

# 2Q`20 Earnings Release

---

30<sup>th</sup> July, 2020

LG Electronics

All information regarding management performance and financial results of LG Electronics (the “Company”) during the 2<sup>nd</sup> quarter of 2020 as contained herein has been prepared on a consolidated basis in accordance with International Financial Reporting Standards (“IFRS”).

The information regarding results of 2<sup>nd</sup> quarter of 2020 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 3<sup>rd</sup> quarter of 2020.

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.

# Table of Contents

---

- I Consolidated Earnings and Outlook**
- II Performance and Outlook by Division**

I

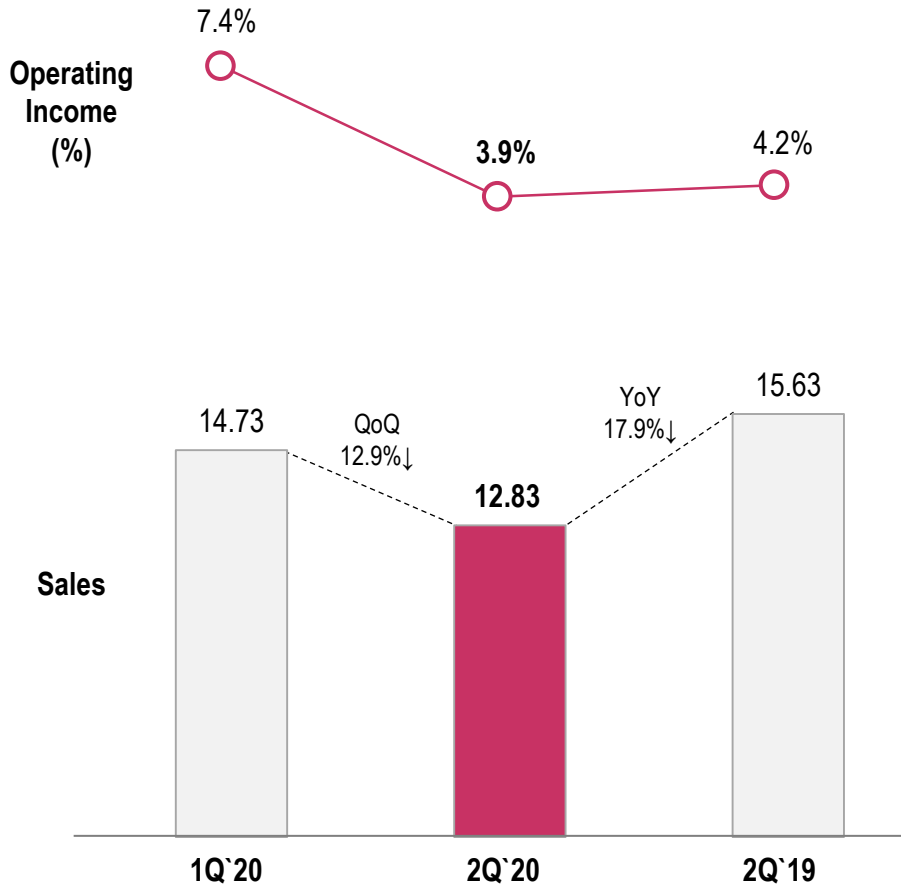
# Consolidated Earnings and Outlook

# Consolidated Earnings and Outlook

Sales / Profits

## Sales / Profits

(Unit : KRW trillion)



## Performance by Division

(Unit : KRW billion)

		1Q'20	QoQ	2Q'20	YoY	2Q'19
<b>Consolidated</b> <sup>1)</sup>	Sales	14,727.8	-12.9%	12,833.8	-17.9%	15,629.2
	O.I	1,090.4	-595.0	495.4	-156.9	652.3
	(%)	7.4%	-3.5%p	3.9%	-0.3%p	4.2%
<b>H&amp;A</b>	Sales	5,418.0	-4.9%	5,155.1	-15.5%	6,102.8
	O.I	753.5	-125.5	628.0	-89.5	717.5
	(%)	13.9%	-1.7%p	12.2%	+0.4%p	11.8%
<b>HE</b> <sup>2)</sup>	Sales	2,970.7	-24.0%	2,256.7	-24.4%	2,986.3
	O.I	325.8	-213.0	112.8	-39.5	152.3
	(%)	11.0%	-6.0%p	5.0%	-0.1%p	5.1%
<b>MC</b>	Sales	998.6	+31.1%	1,308.7	-18.9%	1,613.3
	O.I	-237.8	+31.3	-206.5	+106.5	-313.0
	(%)	-23.8%	+8.0%p	-15.8%	+3.6%p	-19.4%
<b>VS</b>	Sales	1,319.3	-30.9%	912.2	-35.9%	1,423.1
	O.I	-96.8	-105.7	-202.5	-146.8	-55.7
	(%)	-7.3%	-14.9%p	-22.2%	-18.3%p	-3.9%
<b>BS</b> <sup>3)</sup>	Sales	1,709.1	-23.5%	1,307.1	-12.6%	1,494.7
	O.I	212.2	-113.9	98.3	-25.9	124.2
	(%)	12.4%	-4.9%p	7.5%	-0.8%p	8.3%

1) LG Innotek is included

2) From 1Q'20, IT business has been restated to 'BS division' from 'HE division'

3) From 1Q'20, IT business has been restated to 'BS division' from 'HE division' and CEM business has been restated to 'BS division' from 'others'

# Consolidated Earnings and Outlook

## Income Trend / Cash Flow

### Income Trend

(Unit : KRW billion)

	1Q`20	QoQ	2Q`20	YoY	2Q`19
<b>Operating Income</b>	<b>1,090.4</b>	-595.0	<b>495.4</b>	-156.9	<b>652.3</b>
Net financial income/expense	-115.2	+17.2	-98.0	-18.5	-79.5
Gain/Loss on equity method	-77.1	-98.6	-175.7	+31.0	-206.7
Other non-operating income/expense	491.3	-565.1	-73.8	+65.2	-139.0
<b>Income Before Tax</b>	<b>1,389.4</b>	-1,241.5	<b>147.9</b>	-79.2	<b>227.1</b>
Corporate income tax	302.7	-220.4	82.3	-38.8	121.1
<b>Net Income</b>	<b>1,086.7</b>	-1,021.1	<b>65.6</b>	-40.4	<b>106.0</b>
EBITDA	1,737.8		1,149.7		1,271.7

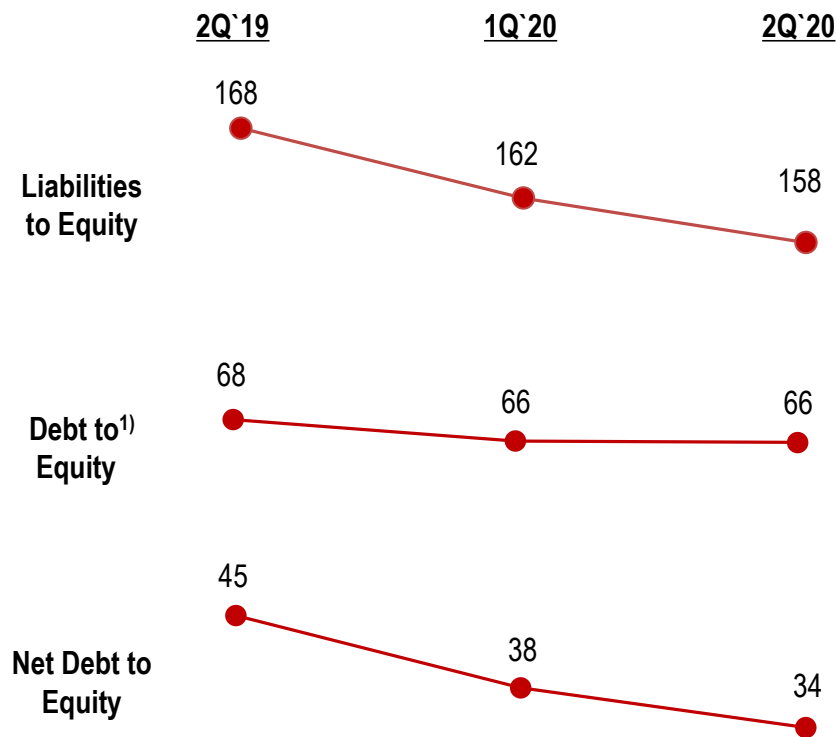
### Cash Flow

(Unit : KRW billion)

	1Q`20	2Q`20
<input type="checkbox"/> Cash at the beginning of period	4,777.4	4,862.8
<b>• Cash flow from operating activities</b>	<b>104.0</b>	<b>1,412.5</b>
Net income/loss	1,086.7	65.6
Depreciation	647.4	654.3
Gain/Loss on equity method investment	77.1	175.7
<b>• Cash flow from investing activities</b>	<b>-120.7</b>	<b>-507.6</b>
Increase/Decrease in tangible assets	-486.1	-386.4
Increase/Decrease in intangible assets	-247.8	-128.5
<b>• Cash flow from financing activities</b>	<b>53.8</b>	<b>-290.2</b>
Repayment of lease obligation and others	-71.4	-75.2
Increase/Decrease in debt	125.2	-62.8
<b>• Effects of exchange rate changes on cash and cash equivalents</b>	<b>48.3</b>	<b>-12.7</b>
<input type="checkbox"/> Net changes in cash	85.4	602.0
<input type="checkbox"/> Cash at the end of period	4,862.8	5,464.8
Net C/F	31.6	892.2

### Leverage Ratio

(Unit: %)



1) Lease Liability is included

2) Net Debt = Debt + Lease Liability – Cash and Cash equivalents

### Financial Position

(Unit : KRW trillion)

	2Q'19	1Q'20	2Q'20
<b>Assets</b>	<b>45.87</b>	<b>45.57</b>	<b>44.77</b>
Current Assets	20.13	20.50	19.91
Cash and Cash equivalents	3.94	4.86	5.46
Inventory	6.18	6.29	6.03
Non-Current Assets	25.74	25.07	24.86
<b>Liabilities</b>	<b>28.77</b>	<b>28.18</b>	<b>27.41</b>
Current Liabilities	17.22	17.15	16.36
Non-Current Liabilities	11.55	11.03	11.05
<b>Equity</b>	<b>17.10</b>	<b>17.39</b>	<b>17.36</b>
<b>Debt</b>	<b>10.86</b>	<b>10.72</b>	<b>10.63</b>
<b>Net Debt<sup>2)</sup></b>	<b>7.62</b>	<b>6.64</b>	<b>5.97</b>

### Business Environment

- Increasing uncertainties from the possibility of resurgence of COVID-19 and an escalation of dispute between the U.S. and China
- Expect monetary policy from central bank to boost the economy and fiscal policy from the government to encourage spending in the market

### Key Strategies

- Secure foothold in non-face-to-face and healthcare business
- Continue to identify opportunities amid COVID-19 pandemic crisis and build growth momentum

### Sales & Profit Outlook (3Q`20)

- Expect to achieve similar level of performance YoY despite the uncertainties in the business environment due to COVID-19 pandemic



## III

# Performance and Outlook by Division

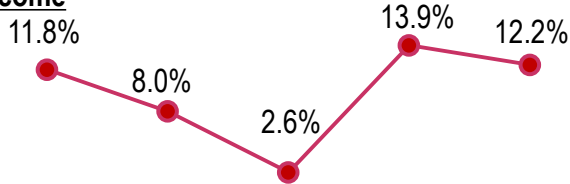
# Performance and Outlook by Division

H&A (Home Appliance & Air Solution)

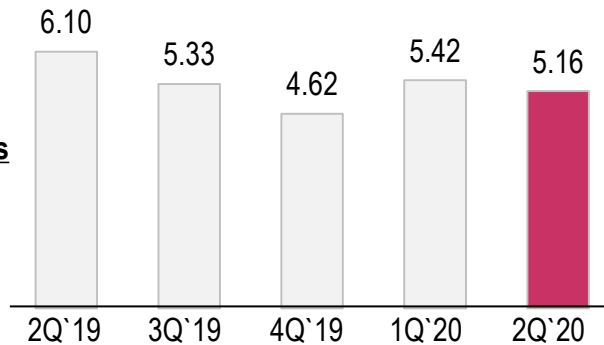
## Performance

(Unit : %, KRW trillion)

### Op. Income



### Sales



## Key Products



LG Instaview DID  
Craft Ice



WASHTOWER



WhisenThinQ A/C

## 2Q`20 Performance

- **Sales :** Recorded 5.2 trillion won due to the sales decline in both domestic and overseas markets from COVID-19 pandemic
- **Profit :** Despite favorable factors driven by cost structure improvements and cost reduction activities, operating income decreased YoY due to the sales decline caused by COVID-19

## 3Q`20 Outlook

- **Market :** Uncertainties in the business environment are expected to continue due to intensified U.S.-China dispute and prolonged COVID-19 pandemic
- **LGE :** Sales is expected to turnaround with gradual improvement of business environment and expect to achieve similar or higher profitability YoY by improving cost structures and optimizing resources

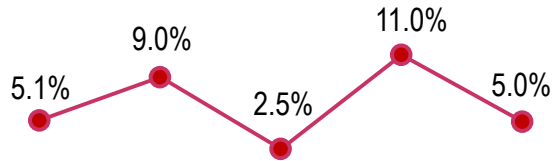
# Performance and Outlook by Division

HE (Home Entertainment)

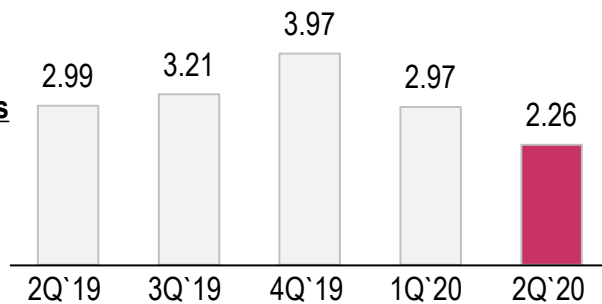
## Performance<sup>1)</sup>

(Unit : %, KRW trillion)

### Op. Income



### Sales



## Key Products



LG OLED TV



LG Sound Bar, TONE Free

## 2Q'20 Performance

- **Sales** : Decreased YoY/QoQ due to the lockdown measures and shutdown of offline stores following the global spread of COVID-19
- **Profit** : Maintained similar profitability YoY driven by continuous material cost reduction and cost saving activities by focusing on controllable cost such as marketing expenses

## 3Q'20 Outlook

- **Market** : Despite the economic recession from COVID-19, global TV demand is expected to recover gradually mainly in developed markets
- **LGE** : Increase sales and recover profitability on a YoY/QoQ by boosting sales of premium TVs such as OLED, Nanocell and large-size TVs as well as expanding online sales and enhancing efficiency of resource management

1) From 1Q'20, IT business has been restated to 'BS division' from 'HE division'

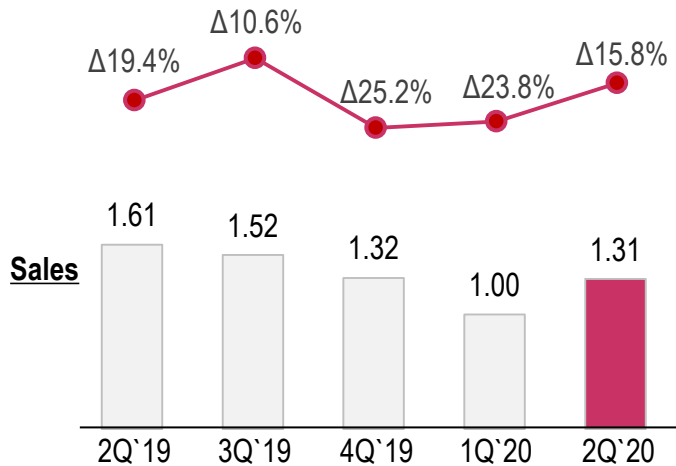
# Performance and Outlook by Division

MC (Mobile Communications)

## Performance

(Unit : %, KRW trillion)

### Op. Income



### Key Products



V60ThinQ



VELVET



Q51

## 2Q'20 Performance

- **Sales** : Decreased YoY due to the decline in demand from COVID-19, but increased QoQ as supply disruption of ODM was stabilized and lockdown measures were lifted in key markets such as U.S. and Europe
- **Profit** : Operating loss decreased YoY/QoQ, by reducing marketing expenses and unnecessary resources in line with decline in sales, and improving the cost structure of new models.

## 3Q'20 Outlook

- **Market** : Global demand is expected to partially recover after hitting a low point in the second quarter, but competition will intensify as manufacturers start to launch new models and expand mid-end lineups in consideration of customers' price sensitivity
- **LGE** : Sales is expected to turnaround driven by the improved sell-out trend in major markets, launch of VELVET in overseas markets and sales increase of new mass-tier models. Although marketing expense is expected to increase with the introduction of new models, expect to improve profitability YoY/QoQ

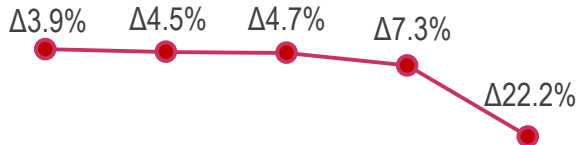
# Performance and Outlook by Division

VS (Vehicle component Solutions)

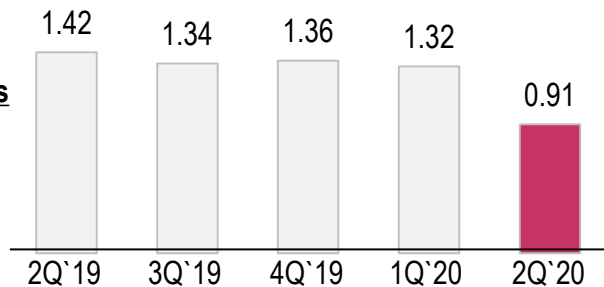
## Performance

(Unit : %, KRW trillion)

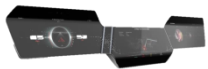
### Op. Income



### Sales



## Key Products



- AV/AVN
- Telematics
- CID

Infotainment



- Traction Motor
- Inverter
- Battery Pack

xEV components



- AVS Camera
- LCD Cluster
- Automotive Lighting

Safety & Convenience Devices

## 2Q'20 Performance

- **Sales** : Decreased due to the factory shutdown of major auto OEMs and subsequent decrease in demand for vehicle components caused by the global spread of COVID-19.
- **Profit** : Operating loss increased due to sales decline from COVID-19 pandemic

## 3Q'20 Outlook

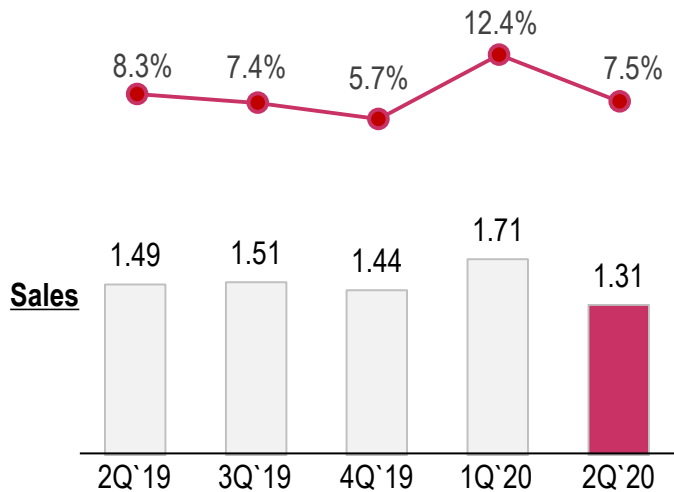
- **Market** : Despite continuous COVID-19 global crisis, the demand for automotive components is expected to recover in 3Q as major auto OEMs in the U.S. and Europe will resume the production gradually
- **LGE** : Sales and profit are expected to recover gradually as major auto OEMs resume the production and new projects start to mass produce

# Performance and Outlook by Division

## Performance<sup>1)</sup>

(Unit : %, KRW trillion)

### Op. Income



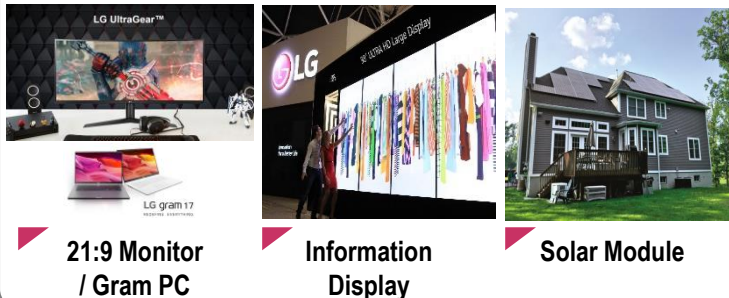
## 2Q`20 Performance

- Sales : Decreased YoY/QuQ due to the sales decline caused by COVID-19 pandemic
- Profit : Decreased YoY/QuQ due to the impact of COVID-19 on sales

## 3Q`20 Outlook

- Market : Prolonged impact of COVID-19 pandemic will continue to unstabilize the business environment, presenting threats but also opportunities in some areas such as rising new demands in the New Normal
- LGE : Sales and profit will increase YoY/QuQ with sales opportunities of products related to non-face-to-face services, sales expansion of strategic signage products and enhancement of product competitiveness with high-power solar modules.

## Key Products



1) From 1Q'20, IT business has been restated to 'BS division' from 'HE division' and CEM business has been restated to 'BS division' from 'others'



**LG**

Life's Good

MEMBER OF

**Dow Jones  
Sustainability Indices**

In Collaboration with RobecoSAM 

<http://www.lg.com/global>

### Income Statement

(Unit : KRW billion, %)

	2019										2020			
	1Q		2Q		3Q		4Q		Total		1Q		2Q	
<b>Sales</b>	14,915.1	100.0%	15,629.2	100.0%	15,700.7	100.0%	16,061.2	100.0%	62,306.2	100.0%	14,727.8	100.0%	12,833.8	100.0%
<b>Cost of goods sold</b>	11,170.1	74.9%	11,672.9	74.7%	11,592.5	73.8%	12,535.1	78.0%	46,970.6	75.4%	10,834.1	73.6%	9,463.0	73.7%
<b>Gross profit</b>	3,745.0	25.1%	3,956.3	25.3%	4,108.2	26.2%	3,526.1	22.0%	15,335.6	24.6%	3,893.7	26.4%	3,370.8	26.3%
<b>Selling &amp; admin expense</b>	2,844.4	19.1%	3,304.0	21.1%	3,326.8	21.2%	3,424.3	21.3%	12,899.5	20.7%	2,803.3	19.0%	2,875.4	22.4%
<b>Operating income (Loss)</b>	900.6	6.0%	652.3	4.2%	781.4	5.0%	101.8	0.6%	2,436.1	3.9%	1,090.4	7.4%	495.4	3.9%
<b>Financial income (Expense)</b>	-78.1	-0.5%	-79.5	-0.5%	-56.1	-0.4%	-74.1	-0.5%	-287.8	-0.5%	-115.2	-0.8%	-98.0	-0.8%
<b>Gains (loss) on equity method investment</b>	-23.2	-0.2%	-206.7	-1.3%	-150.9	-1.0%	-671.3	-4.2%	-1,052.1	-1.7%	-77.1	-0.5%	-175.7	-1.4%
<b>Other non operating income (Loss)</b>	-44.9	-0.3%	-139.0	-0.9%	-140.4	-0.9%	-243.3	-1.5%	-567.6	-0.9%	491.3	3.3%	-73.8	-0.6%
<b>Net income before tax</b>	754.4	5.1%	227.1	1.5%	434.0	2.8%	-886.9	-5.5%	528.6	0.8%	1,389.4	9.4%	147.9	1.2%
<b>Corporate Income Tax</b>	176.4	1.2%	121.1	0.8%	88.3	0.6%	-37.1	-0.2%	348.7	0.6%	302.7	2.1%	82.3	0.6%
<b>Net Income</b>	578.0	3.9%	106.0	0.7%	345.7	2.2%	-849.8	-5.3%	179.9	0.3%	1,086.7	7.4%	65.6	0.5%
Controlled shares	570.9		91.6		244.2		-875.4		31.3		1,025.4		56.5	
Non-controlled shares	7.1		14.4		101.5		25.6		148.6		61.3		9.1	

\* Since the information regarding results of 2Q'20 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 billion)	
	2019				2020	
	1Q	2Q	3Q	4Q	1Q	2Q
<b>Assets</b>	45,936.7	45,867.3	47,204.6	44,859.9	45,570.2	44,770.2
Current Assets	20,176.1	20,134.6	21,840.8	19,753.5	20,498.2	19,905.0
Cash and cash equivalents	4,093.6	3,944.2	4,798.9	4,777.4	4,862.8	5,464.8
Accounts receivable	7,244.2	7,386.8	7,032.1	6,360.3	6,562.2	5,668.1
Inventory	6,141.7	6,179.5	6,894.7	5,863.4	6,285.5	6,034.7
Others	2,696.6	2,624.1	3,115.1	2,752.4	2,787.7	2,737.4
Non-current Assets	25,760.6	25,732.7	25,363.8	25,106.4	25,072.0	24,865.2
Investment	5,575.6	5,377.2	5,216.8	4,544.5	4,456.9	4,259.3
PP&E	14,094.5	14,241.6	14,191.5	14,505.4	14,465.0	14,453.0
Intangible assets	3,002.0	2,964.8	2,787.5	2,692.0	2,851.9	2,876.1
Others	3,088.5	3,149.1	3,168.0	3,364.5	3,298.2	3,276.8
<b>Liabilities</b>	28,997.0	28,772.3	29,753.7	28,434.8	28,179.5	27,411.4
Accounts payable	7,798.5	7,402.5	8,200.1	6,820.6	7,197.0	6,250.8
Debt	11,055.2	10,858.1	10,795.7	10,487.4	10,719.0	10,627.2
Lease liability	684.5	700.2	730.1	771.4	787.6	807.7
Other liabilities	9,458.8	9,811.5	10,027.8	10,355.4	9,475.9	9,725.7
<b>Equity</b>	16,939.7	17,095.0	17,450.9	16,425.1	17,390.7	17,358.8

\*Since the information regarding results of 2Q'20 has been prepared in advance, it is subject to change in the process of final review by external auditors

(Unit : KRW billion, %)

		1Q'19	2Q'19	3Q'19	4Q'19	'19 Total	1Q'20	2Q'20	QoQ	YoY
<b>H&amp;A</b>	Sales	5,465.9	6,102.8	5,330.7	4,616.1	21,515.5	5,418.0	5,155.1	-4.9%	-15.5%
	Op. Income	727.6	717.5	428.8	122.2	1,996.1	753.5	628.0		
	(%)	13.3%	11.8%	8.0%	2.6%	9.3%	13.9%	12.2%		
<b>HE</b>	Sales	3,121.5	2,986.3	3,209.8	3,968.4	13,286.0	2,970.7	2,256.7	-24.0%	-24.4%
	Op. Income	247.3	152.3	288.4	101.0	789.0	325.8	112.8		
	(%)	7.9%	5.1%	9.0%	2.5%	5.9%	11.0%	5.0%		
<b>MC</b>	Sales	1,510.4	1,613.3	1,522.2	1,320.8	5,966.7	998.6	1,308.7	31.1%	-18.9%
	Op. Income	-203.5	-313.0	-161.1	-332.2	-1,009.8	-237.8	-206.5		
	(%)	-13.5%	-19.4%	-10.6%	-25.2%	-16.9%	-23.8%	-15.8%		
<b>VS</b>	Sales	1,347.0	1,423.1	1,340.1	1,355.2	5,465.4	1,319.3	912.2	-30.9%	-35.9%
	Op. Income	-15.4	-55.7	-60.2	-63.6	-194.9	-96.8	-202.5		
	(%)	-1.1%	-3.9%	-4.5%	-4.7%	-3.6%	-7.3%	-22.2%		
<b>BS</b>	Sales	1,651.3	1,494.7	1,511.2	1,439.2	6,096.4	1,709.1	1,307.1	-23.5%	-12.6%
	Op. Income	168.0	124.2	111.7	82.0	485.9	212.2	98.3		
	(%)	10.2%	8.3%	7.4%	5.7%	8.0%	12.4%	7.5%		
<b>Others</b>	Sales	632.1	708.3	510.8	541.7	2,392.9	444.7	502.0	12.9%	-29.1%
	Op. Income	-13.4	15.9	-10.2	-19.2	-26.9	-5.7	23.7		
<b>LGE Consolidated Excluding LG Innotek (①)</b>	Sales	13,728.2	14,328.5	13,424.8	13,241.4	54,722.9	12,860.4	11,441.8	-11.0%	-20.1%
	Op. Income	910.6	641.2	597.4	-109.8	2,039.4	951.2	453.8		
	(%)	6.6%	4.5%	4.4%	-0.8%	3.7%	7.4%	4.0%		
<b>LG Innotek (②)</b>	Sales	1,368.6	1,522.3	2,446.0	2,965.2	8,302.1	2,010.9	1,539.9	-23.4%	1.2%
	Op. Income	-11.4	18.8	186.5	209.2	403.1	138.0	42.9		
<b>LGE-LG Innotek Inter-company Transaction (③)</b>	Sales	181.7	221.6	170.1	145.4	718.8	143.5	147.9		
	Op. Income	-1.4	7.7	2.5	-2.4	6.4	-1.2	1.3		
<b>LGE Consolidated (①+②-③)</b>	Sales	14,915.1	15,629.2	15,700.7	16,061.2	62,306.2	14,727.8	12,833.8	-12.9%	-17.9%
	Op. Income	900.6	652.3	781.4	101.8	2,436.1	1,090.4	495.4		
	(%)	6.0%	4.2%	5.0%	0.6%	3.9%	7.4%	3.9%		

\*Since the information regarding results of 2Q'20 has been prepared in advance, it is subject to change in the process of final review by external auditors

\*From 1Q'20, IT business has been restated to 'BS division' from 'HE division' and CEM business has been restated to 'BS division' from 'others'

- The company determine the dividends considering the profit level, cash flow of the current year, strategic investments in the future and raising shareholder value in the market to increase shareholder value and shareholder return.
- Dividends for fiscal year 2019 was approved by the Board of Directors and confirmed at the 18th General Shareholders' Meeting.
  - ※ Dividend per share in 2019: Common stock 750 Korean Won, Preferred stock 800 Korean Won

		2012 (11th)	2013 (12th)	2014 (13th)	2015 (14th)	2016 (15th)	2017 (16th)	2018 (17th)	2019 (18th)
<b>Face value per share</b> (KRW)	Common	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
	Preferred	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
<b>Cash dividend per share</b> (KRW)	Common	200	200	400	400	400	400	750	750
	Preferred	250	250	450	450	450	450	800	800
<b>(Consolidated) Net Income</b> (KRW billion)		66.8	176.8	399.4	124.4	76.9	1,725.8	1,240.1	31.3
<b>Total Cash Dividends</b> (KRW billion)		36.9	36.9	72.9	72.9	72.9	72.9	135.9	135.9
<b>(Consolidated) Cash dividends payout ratio (%)</b>		55.2	20.9	18.3	58.6	94.8	4.2	11.0	434.4
<b>Cash dividend yield (%)</b>	Common	0.3	0.3	0.7	0.8	0.8	0.4	1.2	1.0
	Preferred	1.2	1.0	1.6	1.6	1.9	1.0	3.1	2.8

\*(Consolidated) net income is the profit attributable to owners of the parent