

18th Annual Shareholders' Meeting

Description of Agenda Items

March 2020
LG Electronics Inc.

18th Annual Shareholders' Meeting and Agenda Items for Approval

☐ Date and Venue

- Date: March 26th, 2020 (Thursday) 9:00 A.M. (KST)
- Venue: LG Twin Towers East Building B1 Auditorium

☐ Agenda Items for Approval (February 28th Resolution of Board of Directors)

Item 1: Approval of Proposed FY 2019 Financial Statements	- Dividend per share: Common Stock 750 KRW, Preferred Stock 800 KRW
Item 2: Approval of Amendment of Article of Incorporation	- The proposal intends to promote a new business of sales commission of general goods used with home appliances through the Home Appliance Control App 'LG ThinQ'. - Since such business is not included among the 'Objectives of the Company' in the current Articles of Incorporation, the proposed amendments aim to add "to engage in mail-order sales and e-commerce related businesses" to the Article of Incorporation.
Item 3: Appointment of Directors	- Inside Director: Bong Seok Kwon (Newly Nominated) - Inside Director: Doo Yong Bae (Newly Nominated) - Outside Director: Yong Ho Baek (Re-Nominated)
Item 4: Appointment of Audit Committee Member	- Outside Director as Audit Committee Member: Yong Ho Baek (Re-Nominated)
Item 5: Approval of Compensation Limit for Directors	- Compensation Limit 9.0 Billion KRW (Previous Year: 9.0 Billion) KRW

Agenda 1 : Approval of Financial Statements (FY2019)

Consolidated Statements of Income

Year Ended December 31, 2019 and 2018

(in billions of KRW)

	2018	2019	YoY
Net sales	61,342	62,306	965
Cost of Sales	46,261	46,971	
Gross profit	15,081	15,336	255
(%)	24.6%	24.6%	0.0%p
Selling & Admin Expense	12,378	12,900	522
Operating Income	2,703	2,436	(267)
(%)	4.4%	3.9%	(0.5%p)
Financial expenses	(309)	(288)	
Gain(Loss) on equity method investment	(77)	(1,052)	
Other non-operating expenses	(308)	(568)	
Net Income before tax	2,009	529	
Income tax	536	349	
Net Income	1,473	180	(1,293)
Earnings per share for profit attributable to the ordinary equity holders of the Parent Company (in KRW)	6,882	169	

Agenda 1 : Approval of Financial Statements (FY2019)

Consolidated Statements of Comprehensive Income

Year Ended December 31, 2019 and 2018

(in billions of KRW)

	2018	2019	YoY
Profit for the year	1,473	180	(1,293)
Other comprehensive income(loss), net of tax items that will not be reclassified subsequently to profit or loss			
Actuarial profit(loss) on defined benefit liability	(74)	(146)	
Shares of actuarial profit(loss) of associates	2	33	
Financial assets at fair value through other comprehensive income	(1)	9	
Items that will be reclassified subsequently to profit or loss			
Currency translation differences	(24)	296	
Cash flow hedges	(36)	(33)	
Other comprehensive loss from associates and JV	(9)	39	
Total comprehensive income for the year, net of tax	1,332	377	(955)
Comprehensive income(loss) for the year, net of tax, attributable to			
Equity holders of the Parent Company	1,098	221	
Non-controlling interest	234	156	

Agenda 1 : Approval of Financial Statements (FY2019)

Consolidated Statements of Financial Position

December 31, 2019 and 2018

(in billions of KRW)

Assets

Current assets

Cash and cash equivalents
Trade receivables
Inventories
Other current assets

19,346

4,270

6,372

6,021

2,682

19,754

4,777

6,360

5,863

2,752

408

Non-current assets

Investments in associates and joint ventures
Tangible/intangible assets
Other non-current assets

25,564

5,538

16,997

3,029

25,106

4,545

17,197

3,365

(457)

44,909

44,860

(49)

Liabilities

Trade payables
Borrowings
Provisions
Lease liabilities
Other liabilities

7,217

10,901

1,015

623

8,855

6,821

10,487

1,083

771

9,272

28,610

28,435

(175)

Equity

Paid in capital
Retained earnings
Accumulated other comprehensive loss
Other components of equity
Non controlling interest

3,992

12,067

(1,605)

(210)

2,054

3,992

11,857

(1,310)

(210)

2,095

16,299

16,425

126

Debt ratio

175.5%

173.1%

(2.4%p)

(*) As new K-IFRS 1116(Leases) is adopted, restated balance sheet as of the beginning of 2019 in lieu of balance sheet as of the ending 2018 is presented herein.

Agenda 1 : Approval of Financial Statements (FY2019)

Consolidated Statements of Changes in Equity

Year Ended December 31, 2019 and 2018

(in billions of KRW)

	Owners equity	Non controlling interest	Total
2019			
Balance at the beginning of year	14,253	2,054	16,307
Retained earnings	(8)	0	(8)
Accumulated other comprehensive income	-	-	-
Restated Balance at the beginning of year	14,245	2,054	16,299
Changes in Equity			
Retained earnings	(210)	25	(184)
Accumulated other comprehensive income	295	16	311
	85	41	126
Balance at the end of year	14,330	2,095	16,425
2018			
Balance at the beginning of year	13,224	1,449	14,674
Retained earnings	21	-	21
Accumulated other comprehensive income	(17)	-	(17)
Restated Balance at the beginning of year	13,228	1,449	14,677
Changes in Equity			
Retained earnings	1,091	188	1,278
Accumulated other comprehensive income	(65)	(4)	(69)
Others	-	420	420
	1,026	604	1,630
Balance at the end of year	14,253	2,054	16,307

Agenda 1 : Approval of Financial Statements (FY2019)

Consolidated Statements of Cash Flows

Year Ended December 31, 2019 and 2018

(in billions of KRW)

	2018	2019
Cash flows from operating activities		
Cash generated from operations	5,293	4,539
Interest received	101	129
Dividends received	69	1
Interest paid	(426)	(411)
Income tax paid	(495)	(569)
	4,542	3,689
Cash flows from investing activities		
Increase in tangible/intangible assets	(3,844)	(2,545)
Others	(576)	461
	(4,420)	(2,083)
Cash flows from financing activities		
Decrease in borrowings	942	(609)
Repayments of lease liabilities	-	(277)
Dividends paid	(123)	(231)
	819	(1,117)
Exchange losses on cash and cash equivalents	(21)	18
Net increase in cash and cash equivalents	920	507
Cash and cash equivalents at the beginning of year	3,351	4,270
Cash and cash equivalents at the end of year	4,270	4,777

Agenda 1 : Approval of Financial Statements (FY2019)

Separate Statements of Income

Year Ended December 31, 2019 and 2018

(in billions of KRW)

	2018	2019	YoY
Net sales	29,982	28,655	(1,328)
Cost of Sales	23,614	22,203	
Gross profit	6,368	6,452	83
(%)	21.2%	22.5%	1.3%p
Selling & Admin Expense	5,881	6,286	
Operating Income	488	166	(322)
(%)	1.6%	0.6%	△1.0%p
Financial expenses	(207)	(249)	
Other non-operating expenses	(214)	(77)	
Net Income before tax	68	(159)	
Income tax	72	37	
Net Income	(5)	(196)	(191)
Earnings per share for profit attributable to the ordinary equity holders of the Parent Company(in KRW)	(31)	(1,094)	

Agenda 1 : Approval of Financial Statements (FY2019)

Separate Statements of Comprehensive Income

Year Ended December 31, 2019 and 2018

(in billions of KRW)

	2018	2019	YoY
Profit for the year	(5)	(196)	(191)
Other comprehensive income(loss),net of tax items that will not be reclassified subsequently to profit or loss :			
Actuarial loss on defined benefit liability	(76)	(121)	
Financial assets at fair value through other comprehensive income	(1)	1	
Items that will be reclassified subsequently to profit or loss			
Cash flow hedges	(30)	(16)	
	(108)	(136)	(28)
Total comprehensive income for the year, net of tax	(113)	(332)	(219)

Agenda 1 : Approval of Financial Statements (FY2019)

Separate Statements of Financial Position

December 31, 2019 and 2018

(in billions of KRW)

Assets

Current assets

Cash and cash equivalents
Trade receivables
Inventories
Other current assets

Non-current assets

Investments in associates and joint ventures
Tangible/intangible assets
Other non-current assets

Liabilities

Trade payables
Borrowings
Lease liabilities
Provisions
Other liabilities

Equity

Paid in capital
Retained earnings
Accumulated other comprehensive loss
Other components of equity

Debt ratio

	2019 Beginning(*)	2019 Ending	YoY
Assets			
Current assets	7,833	7,700	(133)
Cash and cash equivalents	1,110	919	
Trade receivables	3,726	3,666	
Inventories	1,505	1,195	
Other current assets	1,492	1,921	
Non-current assets	20,100	19,775	(325)
Investments in associates and joint ventures	9,108	9,022	
Tangible/intangible assets	9,022	8,772	
Other non-current assets	1,970	1,981	
	27,933	27,475	(458)
Liabilities			
Trade payables	5,554	5,228	
Borrowings	7,901	8,220	
Lease liabilities	74	128	
Provisions	474	606	
Other liabilities	4,570	4,400	
	18,572	18,582	10
Equity			
Paid in capital	3,992	3,992	
Retained earnings	5,459	5,006	
Accumulated other comprehensive loss	(57)	(72)	
Other components of equity	(33)	(33)	
	9,361	8,893	(468)
Debt ratio	198.4%	208.9%	10.5%p

(*) As new K-IFRS 1116(Leases) is adopted, restated balance sheet as of the beginning of 2019 in lieu of balance sheet as of the ending 2018 is presented herein.

Agenda 1 : Approval of Financial Statements (FY2019)

Separate Statements of Changes in Equity

Year Ended December 31, 2019 and 2018

(in billions of KRW)

	2018	2019
Balance at the beginning of year	9,545	9,363
Retained earnings	12	(2)
Accumulated other comprehensive income	(8)	-
Restated Balance at the beginning of year	9,548	9,361
Changes in Equity		
Retained earnings	(81)	(317)
Dividend	(73)	(136)
Accumulated other comprehensive income	(31)	(15)
Balance at the end of year	9,363	8,893

Agenda 1 : Approval of Financial Statements (FY2019)

Separate Statements of Cash Flows

Year Ended December 31, 2019 and 2018

(in billions of KRW)

	2018	2019
Cash flows from operating activities		
Cash generated from operations	1,828	366
Interest received	23	16
Dividends received	221	286
Interest paid	(241)	(249)
Income tax paid	(14)	(70)
	1,817	349
Cash flows from investing activities		
Increase in tangible/intangible assets	(1,436)	(1,056)
Others	(1,203)	399
	(2,639)	(657)
Cash flows from financing activities		
Decrease in borrowings	421	292
Repayments of lease liabilities	-	(39)
Dividends paid	(73)	(136)
	348	117
Exchange losses on cash and cash equivalents	(2)	(1)
Net increase in cash and cash equivalents	(476)	(191)
Cash and cash equivalents at the beginning of year	1,586	1,110
Cash and cash equivalents at the end of year	1,110	919

Agenda 1 : Approval of Financial Statements (FY2019)

Statements of Appropriation of Retained Earnings

Year Ended December 31, 2019 and 2018

(in billions of KRW)

	2018	2019
Unappropriated retained earnings(deficit)		
Retained earnings carried forward	0	0
Changes of accounting policy	12	(2)
Shares of actuarial loss of associates	(76)	(121)
Profit(loss) for the year	(5)	(196)
	<u>(69)</u>	<u>(319)</u>
Transfer from voluntary reserve		
Reserve for research and human resource development	5,348	5,129
Total	<u>5,278</u>	<u>4,810</u>
Appropriations of retained earnings		
Earned surplus reserve	14	14
Reserve for research and human resource development	5,129	4,661
Dividends	136	136
	<u>5,278</u>	<u>4,810</u>
Unappropriated Retained Earnings	<u>0</u>	<u>0</u>

Agenda 2 : Amendments of Article of Incorporation

(1) Background

- In accordance with the Articles 433 and 434 of the Korean Commercial Code, the proposal aims to submit the amendments to Article of Incorporation for resolution at a general meeting of shareholders.
- The proposal intends to promote a new business of sales commission, in a form of mail-order sales or mail-order brokerage, of general goods used with home appliances (lightwave ovens, washing machine, etc.), such as food, cleanser, etc., through the Home Appliance Control App 'LG ThinQ'.
- Since such business is not included among the 'Objectives of the Company' in the current Articles of Incorporation, the proposed amendments aim to add "to engage in mail-order sales and e-commerce related businesses" to the Article of Incorporation.¹⁾

(2) Request for Approval

- Amendments to Article of Incorporation: Adding item to the Objectives of the Company

* Only the original Korean texts have legal effect, and the translations here are to be used solely for reference purposes.

Division	Current	Amendment Proposal
Article 2 (Objectives)	<p>The objectives of the Company are as follows:</p> <p>1.To manufacture and sell electronic machinery and appliances;</p> <p>⋮</p> <p>30. To engage in energy audit, ESCO business and other energy-related businesses</p> <p>31. To engage in pollution prevention facility business and other environment-related businesses</p> <p>32. To engage in trade, contracting, sub-contracting or any other businesses incidental to the foregoing; and</p> <p>33. To engage and invest in businesses related to any of the foregoing objectives.</p>	<p>The objectives of the Company are as follows:</p> <p>1.To manufacture and sell electronic machinery and appliances;</p> <p>⋮</p> <p>30. To engage in energy audit, ESCO business and other energy-related businesses</p> <p>31. To engage in pollution prevention facility business and other environment-related businesses</p> <p><u>32. To engage in mail-order sales and e-commerce related businesses</u></p> <p><u>33.</u> To engage in trade, contracting, sub-contracting or any other businesses incidental to the foregoing; and</p> <p><u>34.</u> To engage and invest in businesses related to any of the foregoing objectives.</p>

1) Amendment to Articles of Incorporation is a matter for special resolution at Shareholders' Meeting (Approval of more than 2/3 of the voting rights of the shareholders present at a general meeting of shareholders and more than 1/3 of the total issued and outstanding shares)

Agenda 3 : Appointment of Directors

(1) Background

- Appointment of Directors has been set in accordance with Article 382 of the Korean Commercial Code and Article 28 of the Articles of Incorporation.
- Term of 1 Director out of total 7 current Directors is to expire this year and 2 Directors will resign.

(2) Item for Approval

- Appointment of Bong Seok Kwon and Doo Yong Bae as Inside Directors
- Appointment of Yong Ho Baek as a Outside Director

Items	Name	Appointment	Expiration	Year 2020 Plan	Term
Inside Director	Seong Jin Jo	March 2018	To resign on March 2020	Bong Seok Kwon	3 years (Newly-Nominated)
	Do Hyun Jung	March 2019		Doo Yong Bae	1 year (Newly-Nominated)
Other Director Not Engaged in Regular Business	Young Soo Kwon	March 2019	March 2022	Young Soo Kwon	-
Outside Director	Yong Ho Baek	March 2017	March 2020	Yong Ho Baek	3 years (Re-Nominated)
	Joon Keun Choi	March 2018	March 2021	Joon Keun Choi	-
	Dae Hyung Kim	March 2019	March 2022	Dae Hyung Kim	-
	Sang Goo Lee	March 2019	March 2022	Sang Goo Lee	-

Agenda 3 : Appointment of Directors

1. Profile



- Name: Bong Seok Kwon
- Title: CEO, President at LG Electronics
- Year of Birth: 1963
- Education
 - 1987 B.S. (Industrial Engineering), Seoul National University
 - 2007 MBA, Helsinki School of Economics

2. Career

- 1987 Business Planning Team, LG Electronics
- 2008 Vice President, Monitor Business Unit
- 2012 Senior Vice President, MC Product Planning Division
- 2013 Senior Vice President, Synergy Team, LG Corporation
- 2015 Executive Vice President, President of HE Company
- 2018 President, President of HE and MC Company
- 2019~Present CEO, President at LG Electronics

Agenda 3 : Appointment of Directors

1. Profile



- Name: Doo Yong Bae
- Title: CFO, Executive Vice President at LG Electronics
- Year of Birth: 1966

Education

- 1989 BA (Economics), Seoul National University
- 1996 MA (Public Administration), Seoul National University
- 1998 MA (Accounting), George Washington University

2. Career

- 1999 Deputy Director, Investigation Tax Agency 2, Seoul Regional Tax Office
- 2005 Vice President, Tax & Trade Division, LG Electronics
- 2009 Vice President, Overseas Subsidiaries Management Division
- 2010 Vice President, European Regional CFO
- 2013 Senior Vice President, Tax & Trade Division Leader
- 2018 Executive Vice President, Tax, Trade & Insurance Group Leader
- 2019~Present CFO, Executive Vice President at LG Electronics

Agenda 3 : Appointment of Directors

1. Profile



- Name: Yong Ho Baek
- Title: Professor at Department of Policy Science in Ewha University
- Year of Birth: 1956
- Education
 - 1983 MA (Economics), The State University of New York
 - 1985 PhD (Economics), The State University of New York

2. Career

- 2002 President of the Seoul Development Institute
- 2008 Chairman of Korea Fair Trade Commission
- 2009 National Tax Service Commissioner
- 2010 Policy planning chief at Cheong Wa Dae
- 2012 Special Assistant to the President
- 2013~Present Professor at Department of Policy Science in Ewha University

Agenda 4 : Appointment of Audit Committee Member

(1) Background

- Appoint an Audit Committee Member in accordance with Article 542.12 of the Korean Commercial Code
- The term of 1 Member out of total 3 Audit Committee Members is to expire

(2) Item for Approval

- Appointment of Yong Ho Baek(Outside Director) as Audit Committee Member

Name	Appointment	Expiration	Year 2020 Plan	Term
Yong Ho Baek	March 2019	March 2020	Yong Ho Baek	3 years (Re-Nominated)
Dae Hyung Kim	March 2019	March 2022	Dae Hyung Kim	-
Joon Keun Choi	March 2018	March 2021	Joon Keun Choi	-

※ The term of Audit Committee Members is identical to the term of Directors appointment¹⁾

*Note 1) Bylaws of Audit Committee Members, Article 5

Unless specifically indicated otherwise by Statue, Articles of Incorporation or submitted to the meeting of the shareholders, the term of Audit Committee Members is identical to the term of Directors appointment.

Agenda 4 : Appointment of Audit Committee Member

1. Profile



- Name: Yong Ho Baek
- Title: Professor at Department of Policy Science in Ewha University
- Year of Birth: 1956
- Education
 - 1983 MA (Economics), The State University of New York
 - 1985 PhD (Economics), The State University of New York

2. Career

- 2002 President of the Seoul Development Institute
- 2008 Chairman of Korea Fair Trade Commission
- 2009 National Tax Service Commissioner
- 2010 Policy planning chief at Cheong Wa Dae
- 2012 Special Assistant to the President
- 2013~Present Professor at Department of Policy Science in Ewha University

Agenda 5 : Approval of Compensation Limit for Directors

(1) Background

- To set the compensation limit for Directors in accordance with Article 388 of the Korean Commercial Code and Article 39 of the Articles of Incorporation
- Request the approval of compensation limit at the same level as previous year.

(2) Item for Approval

- 2020 compensation limit: 9.0 billion KRW (2019: 9.0 billion)
- Compensation of directors: Fixed annual income (basic income + income based on role) and bonus

Item	2019		2020 Plan
	Approved Limit	Actual Payroll	
Compensation Limit	9.0 billion KRW	5.6 billion KRW	9.0 billion KRW

(3) References

- 9.0 billion KRW limit is set with the consideration of Directors' fixed annual income, maximum simulated results of bonus, and volatility of future compensations, which are difficult to foresee as of now, etc.
Bonus is evaluated on the basis of both quantitative indexes (e.g. Sales, Operating Profit, etc.) and non-quantitative indexes (e.g. mid-to-long term strategic task implementation for future business preparation, key tasks evaluation, etc.)
- LGE has been paying the compensation of Directors as per the rules set in Board of Directors, within the limit approved in Shareholder Meeting, appropriately considering Directors' positions, roles, and performances.
Details of compensation till 3rd quarter 2019 are publicly disclosed in 3rd quarter report, which is posted in Korean public filing site.
- After the approval of compensation limit for Directors in the Meeting of the Shareholders, detailed plan of compensation is to be approved in the following Board of Directors Meeting on March 26th.