

3Q'19 Earnings Release

October 30, 2019

LG Electronics

All information regarding management performance and financial results of LG Electronics (the “Company”) during the 3rd 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 3rd 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 4th 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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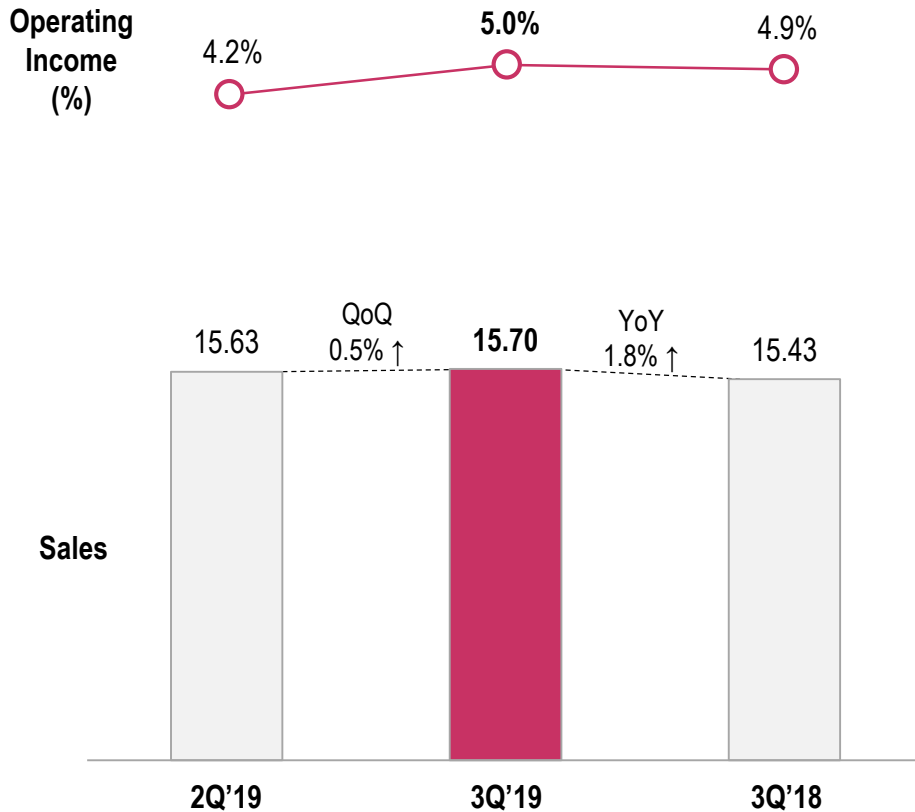
Consolidated Earnings and Outlook

Consolidated Earnings and Outlook

Sales / Profits

Sales / Profits

(Unit : KRW tn)



Performance by Division

(Unit : KRW bn)

		2Q'19	QoQ	3Q'19	YoY	3Q'18
Consolidated ^{*1)}	Sales	15,629.2	+0.5%	15,700.7	+1.8%	15,427.0
	O.I	652.3	+129.1	781.4	+32.6	748.8
	(%)	4.2%	+0.8%p	5.0%	+0.1%p	4.9%
H&A ^{*2)}	Sales	6,102.8	-12.7%	5,330.7	+9.9%	4,850.9
	Home Appliance & Air Solution	717.5	-288.6	428.9	+15.9	413.0
	(%)	11.8%	-3.8%p	8.0%	-0.5%p	8.5%
HE ^{*3)}	Sales	3,671.2	+5.3%	3,866.2	+3.5%	3,734.8
	Home Entertainment	205.6	+112.4	318.0	-4.9	322.9
	(%)	5.6%	+2.6%p	8.2%	-0.4%p	8.6%
MC ^{*3)}	Sales	1,613.3	-5.6%	1,522.3	-24.5%	2,017.3
	Mobile Communications	-313.0	+151.8	-161.2	-17.0	-144.2
	(%)	-19.4%	+8.8%p	-10.6%	-3.5%p	-7.1%
VS	Sales	1,423.1	-5.8%	1,340.1	+14.0%	1,176.0
	Vehicle component Solutions	-55.8	-4.3	-60.1	-17.2	-42.9
	(%)	-3.9%	-0.6%p	-4.5%	-0.9%p	-3.6%
BS	Sales	675.5	+3.4%	698.7	+21.2%	576.7
	Business Solutions	58.1	+8.7	66.8	+31.7	35.1
	(%)	8.6%	+1.0%p	9.6%	+3.5%p	6.1%

*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)

	2Q'19	QoQ	3Q'19	YoY	3Q'18
Operating Income	652.3	+129.1	781.4	+32.6	748.8
Net financial income/expense	-79.5	+23.4	-56.1	+35.0	-91.1
Gain/Loss on equity method	-206.7	+55.8	-150.9	-156.1	5.2
Other non-operating income/expense	-139.0	-1.4	-140.4	-93.0	-47.4
Income Before Tax	227.1	+206.9	434.0	-181.5	615.5
Corporate income tax	121.1	-32.8	88.3	-30.1	118.4
Net Income	106.0	+239.7	345.7	-151.4	497.1
EBITDA	1,271.7		1,425.5		1,255.1

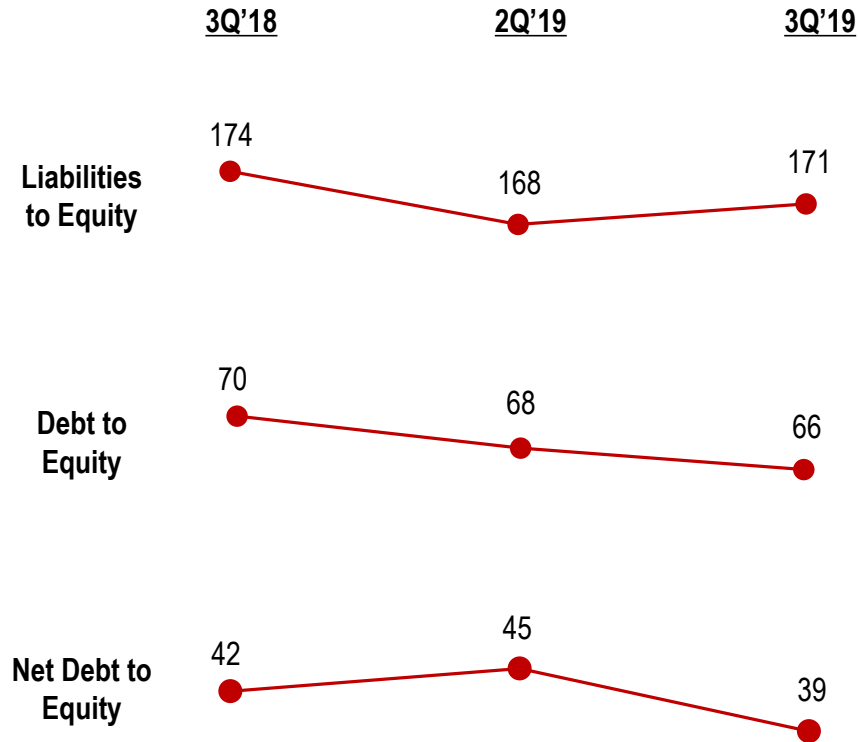
Cash Flow

(Unit : KRW bn)

	2Q'19	3Q'19
<input type="checkbox"/> Cash at the beginning of period	4,093.6	3,944.2
• Cash flow from operating activities	765.6	1,343.1
Net income/loss	106.0	345.7
Depreciation	619.4	644.1
Gain/Loss on equity method investment	206.7	150.9
• Cash flow from investing activities	-466.9	-278.0
Increase in tangible assets	-452.7	-458.4
Increase in intangible assets	-131.5	-97.6
• Cash flow from financing activities	-488.9	-231.9
Repayment of lease obligation and others	-220.3	-127.6
Increase/Decrease in debt	-268.6	-104.3
• Effects of exchange rate changes on cash and cash equivalents	40.8	21.5
<input type="checkbox"/> Net changes in cash	-149.4	854.7
<input type="checkbox"/> Cash at the end of period	3,944.2	4,798.9
Net C/F	339.5	1,086.6

Leverage Ratio

(Unit: %)



Financial Position

(Unit : KRW tn)

	3Q'18	2Q'19	3Q'19
Assets	45.07	45.87	47.20
Current Assets	20.70	20.13	21.84
Cash	4.54	3.94	4.80
Inventory	6.56	6.18	6.89
Non-Current Assets	24.37	25.73	25.36
Liabilities	28.62	28.77	29.75
Current Liabilities	17.83	17.22	18.30
Non-Current Liabilities	10.79	11.55	11.45
Equity	16.45	17.10	17.45
Debt	11.50	10.86	10.80
Net Debt	6.97	7.61	6.73

Business Environment

- Downside risk to grow in the domestic and global economy from uncertainties caused by US-China trade disputes, Japan's export restrictions, and U.K. Brexit
- Price competition to intensify as market enters peak season

Key Strategies

- Expand sales of premium products through differentiated marketing activities
- Improve operations, optimize expenditures and strengthen proactive approach to risk management

Sales & Profits Outlook

- Sales and operating profit to improve YoY

II

Performance and Outlook by Division

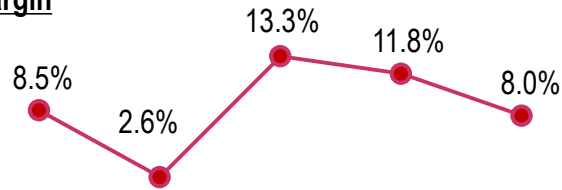
Performance and Outlook by Division

H&A (Home Appliance & Air Solution)

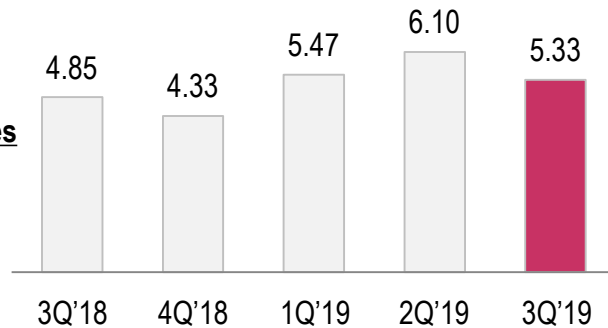
Performance*1)

(Unit: %, KRW tn)

Op. Margin



Sales



Key Products



Dish Washer



Cooktop



Mini Air Purifier



Styler

3Q'19 Performance

- **Sales** : Achieved 5.3 Tril. Won, up 10% YoY driven by continued growth across all regions such as North America, Europe, Asia and others
- **Profit** : Despite one-off quality costs in the quarter, improved operating profit YoY from sales growth, lower raw material prices and continuous improvement of cost structure

4Q'19 Outlook

- **Market** : Expect competition in domestic market to intensify, and uncertainties of overseas markets to rise from US-China trade dispute, sanctions against Iran, etc.
- **LGE** : Focus on risk management through optimizing operational expenditures and improve profitability YoY

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

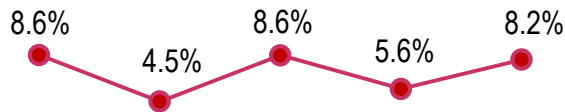
Performance and Outlook by Division

HE (Home Entertainment)

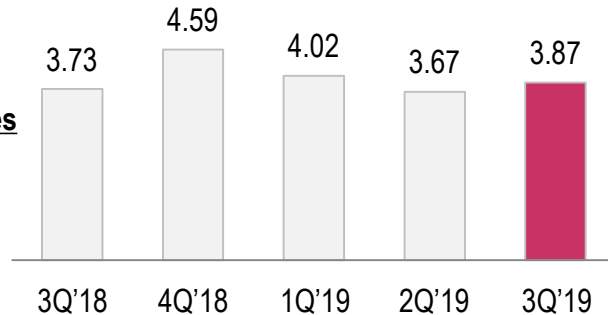
Performance*1

(Unit: %, KRW tn)

Op. Margin



Sales



Key Products



LG SIGNATURE OLED 8K



LG NanoCell

3Q'19 Performance

- **Sales** : Achieved growth mainly due to base effect from last year's weak demand after major sporting events and TV market entering peak season
- **Profit** : Despite increased premium product sales, profitability came down YoY due to higher marketing expense from intensified competition and stronger USD, but improved QoQ from sales revenue growth and enhanced cost structure

4Q'19 Outlook

- **Market** : Anticipate demand to grow during peak season in major markets such as Europe, LATAM, and other regions
Demand for premium products such as OLED TV and UHD TV will continue to grow
- **LGE** : Expect marketing expenses to increase from intensifying competition, but maintain solid profit structure through growth focused on premium products and efficient allocation of operational resources

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

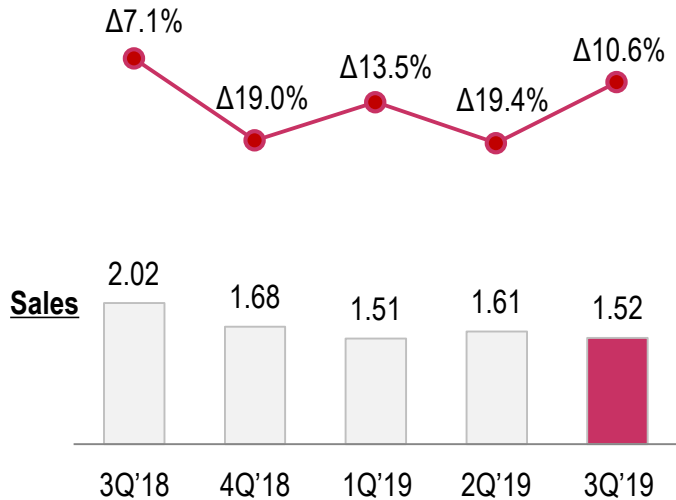
Performance and Outlook by Division

MC (Mobile Communications)

Performance*1)

(Unit: %, KRW tn)

Op. Margin



Key Products



V50S / G8X^{ThinQ}



V50^{ThinQ}



Q70

3Q'19 Performance

- **Sales** : Came down 25% YoY due to shrinking overall smartphone market, decrease in sales of premium and mass-tier LTE products and delays in 5G upgrades in North American market
- **Profit** : Losses narrowed QoQ as a result of continuous sales of 5G products, improved cost structure from relocation of production facility and removal of one-off relocation costs

4Q'19 Outlook

- **Market** : Expect severe price competition from new products during peak season and the domestic market demand to weaken from tighter subsidy regulations

- **LGE** : Expand sales from new premium product with the new Dual Screen 2 with enhanced usability

Profitability to improve YoY from continuous cost improvement activities such as production site relocation, but losses will widen QoQ from higher marketing expenses to support launch of new products

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

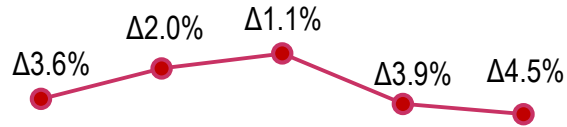
Performance and Outlook by Division

VS (Vehicle Component Solutions)

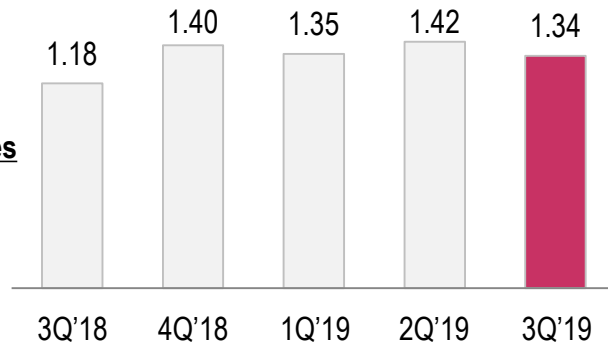
Performance

(Unit: %, KRW tn)

Op. Margin



Sales



Key Products



- AV/AVN
- Telematics
- CID

Infotainment Devices



- Traction Motor
- Inverter
- Battery Pack

xEV Solution



- ADAS Camera
- Cluster
- Automotive Lamp

Safety & Convenience Devices

3Q'19 Performance

- **Sales :** Increased 14% YoY driven by new projects in infotainment business, but came down 6% QoQ as a consequence of temporary decline in overall vehicle sales of automakers
- **Profit :** Losses continued due to decline in vehicle sales of automakers, delays in stabilizing yield and initial production costs of new projects

4Q'19 Outlook

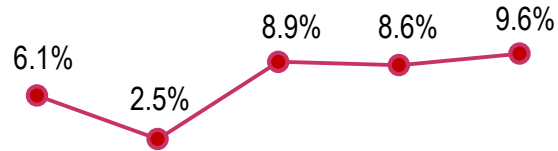
- **Market :** Expect global auto component demand to decline affected by prolonged US-China trade dispute, strike and restructuring automakers
Demand volatility may increase depending on regulatory policies on climate change and EV deployment plans of automakers
- **LGE :** Focus on improving profitability of underperforming products in the short-term
Closely monitor changes in external environment and regional / automakers' policies and examine adjustment of the business portfolio from a long-term perspective

Performance and Outlook by Division

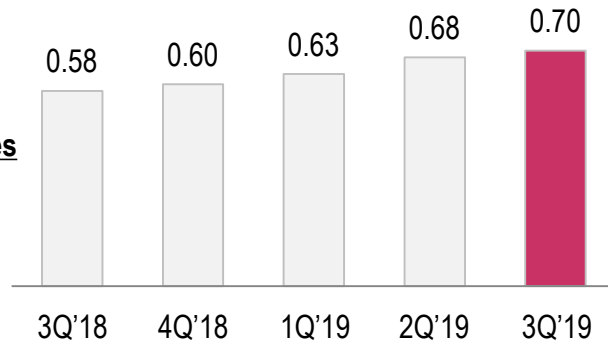
Performance

(Unit: %, KRW tn)

Op. Margin



Sales



Key Products



Information Display



Solar Modules

3Q'19 Performance

- **Sales :** Continuous growth in premium products in the information display business and high-power products in the solar module business led growth YoY and QoQ
- **Profit :** Improved YoY and QoQ from increase in sales of strategic products in the information display business and solar module products with enhanced productivity

4Q'19 Outlook

- **Market :** Expect information display market to grow continuously driven by fast migration to larger sizes / transition to UHD, growing indoor LED display market and premium product segment

Expect solar module market to grow substantially mainly led by increasing demand in emerging countries along with solid demand from US and Europe, but competition in terms of power, efficiency and price will intensify

- **LGE :** Aim to grow sales and secure profitability with various premium products in information display business

Focus on high-power solar module market and enhance product performance to achieve growth



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Income Statement

(Unit: KRW bn, %)

	2018										2019					
	1Q		2Q		3Q		4Q		Total		1Q		2Q		3Q	
Sales	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%	15,629.2	100.0%	15,700.7	100.0%
Cost of goods sold	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%	11,672.9	74.7%	11,592.5	73.8%
Gross profit	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%	3,956.3	25.3%	4,108.2	26.2%
Selling & admin expense	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%	3,304.0	21.1%	3,326.8	21.2%
Operating income (Loss)	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%	652.3	4.2%	781.4	5.0%
Financial income (Expense)	-80.5	-0.5%	-63.4	-0.4%	-91.1	-0.6%	-74.2	-0.5%	-309.2	-0.5%	-78.1	-0.5%	-79.5	-0.5%	-56.1	-0.4%
Gains (loss) on equity method investment	-27.9	-0.2%	-105.8	-0.7%	5.2	0.0%	51.3	0.3%	-77.2	-0.1%	-23.2	-0.2%	-206.7	-1.3%	-150.9	-1.0%
Other non-operating income (Loss)	-30.4	-0.2%	-53.4	-0.4%	-47.4	-0.3%	-177.1	-1.1%	-308.3	-0.5%	-44.9	-0.3%	-139.0	-0.9%	-140.4	-0.9%
Net income before tax	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%	227.1	1.5%	434.0	2.8%
Corporate Income Tax	239.1	1.6%	221.9	1.5%	118.4	0.8%	-43.6	-0.3%	535.8	0.9%	176.4	1.2%	121.1	0.8%	88.3	0.6%
Net Income	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%	106.0	0.7%	345.7	2.2%
Controlled shares	716.7		283.3		410.4		-170.3		1,240.1		570.9		91.6		244.2	
Non-controlled shares	13.2		43.2		86.7		89.6		232.7		7.1		14.4		101.5	

* Since the information regarding results of 3Q'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	2Q	3Q
Assets	41,222.0	42,924.8	45,068.3	44,328.4	45,936.7	45,867.3	47,204.6
Current Assets	19,072.9	20,540.2	20,695.2	19,362.9	20,176.1	20,134.6	21,840.8
Cash and cash equivalents	3,753.1	4,659.6	4,538.3	4,270.4	4,093.6	3,944.2	4,798.9
Accounts receivable	7,144.8	7,701.6	7,068.7	6,371.6	7,244.2	7,386.8	7,032.1
Inventory	5,872.7	5,975.5	6,561.6	6,021.4	6,141.7	6,179.5	6,894.7
Others	2,302.3	2,203.5	2,526.6	2,699.5	2,696.6	2,624.1	3,115.1
Non-current Assets	22,149.1	22,384.6	24,373.1	24,965.5	25,760.6	25,732.7	25,363.8
Investment	5,571.0	5,465.4	5,487.7	5,537.6	5,575.6	5,377.2	5,216.8
PP&E	12,000.1	12,337.4	13,162.8	13,334.0	14,094.5	14,241.6	14,191.5
Intangible assets	1,920.7	1,997.6	2,925.7	3,001.1	3,002.0	2,964.8	2,787.5
Others	2,657.3	2,584.2	2,796.9	3,092.8	3,088.5	3,149.1	3,168.0
Liabilities	25,766.0	27,165.4	28,622.3	28,021.5	28,997.0	28,772.3	29,753.7
Accounts payable	7,243.0	7,533.6	7,926.2	7,216.7	7,798.5	7,402.5	8,200.1
Debt	9,622.2	10,690.6	11,503.9	10,901.2	11,055.2	10,858.1	10,795.7
Lease liability	-	-	-	-	684.5	700.2	730.1
Other liabilities	8,900.8	8,941.2	9,192.2	9,903.6	9,458.8	9,811.5	10,027.8
Equity	15,456.0	15,759.4	16,446.0	16,306.9	16,939.7	17,095.0	17,450.9

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(Unit: KRW bn)

		1Q'18	2Q'18	3Q'18	4Q'18	'18 Total	1Q'19	2Q'19	3Q'19	QoQ	YoY
H&A	Sales	4,923.9	5,258.1	4,850.9	4,327.9	19,360.8	5,465.9	6,102.8	5,330.7	-12.7%	9.9%
	Op. Income	557.6	461.8	413.0	112.6	1,545.0	727.6	717.5	428.9		
	(%)	11.3%	8.8%	8.5%	2.6%	8.0%	13.3%	11.8%	8.0%		
HE	Sales	4,141.9	3,845.5	3,734.8	4,590.0	16,312.2	4,023.7	3,671.2	3,866.2	5.3%	3.5%
	Op. Income	573.0	405.2	322.9	205.6	1,506.7	346.5	205.6	318.0		
	(%)	13.8%	10.5%	8.6%	4.5%	9.2%	8.6%	5.6%	8.2%		
MC	Sales	2,134.4	2,049.1	2,017.3	1,675.4	7,876.2	1,510.4	1,613.3	1,522.3	-5.6%	-24.5%
	Op. Income	-131.8	-183.7	-144.2	-318.5	-778.2	-203.5	-313.0	-161.2		
	(%)	-6.2%	-9.0%	-7.1%	-19.0%	-9.9%	-13.5%	-19.4%	-10.6%		
VS	Sales	840.0	872.8	1,176.0	1,398.8	4,287.6	1,347.0	1,423.1	1,340.1	-5.8%	14.0%
	Op. Income	-17.0	-32.5	-42.9	-27.4	-119.8	-15.3	-55.8	-60.1		
	(%)	-2.0%	-3.7%	-3.6%	-2.0%	-2.8%	-1.1%	-3.9%	-4.5%		
BS	Sales	642.7	588.5	576.7	597.8	2,405.7	625.6	675.5	698.7	3.4%	21.2%
	Op. Income	78.8	39.0	35.1	14.9	167.8	55.5	58.1	66.8		
	(%)	12.3%	6.6%	6.1%	2.5%	7.0%	8.9%	8.6%	9.6%		
Others	Sales	979.5	1,200.2	1,011.7	961.8	4,153.2	755.6	842.6	666.8	-20.9%	-34.1%
	Op. Income	38.9	80.9	47.8	-17.7	149.9	-0.2	28.8	5.0		
LGE Consolidated Excluding LG Innotek (①)	Sales	13,662.4	13,814.2	13,367.4	13,551.7	54,395.7	13,728.2	14,328.5	13,424.8	-6.3%	0.4%
	Op. Income	1,099.5	770.7	631.7	-30.5	2,471.4	910.6	641.2	597.4		
	(%)	8.0%	5.6%	4.7%	-0.2%	4.5%	6.6%	4.5%	4.4%		
LG Innotek (②)	Sales	1,720.5	1,517.9	2,313.2	2,430.5	7,982.1	1,368.6	1,522.3	2,446.0	60.7%	5.7%
	Op. Income	16.8	13.4	129.7	103.6	263.5	-11.4	18.8	186.5		
LGE-LG Innotek Inter-company Transaction (③)	Sales	259.9	312.7	253.6	209.9	1,036.1	181.7	221.6	170.1		
	Op. Income	8.5	13.1	12.6	-2.6	31.6	-1.4	7.7	2.5		
LGE Consolidated (①+②-③)	Sales	15,123.0	15,019.4	15,427.0	15,772.3	61,341.7	14,915.1	15,629.2	15,700.7	0.5%	1.8%
	Op. Income	1,107.8	771.0	748.8	75.7	2,703.3	900.6	652.3	781.4		
	(%)	7.3%	5.1%	4.9%	0.5%	4.4%	6.0%	4.2%	5.0%		

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