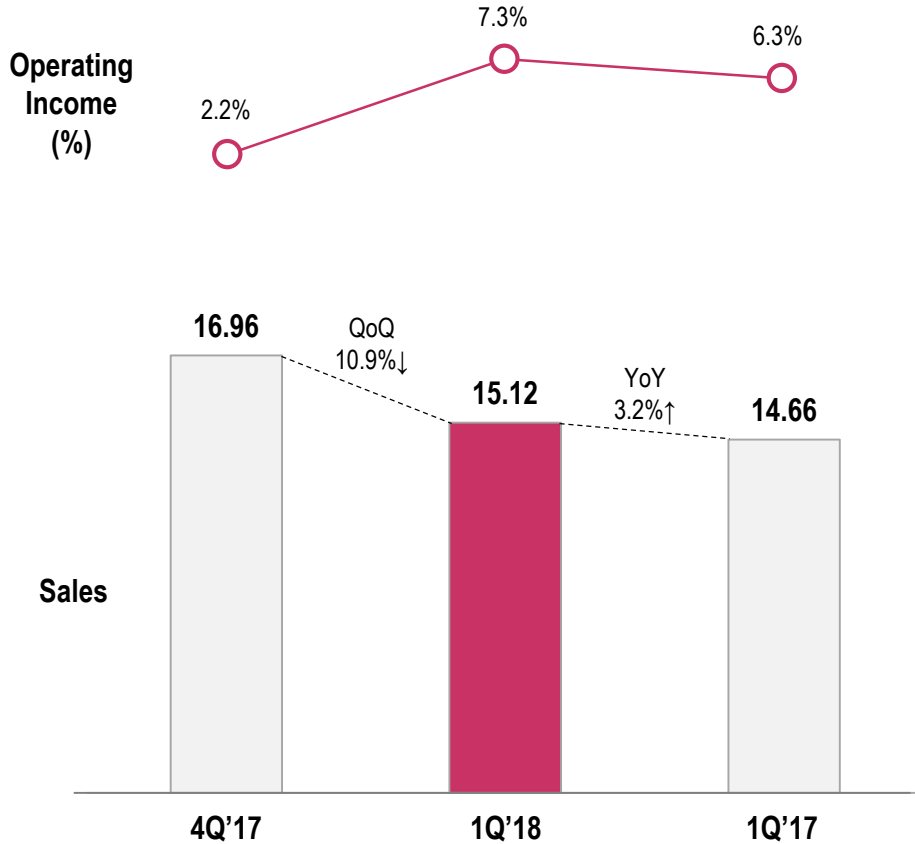
Consolidated Earnings and Outlook

Consolidated Earnings and Outlook

Sales / Profits

Sales / Profits

(Unit : KRW tn)



Performance by Division

(Unit : KRW bn)

		4Q'17	QoQ	1Q'18	YoY	1Q'17	
Consolidated *1)	Sales	16,963.6	-10.9%	15,123.0	3.2%	14,657.2	
	O.I	366.8	741.0	1,107.8	186.3	921.5	
	(%)	2.2%	5.1%p	7.3%	1.0%p	6.3%	
H&A *2)	Sales	4,189.5	17.5%	4,923.9	9.3%	4,504.5	
	Home Appliance & Air Solution	O.I	76.6	476.5	553.1	41.7	511.4
	(%)	1.8%	9.4%p	11.2%	-0.2%p	11.4%	
HE *2)	Sales	4,868.0	-15.4%	4,117.8	7.4%	3,835.5	
	Home Entertainment	O.I	336.3	241.0	577.3	250.3	327.0
	(%)	6.9%	7.1%p	14.0%	5.5%p	8.5%	
MC	Sales	2,923.0	-26.2%	2,158.5	-27.7%	2,986.4	
	Mobile Communications	O.I	-216.3	80.2	-136.1	-136.2	0.1
	(%)	-7.4%	1.1%p	-6.3%	-6.3%p	0.0%	
VC	Sales	818.0	2.7%	840.0	-0.8%	847.2	
	Vehicle Components	O.I	-42.0	25.0	-17.0	-1.5	-15.5
	(%)	-5.1%	3.1%p	-2.0%	-0.2%p	-1.8%	
B2B *3)	Sales	668.7	-3.9%	642.7	23.7%	519.4	
	Business to Business	O.I	47.8	31.0	78.8	51.8	27.0
	(%)	7.1%	5.2%p	12.3%	7.1%p	5.2%	

*1) Including LG Innotek

*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'

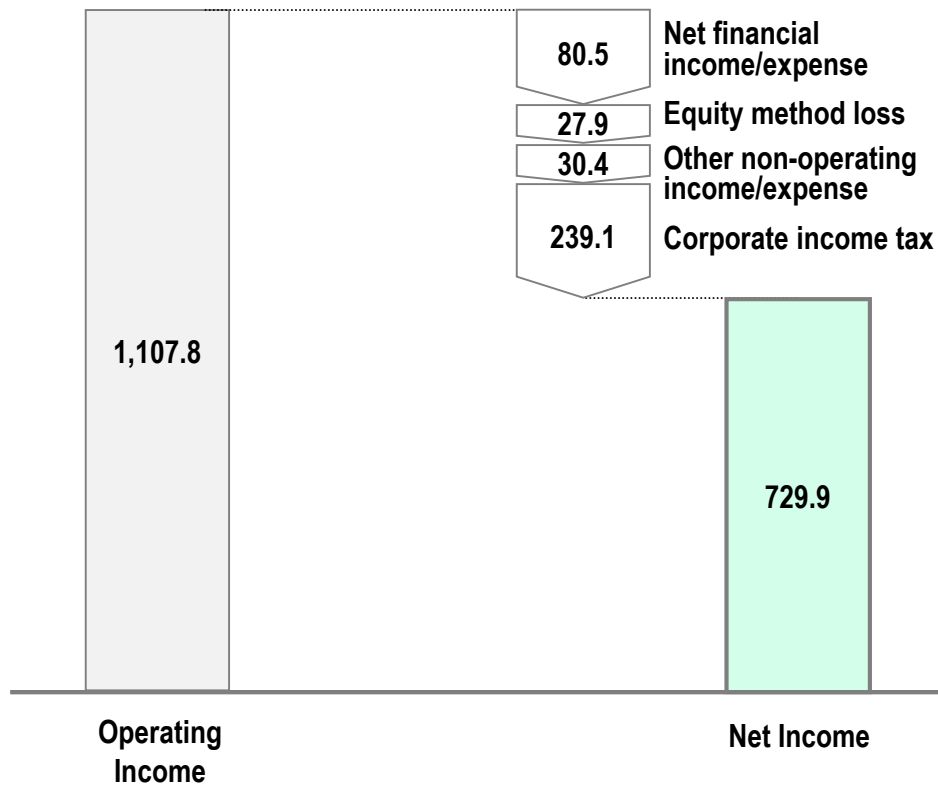
*3) From 1Q'18, B2B division has been newly established. ID(Information display) business has been restated to B2B from 'HE division' and solar module business has been restated to B2B from 'Others'

Consolidated Earnings and Outlook

Income Analysis

Operating Income vs. Net Income Difference Analysis

(Unit : KRW bn)



Income Trend

(Unit : KRW bn)

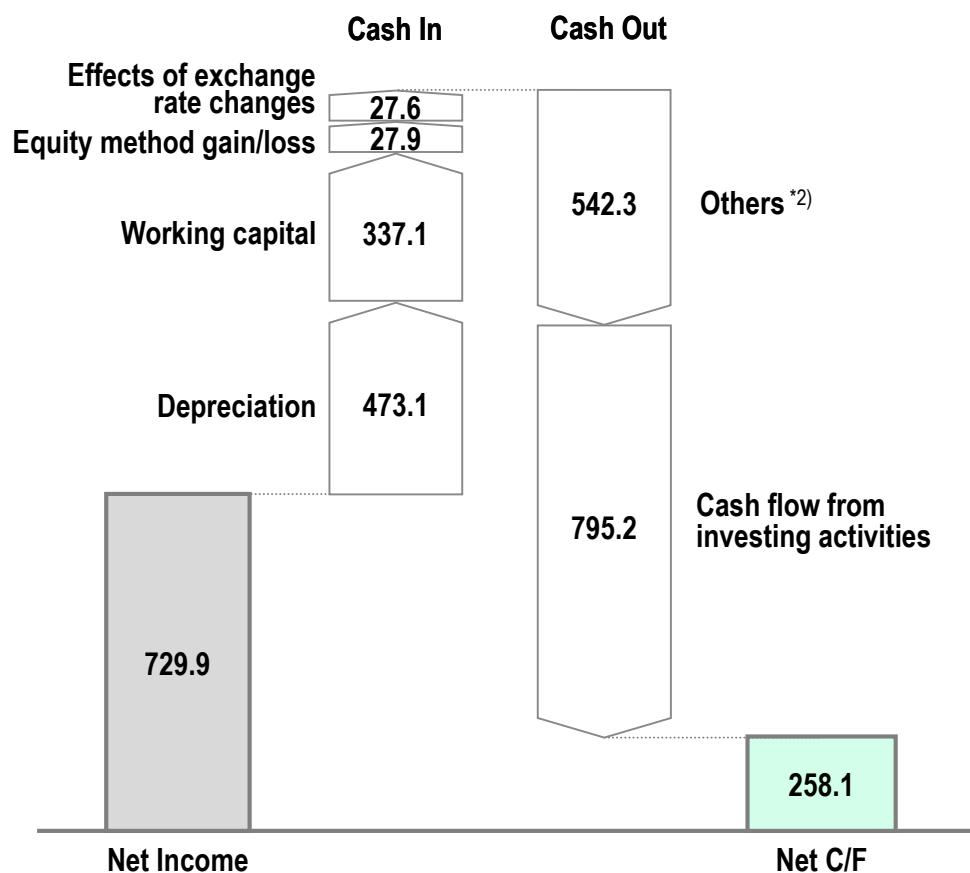
	4Q'17	QoQ	1Q'18	YoY	1Q'17
Operating Income	366.8	+741.0	1,107.8	+186.3	921.5
Net financial income/expense	-123.0	+42.5	-80.5	+28.7	-109.2
Gain/Loss on equity method	13.7	-41.6	-27.9	-258.0	230.1
Other non-operating income/expense	-49.2	+18.8	-30.4	-79.9	49.5
Income Before Tax	208.3	+760.7	969.0	-122.9	1,091.9
Corporate income tax	25.5	+213.6	239.1	-17.1	256.2
Net Income	182.8	+547.1	729.9	-105.8	835.7
EBITDA	834.5		1,580.9		1,344.2

Consolidated Earnings and Outlook

Cash Flow

Net Cash Flow*1)

(Unit : KRW bn)



Cash Flow

(Unit : KRW bn)

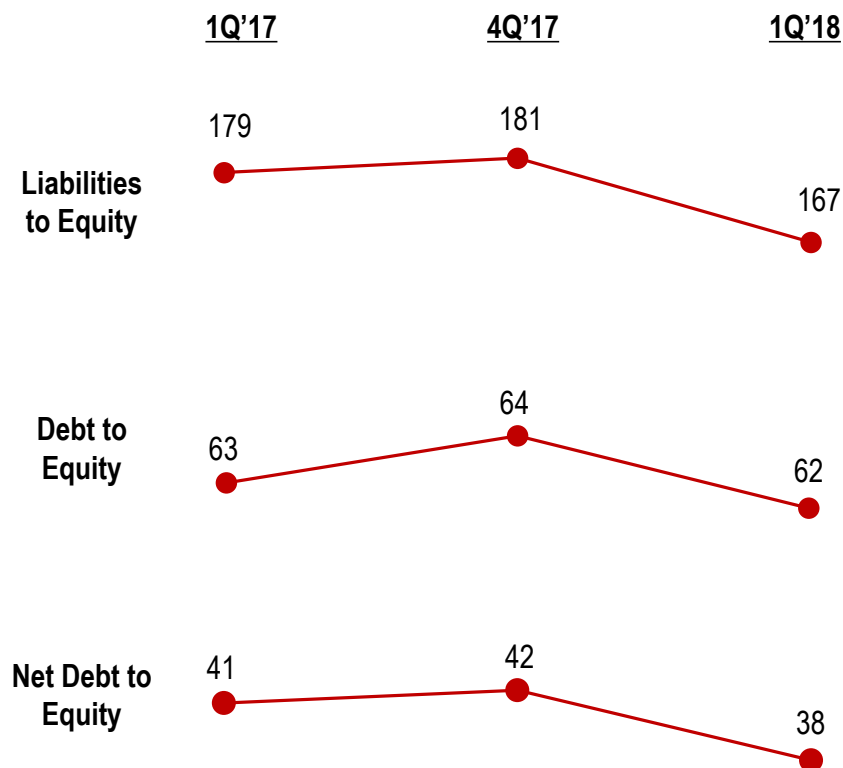
	4Q'17	1Q'18
☐ Cash at the beginning of period	3,486.5	3,350.6
• Cash flow from operating activities	1.2	1,025.7
Net income/loss	182.8	729.9
Depreciation	467.7	473.1
Gain/Loss on equity method investment	-13.7	27.9
Changes in working capital	-345.1	337.1
Others	-290.5	-542.3
• Cash flow from investing activities	-469.5	-795.2
Increase in tangible assets	-288.8	-644.0
Increase in intangible assets	-174.4	-152.7
• Cash flow from financing activities	435.3	144.4
Dividend paid, etc	-14.8	0.0
Increase/Decrease in debt	450.1	144.4
• Effects of exchange rate changes on cash and cash equivalents	-102.9	27.6
☐ Net changes in cash	-135.9	402.5
☐ Cash at the end of period	3,350.6	3,753.1

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

*2) Others: Increase/decrease of other Assets/Liabilities

Leverage Ratio

(Unit: %)



Financial Position

(Unit : KRW tn)

	1Q'17	4Q'17	1Q'18
Assets	38.12	41.22	41.22
Current Assets	17.47	19.20	19.07
Cash	3.03	3.35	3.75
Inventory	5.39	5.91	5.87
Non-Current Assets	20.65	22.02	22.15
Liabilities	24.43	26.55	25.76
Current Liabilities	16.15	17.54	16.70
Non-Current Liabilities	8.28	9.01	9.06
Equity	13.69	14.67	15.46
Debt	8.63	9.45	9.62
Net Debt	5.60	6.10	5.87

Business Environment

- Global economic recovery expected driven by stimulus plan and favorable employment outlook
 - Continued risk from global economic uncertainty such as interest, exchange rates and trade protectionism
-

Key Strategies

- Continuous development of business structure
 - B2C : Operate profit-oriented business
 - B2B : Accelerate profitable growth by strengthening business competency
-

Sales & Profits Outlook

- Sales growth by mid-single digit QoQ
- Maintain stable profitability

II

Performance and Outlook by Division

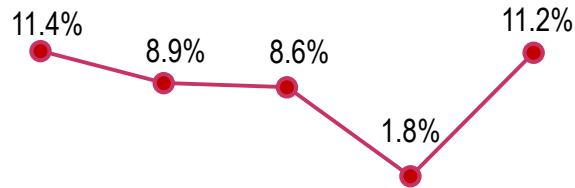
Performance and Outlook by Division

H&A (Home Appliance and Air Solution)

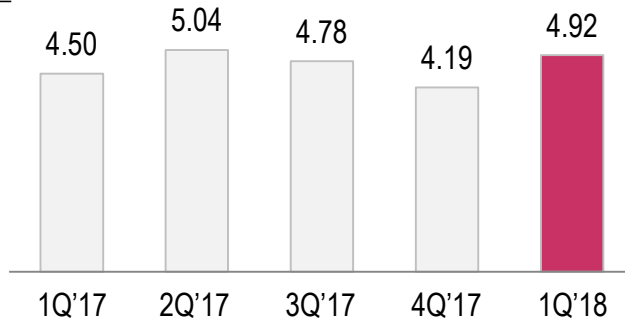
Performance*1)

(Unit: %, KRW tn)

Op. Margin



Sales



Key Products



InstaView DID



TWINWash



Whisen^{ThinkQ} A/C

1Q'18 Performance

● Sales : Achieved 4.9 tril. Won, up 9% YoY

- Domestic : Maintained strong sales thanks to solid sales of major products such as Whisen ThinQ air conditioner, TWINWash washing machine and new growth products such as dryer, styler and air purifier
- Overseas : Continued YoY growth (in USD) driven by sales in Europe, Asia and Latin America

● Profitability : Despite unfavorable factors such as won appreciation and raw material price increase, maintained strong profitability from sales growth driven by premium products and cost management

2Q'18 Outlook

- Market : In spite of market volatility from exchange rates fluctuation and trade protectionism, continuous market growth is expected from peak season of air conditioners and demand growth of premium products

- LGE : Maintain stable profitability by maximizing peak season sales and cost structure improvement activities

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

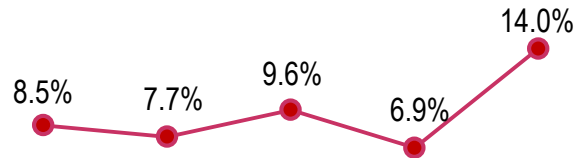
Performance and Outlook by Division

HE (Home Entertainment)

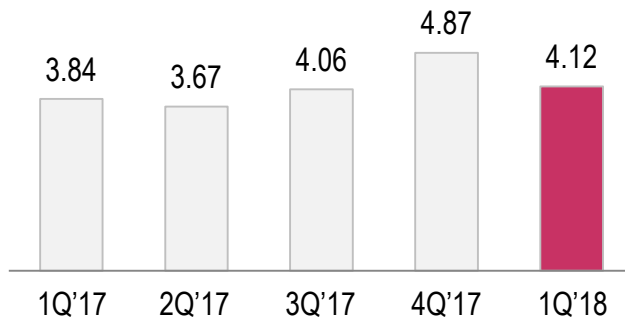
Performance*1

(Unit: %, KRW tn)

Op. Margin



Sales



Key Products



LG SIGNATURE OLED TV W



LG Super Ultra UHD TV (Nano Cell TV)

1Q'18 Performance

- Sales : Down QoQ due to weak seasonality, but sales went up 7% YoY
- OLED and UHD TV led YoY growth

- Profitability : Improved YoY thanks to continued sales of premium products and material cost decline

2Q'18 Outlook

- Market : TV demand expected to increase YoY from sports events and rapid growth of premium TV market
- LGE : Respond to additional demand from sport events in a timely manner, continue sales growth by strengthening sales activities for new products, maintain strong profit structure from solid sales of OLED and UHD TV and strengthening cost competitiveness

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

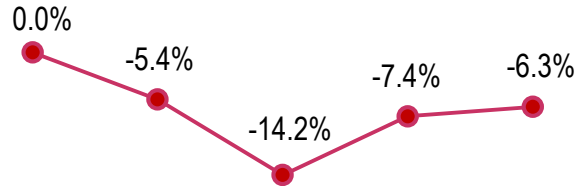
Performance and Outlook by Division

MC (Mobile Communications)

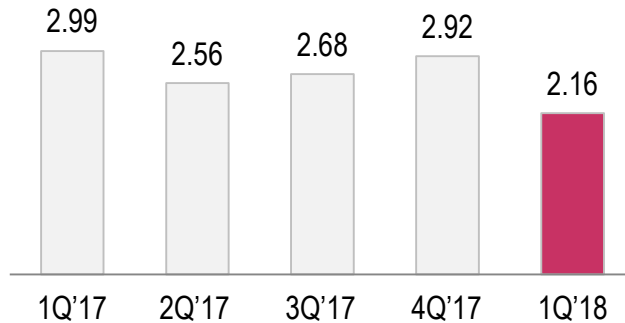
Performance

(Unit: %, KRW tn)

Op. Margin



Sales



Key Products



Q6



V30



X4+

1Q'18 Performance

- **Sales** : Declined QoQ due to revised smartphone launching strategy
 - Smartphone shipment recorded 11.4mn units (-18% QoQ, -23% YoY)

- **Profitability** : In spite of sales decline, losses narrowed by improving cost structure through quality costs and modular design activities

2Q'18 Outlook

- **Market** : Intense market share competition to continue from stagnant smartphone market and aggressive market expansion of Chinese companies
- **LGE** : Increase sales by launching premium flagship model and mid to high-end mass-tier smartphones and improve profitability by managing product mix

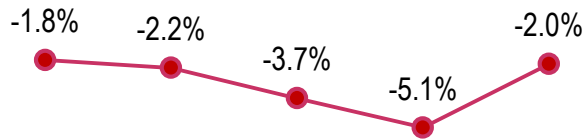
Performance and Outlook by Division

VC (Vehicle Components)

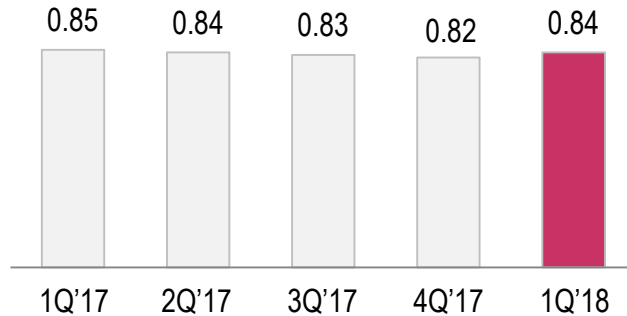
Performance

(Unit: %, KRW tn)

Op. Margin



Sales



Key Products



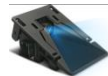
- AV/AVN
- Telematics
- CID

Infotainment Devices



- Traction Motor
- Inverter
- Battery Pack

xEV Solution



- ADAS Camera
- LCD Cluster
- Automotive Lamp

Safety & Convenience Devices

1Q'18 Performance

- Sales : Up 3% QoQ, down 1% YoY due to sluggish vehicle sales of major clients
- Profitability : Marginal losses continued from short-term stagnant sales growth and investments in new electric components

2Q'18 Outlook

- Market : Based on the connectivity technology trend, adoption of electric device in vehicles is accelerating. At the same time, securing the stability of electric components is becoming more important
Market wise, electric vehicle market is expected to expand mainly in North America and Europe
- LGE : Focus on successful launch of new projects which will drive sales growth in 2H

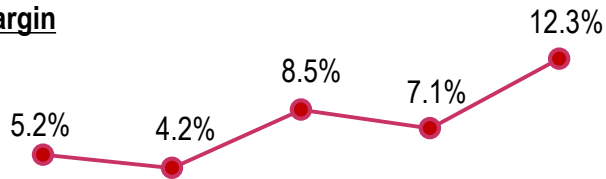
Performance and Outlook by Division

B2B (Business to Business)

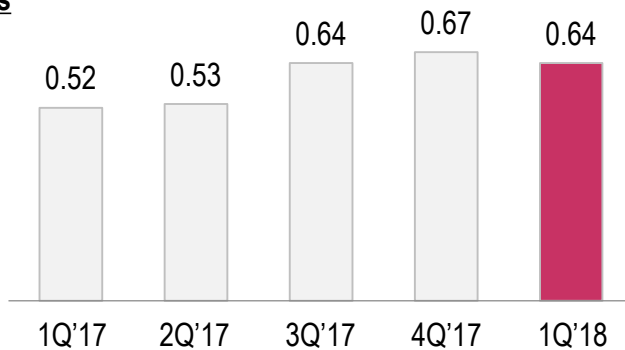
Performance*1)

(Unit: %, KRW tn)

Op. Margin



Sales



Key Products



Information Display



Solar Module

1Q'18 Performance

- Sales : Up 24% YoY from sales growth of large screen signage and high performance solar modules

- Profitability : Improved YoY thanks to sales growth of high-margin signage and solar module and cost improvements

2Q'18 Outlook

- Market : Signage market is growing by the convergence of IT and digital contents and growth of large UHD & LED signage is to accelerate. Solar modules are expected to become more price competitive as a result of U.S. safeguard measures.

- LGE : Signage sales to grow from OLED and premium signage sales growth, but intense competition is expected in solar modules market

*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'



LG

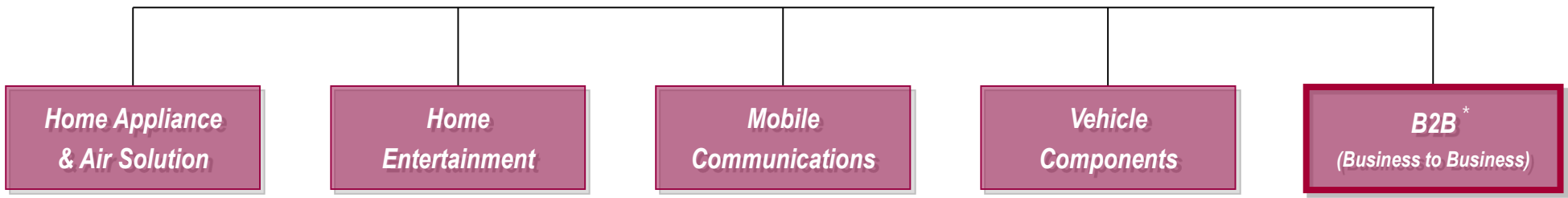
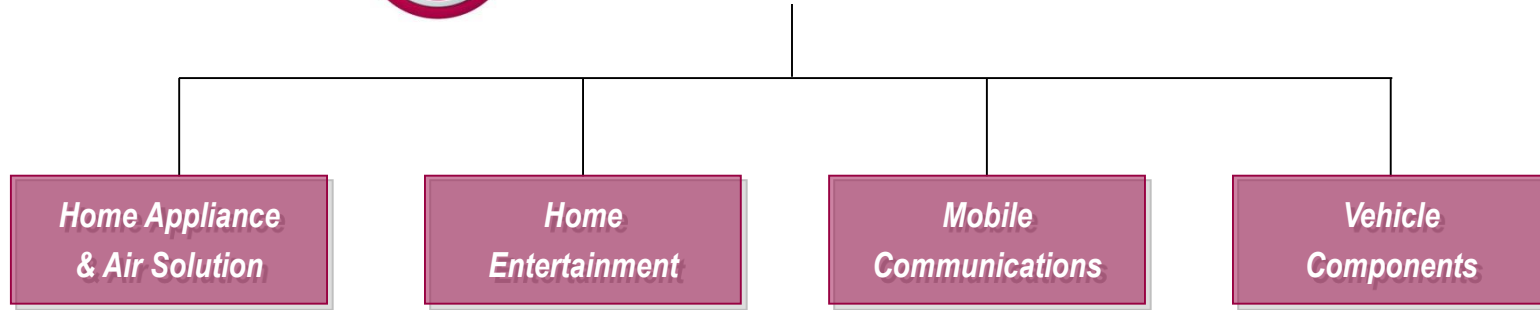
Life's Good

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In Collaboration with RobecoSAM 

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* Newly established

Income Statement

(Unit: KRW bn, %)

	2016		2017						2018					
	Total		1Q		2Q		3Q		4Q		Total		1Q	
Sales	55,367.0	100.0%	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%
Cost of goods sold	41,630.3	75.2%	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%
Gross profit	13,736.7	24.8%	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%
Selling & admin expense	12,398.9	22.4%	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%
Operating income (Loss)	1,337.8	2.4%	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%
Financial income (Expense)	-393.5	-0.7%	-109.2	-0.7%	-53.1	-0.4%	-62.1	-0.4%	-123.0	-0.7%	-347.4	-0.6%	-80.5	-0.5%
Gains (loss) on equity method investment	268.7	0.5%	230.1	1.6%	258.1	1.8%	165.6	1.1%	13.7	0.1%	667.5	1.1%	-27.9	-0.2%
Other non operating income (Loss)	-491.3	-0.9%	49.5	0.3%	-126.9	-0.9%	-103.9	-0.7%	-49.2	-0.3%	-230.5	-0.4%	-30.4	-0.2%
Net income before tax	721.7	1.3%	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%
Corporate Income Tax	595.4	1.1%	256.2	1.7%	227.3	1.6%	179.6	1.2%	25.5	0.2%	688.6	1.1%	239.1	1.6%
Net income	126.3	0.2%	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%
Controlled shares	76.9		795.3		497.5		318.1		114.9		1,725.8		716.7	
Noncontrolled shares	49.4		40.4		17.4		18.0		67.9		143.7		13.2	

*) Since the information regarding results of 1Q'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)

	2016	2017				2018
	4Q	1Q	2Q	3Q	4Q	1Q
Assets	37,855.3	38,124.5	39,342.4	41,127.2	41,221.0	41,222.0
Current Assets	16,990.6	17,474.9	18,275.2	19,597.9	19,195.0	19,072.9
Cash and cash equivalents	3,015.1	3,031.9	3,604.4	3,486.5	3,350.6	3,753.1
Accounts receivable	7,059.9	7,360.1	7,344.6	7,737.6	8,178.2	7,144.8
Inventory	5,171.0	5,392.0	5,620.2	6,358.0	5,908.4	5,872.7
Other	1,744.6	1,690.9	1,706.0	2,015.8	1,757.8	2,302.3
Non-current Assets	20,864.7	20,649.6	21,067.2	21,529.3	22,026.0	22,149.1
Investment	5,104.6	5,175.0	5,503.8	5,695.8	5,620.3	5,571.0
PP&E	11,222.4	11,086.9	11,171.4	11,385.1	11,800.8	12,000.1
Intangible assets	1,571.1	1,610.4	1,703.6	1,778.0	1,854.6	1,920.7
Other	2,966.6	2,777.3	2,688.4	2,670.4	2,750.3	2,657.3
Liabilities	24,498.6	24,432.9	24,934.3	26,202.3	26,547.3	25,766.0
Accounts payable	6,746.4	7,613.2	7,116.9	8,127.2	8,137.5	7,243.0
Debt	8,659.0	8,629.2	8,956.5	9,163.7	9,450.5	9,622.2
Other	9,093.2	8,190.5	8,860.9	8,911.4	8,959.3	8,900.8
Equity	13,356.7	13,691.6	14,408.1	14,924.9	14,673.7	15,456.0

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(Unit: KRW bn)

		'16 Total	1Q'17	2Q'17	3Q'17	4Q'17	'17 Total	1Q'18	QoQ	YoY
H&A (Home Appliance & Air Solution)	Sales	16,775.3	4,504.5	5,040.3	4,780.7	4,189.5	18,515.0	4,923.9	18%	9%
	Op. Income	1,218.0	511.4	449.4	411.4	76.6	1,448.8	553.1		
	(%)	7.3%	11.4%	8.9%	8.6%	1.8%	7.8%	11.2%		
HE (Home Entertainment)	Sales	15,536.4	3,835.5	3,670.4	4,059.2	4,868.0	16,433.1	4,117.8	-15%	7%
	Op. Income	962.4	327.0	282.4	390.8	336.3	1,336.5	577.3		
	(%)	6.2%	8.5%	7.7%	9.6%	6.9%	8.1%	14.0%		
MC (Mobile Communications)	Sales	11,721.8	2,986.4	2,564.7	2,684.2	2,923.0	11,158.3	2,158.5	-26%	-28%
	Op. Income	-1,260.2	0.1	-139.7	-380.9	-216.3	-736.8	-136.1		
	(%)	-10.8%	0.0%	-5.4%	-14.2%	-7.4%	-6.6%	-6.3%		
VC (Vehicle Components)	Sales	2,687.0	847.2	840.4	833.0	818.0	3,338.6	840.0	3%	-1%
	Op. Income	-76.7	-15.5	-18.6	-30.8	-42.0	-106.9	-17.0		
	(%)	-2.9%	-1.8%	-2.2%	-3.7%	-5.1%	-3.2%	-2.0%		
B2B (Business to Business)	Sales	2,118.4	519.4	531.6	642.0	668.7	2,361.7	642.7	-4%	24%
	Op. Income	237.4	27.0	22.5	54.6	47.8	151.9	78.8		
	(%)	11.2%	5.2%	4.2%	8.5%	7.1%	6.4%	12.3%		
Others	Sales	2,006.8	588.9	839.8	915.2	928.3	3,272.2	979.5	6%	66%
	Op. Income	164.4	6.4	46.7	40.2	28.6	121.9	43.4		
LGE Consolidated Excluding LG Innotek(①)	Sales	50,845.7	13,281.9	13,487.2	13,914.3	14,395.5	55,078.9	13,662.4	-5%	3%
	Op. Income	1,245.3	856.4	642.7	485.3	231.0	2,215.4	1,099.5		
	(%)	2.4%	6.4%	4.8%	3.5%	1.6%	4.0%	8.0%		
LG Innotek(②)	Sales	5,754.6	1,644.7	1,339.6	1,787.3	2,869.8	7,641.4	1,720.5	-40%	5%
	Op. Income	104.8	66.8	32.6	55.9	141.2	296.5	16.8		
LGE-LG Innotek Inter-company Transaction (③)	Sales	1,233.3	269.4	275.4	477.5	301.7	1,324.0	259.9	-14%	-4%
	Op. Income	12.3	1.7	11.2	25.1	5.4	43.4	8.5		
LGE Consolidated (①+②-③)	Sales	55,367.0	14,657.2	14,551.4	15,224.1	16,963.6	61,396.3	15,123.0	-11%	3%
	Op. Income	1,337.8	921.5	664.1	516.1	366.8	2,468.5	1,107.8		
	(%)	2.4%	6.3%	4.6%	3.4%	2.2%	4.0%	7.3%		

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