

2Q'18 Earnings Release

July 26, 2018

LG Electronics

All information regarding management performance and financial results of LG Electronics (the “Company”) during the 2nd 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 2nd 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 3rd 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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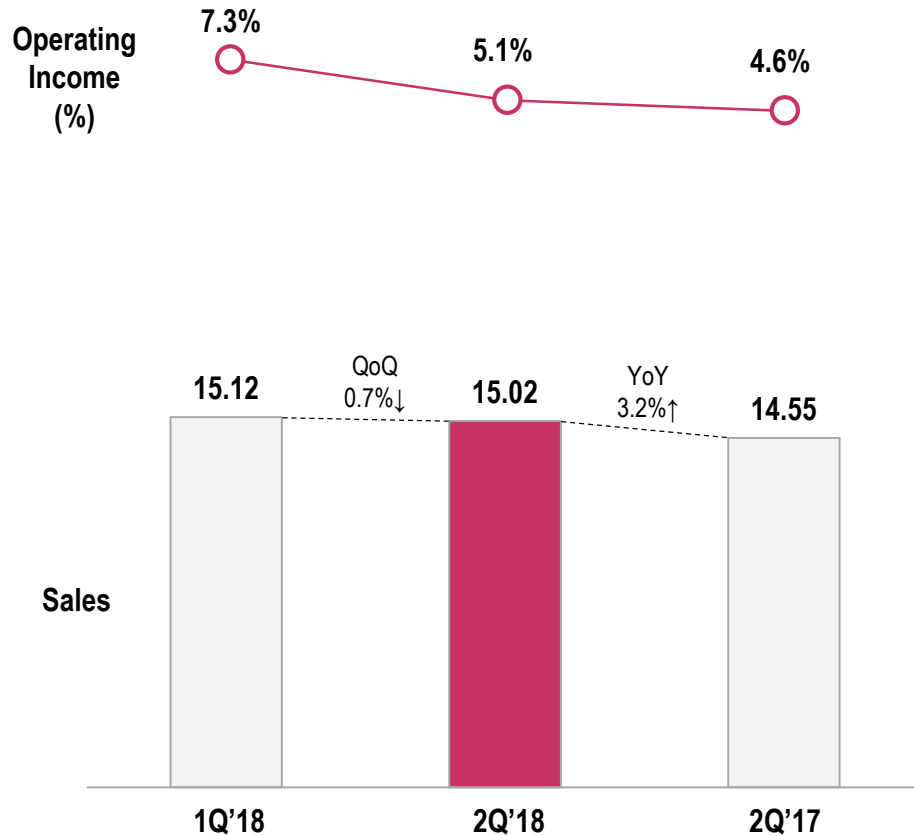
Consolidated Earnings and Outlook

Consolidated Earnings and Outlook

Sales / Profits

Sales / Profits

(Unit : KRW tn)



Performance by Division

(Unit : KRW bn)

		1Q'18	QoQ	2Q'18	YoY	2Q'17	
Consolidated ^{*1)}	Sales	15,123.0	-0.7%	15,019.4	3.2%	14,551.4	
	O.I	1,107.8	-336.8	771.0	106.9	664.1	
	(%)	7.3%	-2.2%p	5.1%	0.5%p	4.6%	
H&A ^{*2)}	Sales	4,923.9	6.8%	5,258.1	4.3%	5,040.3	
	Home Appliance & Air Solution	O.I	553.1	-95.9	457.2	7.8	449.4
	(%)	11.2%	-2.5%p	8.7%	-0.2%p	8.9%	
HE ^{*2)}	Sales	4,117.8	-7.2%	3,822.2	4.1%	3,670.4	
	Home Entertainment	O.I	577.3	-170.3	407.0	124.6	282.4
	(%)	14.0%	-3.4%p	10.6%	2.9%p	7.7%	
MC	Sales	2,158.5	-4.0%	2,072.3	-19.2%	2,564.7	
	Mobile Communications	O.I	-136.1	-49.3	-185.4	-45.7	-139.7
	(%)	-6.3%	-2.6%p	-8.9%	-3.5%p	-5.4%	
VC	Sales	840.0	3.9%	872.8	3.9%	840.4	
	Vehicle Components	O.I	-17.0	-15.5	-32.5	-13.9	-18.6
	(%)	-2.0%	-1.7%p	-3.7%	-1.5%p	-2.2%	
B2B ^{*3)}	Sales	642.7	-8.4%	588.5	10.7%	531.6	
	Business to Business	O.I	78.8	-39.8	39.0	16.5	22.5
	(%)	12.3%	-5.7%p	6.6%	2.4%p	4.2%	

*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 Trend / Cash Flow

Income Trend

(Unit : KRW bn)

	1Q'18	QoQ	2Q'18	YoY	2Q'17
Operating Income	1,107.8	-336.8	771.0	+106.9	664.1
Net financial income/expense	-80.5	+17.1	-63.4	-10.3	-53.1
Gain/Loss on equity method	-27.9	-77.9	-105.8	-363.9	258.1
Other non-operating income/expense	-30.4	-23.0	-53.4	+73.5	-126.9
Income Before Tax	969.0	-420.6	548.4	-193.8	742.2
Corporate income tax	239.1	-17.2	221.9	-5.4	227.3
Net Income	729.9	-403.4	326.5	-188.4	514.9
EBITDA	1,580.9		1,242.3		1,100.3

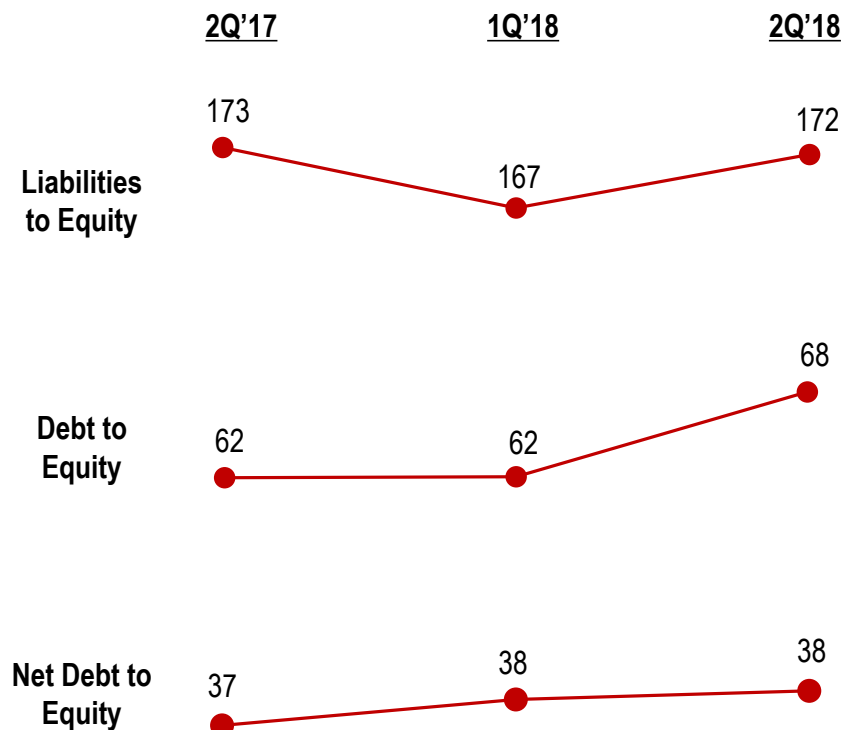
Cash Flow

(Unit : KRW bn)

	1Q'18	2Q'18
<input type="checkbox"/> Cash at the beginning of period	3,350.6	3,753.1
• Cash flow from operating activities	1,025.7	890.1
Net income/loss	729.9	326.5
Depreciation	473.1	471.3
Gain/Loss on equity method investment	27.9	105.8
• Cash flow from investing activities	-795.2	-940.5
Increase in tangible assets	-644.0	-800.7
Increase in intangible assets	-152.7	-161.9
• Cash flow from financing activities	144.4	963.0
Dividend paid, etc	0.0	-105.5
Increase/Decrease in debt	144.4	1,068.5
• Effects of exchange rate changes on cash and cash equivalents	27.6	-6.1
<input type="checkbox"/> Net changes in cash	402.5	906.5
<input type="checkbox"/> Cash at the end of period	3,753.1	4,659.6
Net C/F	258.1	-56.5

Leverage Ratio

(Unit: %)



Financial Position

(Unit : KRW tn)

	2Q'17	1Q'18	2Q'18
Assets	39.34	41.22	42.92
Current Assets	18.28	19.07	20.54
Cash	3.60	3.75	4.66
Inventory	5.62	5.87	5.98
Non-Current Assets	21.06	22.15	22.38
Liabilities	24.93	25.76	27.16
Current Liabilities	15.97	16.70	17.29
Non-Current Liabilities	8.96	9.06	9.87
Equity	14.41	15.46	15.76
Debt	8.96	9.62	10.69
Net Debt	5.36	5.87	6.03

Business Environment

- Escalating U.S-China and U.S-Europe trade disputes
- Increasing exchange rate volatility in some emerging countries due to rising U.S interest rate and strong U.S dollar

Sales & Profits Outlook

- Maintain solid sales YoY
- Improve profitability YoY

II

Performance and Outlook by Division

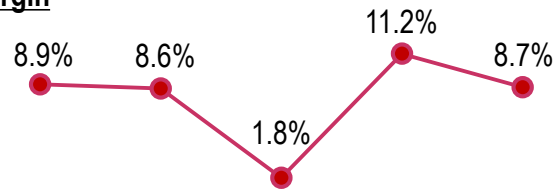
Performance and Outlook by Division

H&A (Home Appliance and Air Solution)

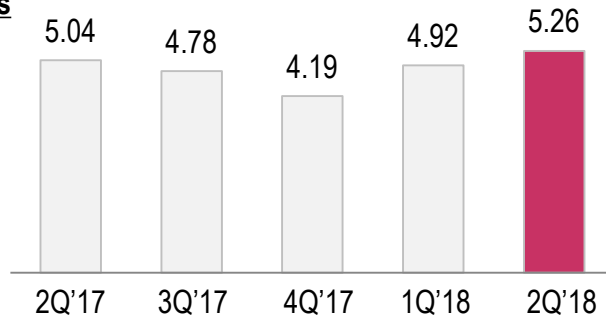
Performance*1)

(Unit: %, KRW tn)

Op. Margin



Sales



Key Products



InstaView DID



TWINWash



Whisen^{ThinQ} A/C

2Q'18 Performance

- **Sales** : Achieved 5.3 tril. Won, up 4% YoY thanks to strong sales of air conditioners and new growth products such as dryers, stylers and air purifiers in the domestic market
- **Profitability** : Despite raw material and currency headwinds, maintained strong profitability from sales growth of premium products and continuous cost improvement

3Q'18 Outlook

- **Market** : Even though uncertainties exist due to exchange rate risks and trade disputes, continuous demand increase in new growth products is expected to continue in the domestic market and gradual demand recovery is anticipated in Europe, Latin America and Asia
- **LGE** : Despite weak seasonality of air conditioners, maintain stable profitability by expanding sales of premium products and improving costs

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

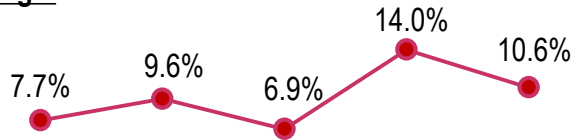
Performance and Outlook by Division

HE (Home Entertainment)

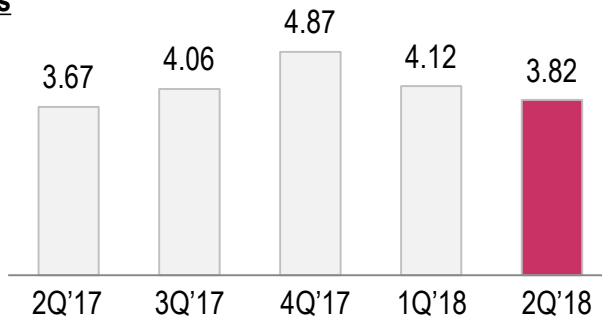
Performance*1)

(Unit: %, KRW tn)

Op. Margin



Sales



Key Products



LG SIGNATURE OLED TV W



LG Super Ultra UHD TV (Nano Cell TV)

2Q'18 Performance

- **Sales** : Up 4% YoY from strong sales of premium products such as OLED TVs and newly launched products
- **Profitability** : In spite of marketing expense increase due to global sport event and new product launches, maintained stable profitability by expanding sales of premium products and improving cost structure

3Q'18 Outlook

- **Market** : While global TV market is expected to see weaker demand primarily due to economic downturn in Latin America, the Middle East and Africa, premium TV market is expected to maintain growth
- **LGE** : Sustain solid profit structure by constantly expanding sales of OLED TVs and UHD TVs and further enhancing cost competitiveness

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

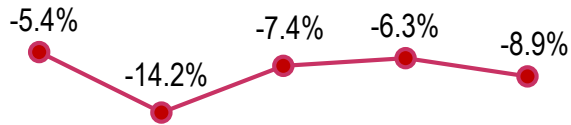
Performance and Outlook by Division

MC (Mobile Communications)

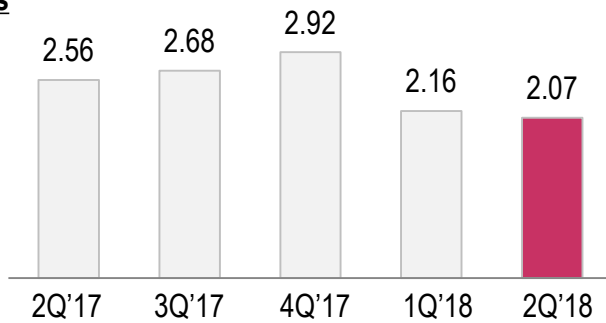
Performance

(Unit: %, KRW tn)

Op. Margin



Sales



Key Products



V35ThinQ

G7ThinQ

Q7

2Q'18 Performance

- **Sales** : Declined QoQ and YoY due to stagnating smartphone market and decreasing sales of mid to low-end smartphones in North and Latin America
- **Profitability** : Decreased QoQ and YoY due to smartphone sales decline and increase in marketing expense to support new flagship product

3Q'18 Outlook

- **Market** : Competition in the premium smartphone market is expected to intensify due to stagnant smartphone demand and competitors launching new products

Expand sales with new competitive models and improve profitability by strengthening platform and modular activities

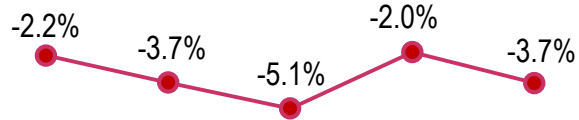
Performance and Outlook by Division

VC (Vehicle Components)

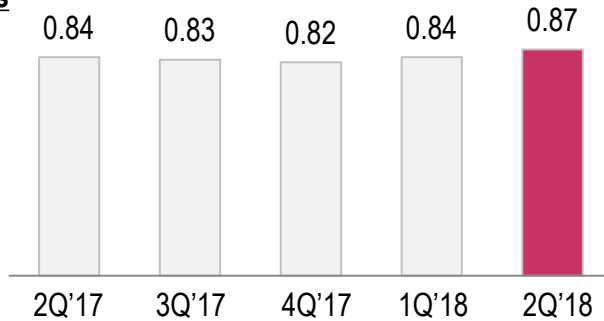
Performance

(Unit: %, KRW tn)

Op. Margin



Sales



Key Products



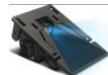
- AV/AVN
- Telematics
- CID

Infotainment Devices



- Traction Motor
- Inverter
- Battery Pack

xEV Solution



- ADAS Camera
- LCD Cluster
- Automotive Lamp

Safety & Convenience Devices

2Q'18 Performance

- Sales : Up 4% QoQ and YoY from mass production of new projects in infotainment and EV component business

- Profitability : Down QoQ and YoY due to rising raw material prices such as memory and MLCC and additional costs incurred for new projects

3Q'18 Outlook

- Market : Uncertainties in global automotive and vehicle component industries to continue due to the changes in U.S trade policy

- LGE : Focus on the success of new project launches while paying close attention to external environment to minimize business risk

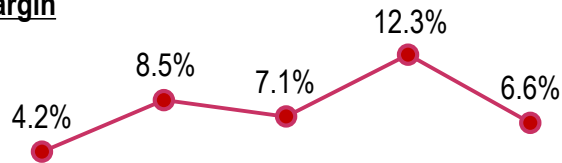
Performance and Outlook by Division

B2B (Business to Business)

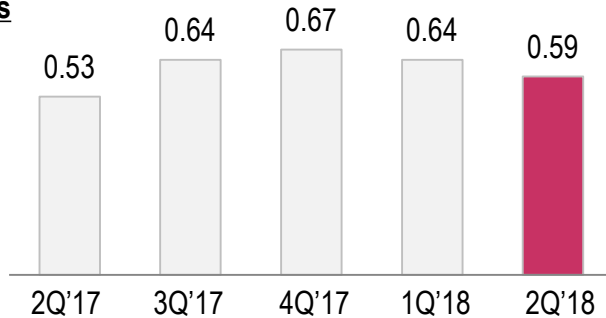
Performance*1)

(Unit: %, KRW tn)

Op. Margin



Sales



Key Products



Information Display



Solar Module

2Q'18 Performance

- **Sales** : Up 11% YoY from sales growth of large screen signage displays and high performance solar modules, but down 8% QoQ due to weaker businesses in some overseas markets
- **Profitability** : Improved YoY thanks to sales growth of high-end signage displays, solar modules and improved cost structure, but decreased QoQ due to sales decline and safeguard tariffs on solar modules

3Q'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 subsidies and trade policy changes in some countries
- **LGE** : Increase sales and profitability in the information display business by expanding premium product sales and improve profits of solar module business by expanding premium product sales in 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'



LG

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Income Statement

(Unit: KRW bn, %)

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

*) 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
Assets	38,124.5	39,342.4	41,127.2	41,221.0	41,222.0	42,924.8
Current Assets	17,474.9	18,275.2	19,597.9	19,195.0	19,072.9	20,540.2
Cash and cash equivalents	3,031.9	3,604.4	3,486.5	3,350.6	3,753.1	4,659.6
Accounts receivable	7,360.1	7,344.6	7,737.6	8,178.2	7,144.8	7,701.6
Inventory	5,392.0	5,620.2	6,358.0	5,908.4	5,872.7	5,975.5
Other	1,690.9	1,706.0	2,015.8	1,757.8	2,302.3	2,203.5
Non-current Assets	20,649.6	21,067.2	21,529.3	22,026.0	22,149.1	22,384.6
Investment	5,175.0	5,503.8	5,695.8	5,620.3	5,571.0	5,465.4
PP&E	11,086.9	11,171.4	11,385.1	11,800.8	12,000.1	12,337.4
Intangible assets	1,610.4	1,703.6	1,778.0	1,854.6	1,920.7	1,997.6
Other	2,777.3	2,688.4	2,670.4	2,750.3	2,657.3	2,584.2
Liabilities	24,432.9	24,934.3	26,202.3	26,547.3	25,766.0	27,165.4
Accounts payable	7,613.2	7,116.9	8,127.2	8,137.5	7,243.0	7,533.6
Debt	8,629.2	8,956.5	9,163.7	9,450.5	9,622.2	10,690.6
Other	8,190.5	8,860.9	8,911.4	8,959.3	8,900.8	8,941.2
Equity	13,691.6	14,408.1	14,924.9	14,673.7	15,456.0	15,759.4

*) 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

(Unit: KRW bn)

		1Q'17	2Q'17	3Q'17	4Q'17	'17 Total	1Q'18	2Q'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	7%	4%
	Op. Income	511.4	449.4	411.4	76.6	1,448.8	553.1	457.2		
	(%)	11.4%	8.9%	8.6%	1.8%	7.8%	11.2%	8.7%		
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	-7%	4%
	Op. Income	327.0	282.4	390.8	336.3	1,336.5	577.3	407.0		
	(%)	8.5%	7.7%	9.6%	6.9%	8.1%	14.0%	10.6%		
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	-4%	-19%
	Op. Income	0.1	-139.7	-380.9	-216.3	-736.8	-136.1	-185.4		
	(%)	0.0%	-5.4%	-14.2%	-7.4%	-6.6%	-6.3%	-8.9%		
VC (Vehicle Components)	Sales	847.2	840.4	833.0	818.0	3,338.6	840.0	872.8	4%	4%
	Op. Income	-15.5	-18.6	-30.8	-42.0	-106.9	-17.0	-32.5		
	(%)	-1.8%	-2.2%	-3.7%	-5.1%	-3.2%	-2.0%	-3.7%		
B2B (Business to Business)	Sales	519.4	531.6	642.0	668.7	2,361.7	642.7	588.5	-8%	11%
	Op. Income	27.0	22.5	54.6	47.8	151.9	78.8	39.0		
	(%)	5.2%	4.2%	8.5%	7.1%	6.4%	12.3%	6.6%		
Others	Sales	588.9	839.8	915.2	928.3	3,272.2	979.5	1,200.3	23%	43%
	Op. Income	6.4	46.8	40.1	28.6	121.9	43.4	85.4		
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	1%	2%
	Op. Income	856.4	642.8	485.2	231.0	2,215.4	1,099.5	770.7		
	(%)	6.4%	4.8%	3.5%	1.6%	4.0%	8.0%	5.6%		
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	-12%	13%
	Op. Income	66.8	32.6	55.9	141.2	296.5	16.8	13.4		
LGE-LG Innotek Inter-company Transaction (③)	Sales	269.4	275.4	477.5	301.7	1,324.0	259.9	312.7	20%	14%
	Op. Income	1.7	11.3	25.0	5.4	43.4	8.5	13.1		
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	-1%	3%
	Op. Income	921.5	664.1	516.1	366.8	2,468.5	1,107.8	771.0		
	(%)	6.3%	4.6%	3.4%	2.2%	4.0%	7.3%	5.1%		

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