

# 1Q'19 Earnings Release

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**April 30, 2019**

**LG Electronics**

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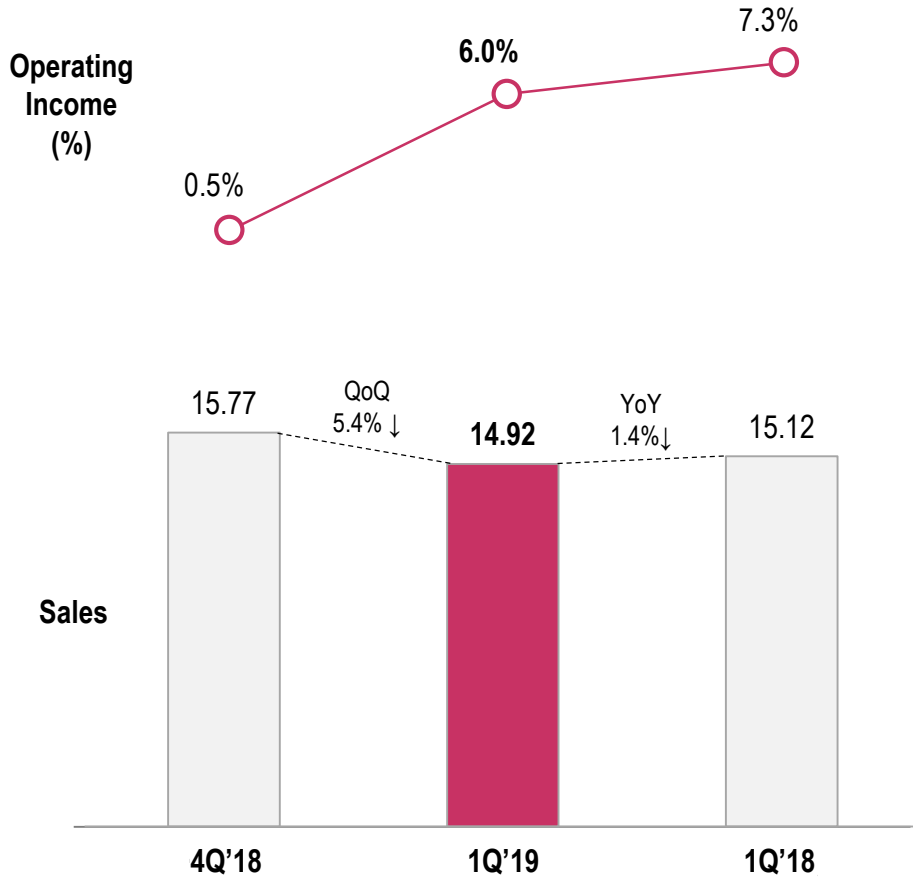
# Consolidated Earnings and Outlook

# Consolidated Earnings and Outlook

Sales / Profits

## Sales / Profits

(Unit : KRW tn)



## Performance by Division

(Unit : KRW bn)

		4Q'18	QoQ	1Q'19	YoY	1Q'18
<b>Consolidated</b> <sup>*1)</sup>	Sales	15,772.3	-5.4%	14,915.1	-1.4%	15,123.0
	O.I	75.7	+824.9	900.6	-207.2	1,107.8
	(%)	0.5%	+5.5%p	6.0%	-1.3%p	7.3%
<b>H&amp;A</b> <sup>*2)</sup>	Sales	4,327.9	+26.3%	5,465.9	+11.0%	4,923.9
	Home Appliance & Air Solution	112.6	+615.0	727.6	+170.0	557.6
	(%)	2.6%	+10.7%p	13.3%	+2.0%p	11.3%
<b>HE</b> <sup>*3)</sup>	Sales	4,590.0	-12.3%	4,023.7	-2.9%	4,141.9
	Home Entertainment	205.6	+140.9	346.5	-226.5	573.0
	(%)	4.5%	+4.1%p	8.6%	-5.2%p	13.8%
<b>MC</b> <sup>*3)</sup>	Sales	1,675.4	-9.8%	1,510.4	-29.2%	2,134.4
	Mobile Communications	-318.5	+115.0	-203.5	-71.7	-131.8
	(%)	-19.0%	+5.5%p	-13.5%	-7.3%p	-6.2%
<b>VS</b>	Sales	1,398.8	-3.7%	1,347.0	+60.4%	840.0
	Vehicle Component Solutions	-27.4	+12.0	-15.4	+1.6	-17.0
	(%)	-2.0%	+0.9%p	-1.1%	+0.9%p	-2.0%
<b>BS</b>	Sales	597.8	+4.6%	625.6	-2.7%	642.7
	Business Solutions	14.9	+40.6	55.5	-23.3	78.8
	(%)	2.5%	+6.4%p	8.9%	-3.4%p	12.3%

\*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)

	4Q'18	QoQ	1Q'19	YoY	1Q'18
<b>Operating Income</b>	<b>75.7</b>	<b>+824.9</b>	<b>900.6</b>	<b>-207.2</b>	<b>1,107.8</b>
Net financial income/expense	-74.2	-3.9	-78.1	+2.4	-80.5
Gain/Loss on equity method	51.3	-74.5	-23.2	+4.7	-27.9
Other non-operating income/expense	-177.1	+132.2	-44.9	-14.5	-30.4
<b>Income Before Tax</b>	<b>-124.3</b>	<b>+878.7</b>	<b>754.4</b>	<b>-214.6</b>	<b>969.0</b>
Corporate income tax	-43.6	+220.0	176.4	-62.7	239.1
<b>Net Income</b>	<b>-80.7</b>	<b>+658.7</b>	<b>578.0</b>	<b>-151.9</b>	<b>729.9</b>
EBITDA	625.2		1,509.2		1,580.9

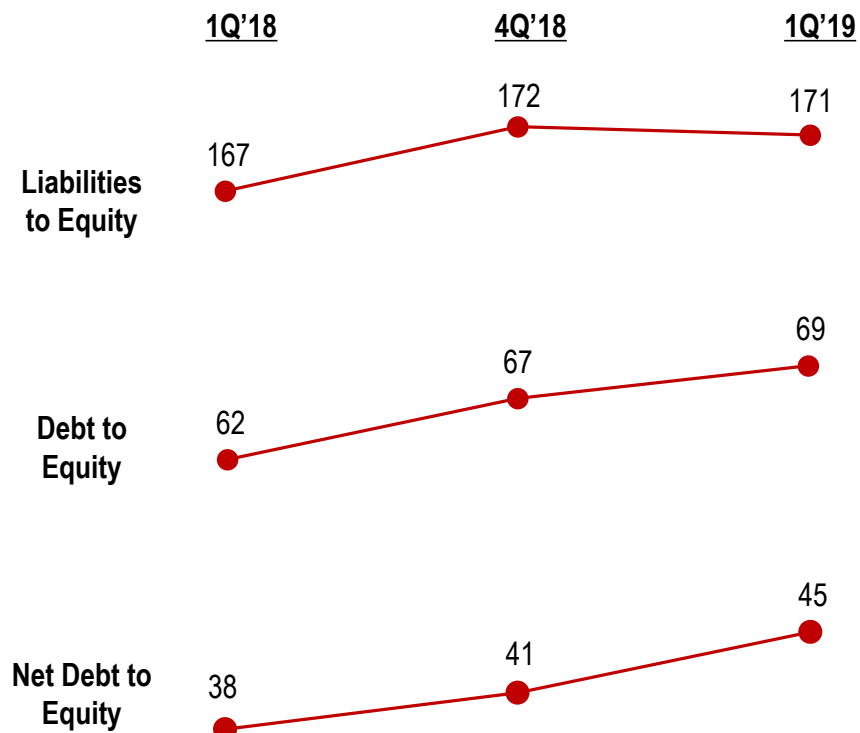
### Cash Flow

(Unit : KRW bn)

	4Q'18	1Q'19
<input type="checkbox"/> Cash at the beginning of period	4,538.3	4,270.4
<b>• Cash flow from operating activities</b>	<b>1,356.6</b>	<b>437.5</b>
Net income/loss	-80.7	578.0
Depreciation	549.5	608.6
Gain/Loss on equity method investment	-51.3	23.2
<b>• Cash flow from investing activities</b>	<b>-994.4</b>	<b>-683.5</b>
Increase in tangible assets	-785.7	-515.8
Increase in intangible assets	-208.0	-131.9
<b>• Cash flow from financing activities</b>	<b>-644.7</b>	<b>27.5</b>
Repayment of lease liability	0.0	-93.4
Increase/Decrease in debt	-627.6	120.9
<b>• Effects of exchange rate changes on cash and cash equivalents</b>	<b>14.6</b>	<b>41.7</b>
<input type="checkbox"/> Net changes in cash	<b>-267.9</b>	<b>-176.8</b>
<input type="checkbox"/> Cash at the end of period	<b>4,270.4</b>	<b>4,093.6</b>
Net C/F	376.8	-204.3

### Leverage Ratio

(Unit: %)



### Financial Position

(Unit : KRW tn)

	1Q'18	4Q'18	1Q'19
<b>Assets</b>	<b>41.22</b>	<b>44.33</b>	<b>45.94</b>
Current Assets	19.07	19.36	20.18
Cash	3.75	4.27	4.09
Inventory	5.87	6.02	6.14
Non-Current Assets	22.15	24.97	25.76
<b>Liabilities</b>	<b>25.76</b>	<b>28.02</b>	<b>29.00</b>
Current Liabilities	16.70	17.13	17.51
Non-Current Liabilities	9.06	10.89	11.49
<b>Equity</b>	<b>15.46</b>	<b>16.31</b>	<b>16.94</b>
<b>Debt</b>	<b>9.62</b>	<b>10.90</b>	<b>11.06</b>
<b>Net Debt</b>	<b>5.87</b>	<b>6.63</b>	<b>7.65</b>

### Business Environment

- Global economy growth to slow down
- Trade disputes to continue

### Key Strategies

- Maximize profit of main businesses
- Strengthen business portfolio by fostering strategic/new businesses

### Sales & Profits Outlook (2Q'19)

- Sales to grow QoQ and YoY from steady growth in all business divisions
- Maintain stable profitability



## II

# Performance and Outlook by Division

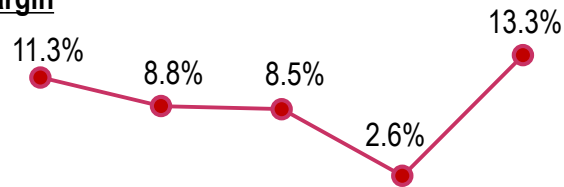
# Performance and Outlook by Division

H&A (Home Appliance & Air Solution)

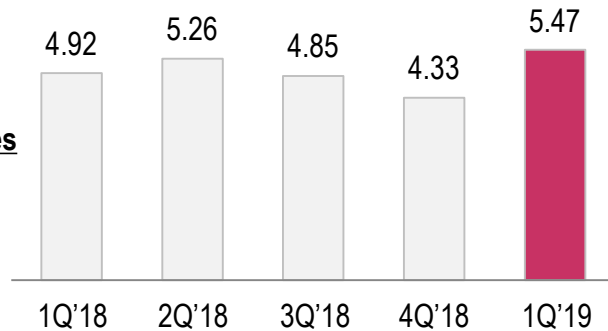
## Performance\*1)

(Unit: %, KRW tn)

### Op. Margin



### Sales



## Key Products



Dryer



Air Care



Vacuum Cleaner



Styler

## 1Q'19 Performance

- **Sales :** Achieved 5.5 tril. Won, up 11% YoY thanks to solid sales growth in Korea, Europe and Asia
- **Profitability :** Marked the highest profitability from strong sales of premium and new growth products and continuous improvement of cost structure

## 2Q'19 Outlook

- **Market :** Market uncertainties and volatility to elevate from US trade protectionism, geopolitical issues in MEA and LATAM region and exchange rate risk
- **LGE :** Maintain stable profitability YoY by maintaining growth in domestic market, expanding premium product sales, and improving cost competitiveness

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

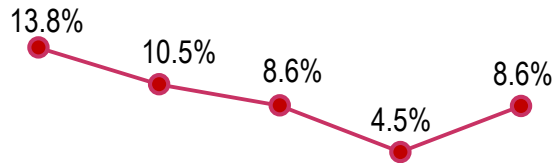
# Performance and Outlook by Division

HE (Home Entertainment)

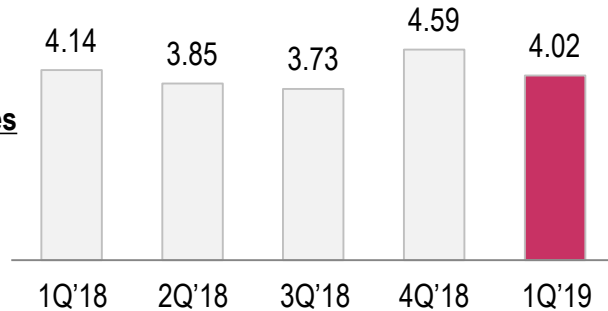
## Performance\*1)

(Unit: %, KRW tn)

### Op. Margin



### Sales



## Key Products



LG SINGATURE OLED TV W



LG Super Ultra HD TV (NanoCell TV)

## 1Q'19 Performance

- **Sales** : Declined QoQ and YoY due to seasonal weakness in demand and base effect from last year's sport events
- **Profitability** : Improved QoQ from marketing expense efficiency  
Down YoY due to sales decline and weaker FX rates in emerging markets

## 2Q'19 Outlook

- **Market** : Total market demand is expected to decline YoY, but growth in premium TV market will continue with OLED TVs and Ultra HD TVs
- **LGE** : Maintain sales growth by expanding sales of NanoCell TVs and large-screen TVs and continue to lead the OLED TV market with new products

Expect to maintain solid profit structure through robust sales growth from premium product sales and continuous cost structure improvement

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

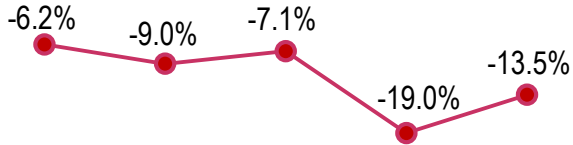
# Performance and Outlook by Division

MC (Mobile Communications)

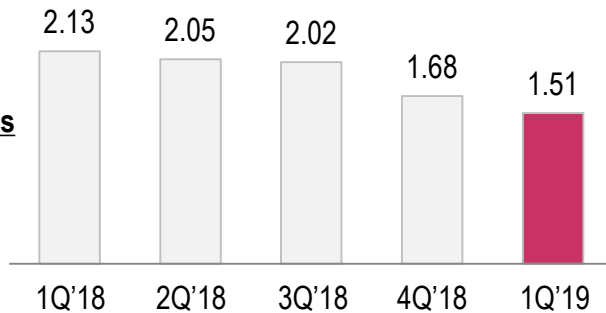
## Performance\*1)

(Unit: %, KRW tn)

### Op. Margin



### Sales



## Key Products



V40ThinQ



G8ThinQ



X4

## 1Q'19 Performance

- **Sales :** Declined QoQ and YoY despite the launch of premium model due to sluggish demand in the smartphone market and global expansion strategy of Chinese companies
- **Profitability :** Improved QoQ from business structure improvement efforts

## 2Q'19 Outlook

- **Market :** Despite the commercialization of 5G in North America and Korea and the launch of new form factor models, market demand is expected to remain stagnant and price competition is also expected to intensify
- **LGE :** Achieve meaningful improvement in profitability through efforts of continuous improvement in profit structure and set a turning point and momentum for sales growth by launching 5G models

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

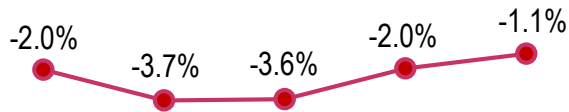
# Performance and Outlook by Division

VS (Vehicle Component Solutions)

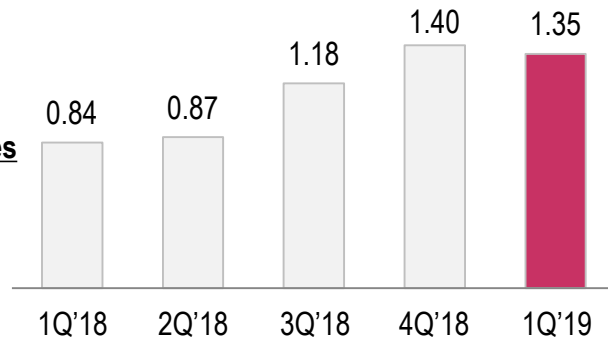
## Performance

(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

## 1Q'19 Performance

- **Sales** : Grew 60% YoY driven by the mass production of new project in infotainment business and addition of ZKW but sales declined 4% QoQ due to temporary sales drop in electric vehicle components
- **Profitability** : Despite the increase in raw material price and initial production expense from new projects, operating income improved from sales growth YoY and consolidation of ZKW

## 2Q'19 Outlook

- **Market** : Market demand volatility to increase due to
  - 1) US/China trade disputes and restructuring activities from major car companies
  - 2) Demand stimulating government policies and introduction of new models from major car companies
- **LGE** : Focus on monitoring the industry changes and sales expansion of SUVs while concentrating on stable supply to the customers  
Preemptively manage profitability through efficient resource management and cost reduction activities going forward

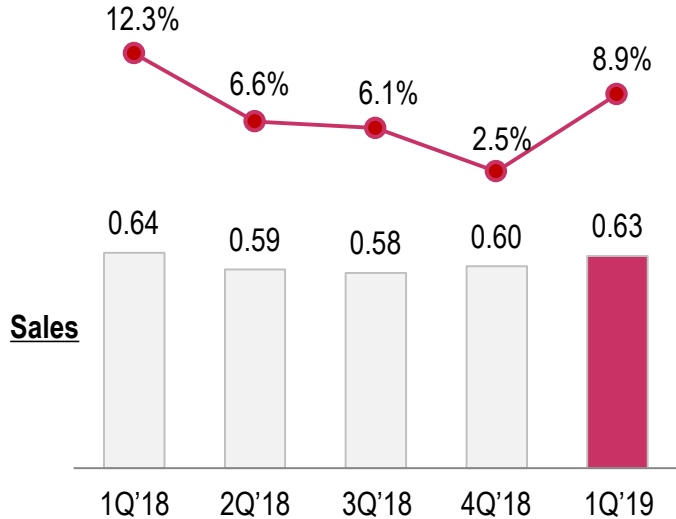
# Performance and Outlook by Division

BS (Business Solutions)

## Performance

(Unit: %, KRW tn)

### Op. Margin



### Sales

## Key Products



## 1Q'19 Performance

- **Sales :** Information display business is continuously growing, but overall sales declined 3% YoY due to temporary sales decrease of solar modules from US solar safeguard
- **Profitability :** Improved QoQ but dropped YoY due to the impact of US solar safeguard tariffs and consistent price drop of solar modules

## 2Q'19 Outlook

- **Market :** Information display market is expected to grow continuously with the upward support from LED and premium products demand  
Solar module market is also expected to grow from changes in support policies of major countries
- **LGE :** Secure profitability by increasing premium product in information display business, and expand solar module sales in strategic markets



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### Income Statement

(Unit: KRW bn, %)

	2018										2019	
	1Q		2Q		3Q		4Q		Total		1Q	
<b>Sales</b>	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%
<b>Cost of goods sold</b>	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%
<b>Gross profit</b>	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%
<b>Selling &amp; admin expense</b>	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%
<b>Operating income (Loss)</b>	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%
<b>Financial income (Expense)</b>	-80.5	-0.5%	-63.4	-0.4%	-91.1	-0.6%	-74.2	-0.5%	-309.2	-0.5%	-78.1	-0.5%
<b>Gains (loss) on equity method investment</b>	-27.9	-0.2%	-105.8	-0.7%	5.2	0.0%	51.3	0.3%	-77.2	-0.1%	-23.2	-0.2%
<b>Other non operating income (Loss)</b>	-30.4	-0.2%	-53.4	-0.4%	-47.4	-0.3%	-177.1	-1.1%	-308.3	-0.5%	-44.9	-0.3%
<b>Net income before tax</b>	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%
<b>Corporate Income Tax</b>	239.1	1.6%	221.9	1.5%	118.4	0.8%	-43.6	-0.3%	535.8	0.9%	176.4	1.2%
<b>Net Income</b>	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%
Controlled shares	716.7		283.3		410.4		-170.3		1,240.1		570.9	
Non-controlled shares	13.2		43.2		86.7		89.6		232.7		7.1	

\* Since the information regarding results of 1Q'19 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)

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

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(Unit: KRW bn)

		1Q'18	2Q'18	3Q'18	4Q'18	'18 Total	1Q'19	QoQ	YoY
<b>H&amp;A</b>	Sales	4,923.9	5,258.1	4,850.9	4,327.9	19,360.8	5,465.9	26%	11%
	Op. Income	557.6	461.8	413.0	112.6	1,545.0	727.6		
	(%)	11.3%	8.8%	8.5%	2.6%	8.0%	13.3%		
<b>HE</b>	Sales	4,141.9	3,845.5	3,734.8	4,590.0	16,312.2	4,023.7	-12%	-3%
	Op. Income	573.0	405.2	322.9	205.6	1,506.7	346.5		
	(%)	13.8%	10.5%	8.6%	4.5%	9.2%	8.6%		
<b>MC</b>	Sales	2,134.4	2,049.1	2,017.3	1,675.4	7,876.2	1,510.4	-10%	-29%
	Op. Income	-131.8	-183.7	-144.2	-318.5	-778.2	-203.5		
	(%)	-6.2%	-9.0%	-7.1%	-19.0%	-9.9%	-13.5%		
<b>VS</b>	Sales	840.0	872.8	1,176.0	1,398.8	4,287.6	1,347.0	-4%	60%
	Op. Income	-17.0	-32.5	-42.9	-27.4	-119.8	-15.4		
	(%)	-2.0%	-3.7%	-3.6%	-2.0%	-2.8%	-1.1%		
<b>BS</b>	Sales	642.7	588.5	576.7	597.8	2,405.7	625.6	5%	-3%
	Op. Income	78.8	39.0	35.1	14.9	167.8	55.5		
	(%)	12.3%	6.6%	6.1%	2.5%	7.0%	8.9%		
<b>Others</b>	Sales	979.5	1,200.2	1,011.7	961.8	4,153.2	755.6	-21%	-23%
	Op. Income	38.9	80.9	47.8	-17.7	149.9	-0.1		
<b>LGE Consolidated Excluding LG Innotek (①)</b>	Sales	13,662.4	13,814.2	13,367.4	13,551.7	54,395.7	13,728.2	1%	0%
	Op. Income	1,099.5	770.7	631.7	-30.5	2,471.4	910.6		
	(%)	8.0%	5.6%	4.7%	-0.2%	4.5%	6.6%		
<b>LG Innotek (②)</b>	Sales	1,720.5	1,517.9	2,313.2	2,430.5	7,982.1	1,368.6	-44%	-20%
	Op. Income	16.8	13.4	129.7	103.6	263.5	-11.4		
<b>LGE-LG Innotek Inter-company Transaction (③)</b>	Sales	259.9	312.7	253.6	209.9	1,036.1	181.7		
	Op. Income	8.5	13.1	12.6	- 2.6	31.6	-1.4		
<b>LGE Consolidated (①+②-③)</b>	Sales	15,123.0	15,019.4	15,427.0	15,772.3	61,341.7	14,915.1	-5%	-1%
	Op. Income	1,107.8	771.0	748.8	75.7	2,703.3	900.6		
	(%)	7.3%	5.1%	4.9%	0.5%	4.4%	6.0%		

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