

19th Annual Shareholders' Meeting

Description of Agenda Items

March 2021

LG Electronics Inc.

19th Annual Shareholders' Meeting and Agenda Items for Approval

❑ Date and Venue

- Date : March 24th, 2021 (Wednesday) 9:00 A.M. (KST)
- Venue : LG Twin Towers East Building B1 Auditorium

❑ Agenda Items for Approval (February 25th Resolution of Board of Directors)

Agenda 1 : Approval of Proposed FY 2020 Financial Statements	- Dividend per share : Common Stock 1,200 KRW, Preferred Stock 1,250 KRW
Agenda 2 : Approval of Amendment of Article of Incorporation	- To delete the provision on quorum for appointment of directors pursuant to the adoption of the electronic voting system - To reflect the separate election of members of the Audit Committee pursuant to the amended Article 542-12 of the Korean Commercial Code - To delete the provision on retirement of shares in accordance with the amendment of the Financial Services and Capital Markets Act
Agenda 3 : Appointment of Directors	- Inside Director: Doo Yong Bae (Re-Nominated)
Agenda 4 : Appointment of Outside Director as Audit Committee Member	- Outside Director as Audit Committee Member : Soo Jin Kang (Newly Nominated)
Agenda 5 : Approval of Compensation Limit for Directors	- Compensation Limit 9.0 Billion KRW (Previous Year : 9.0 Billion KRW)
Agenda 6 : Request for Approval on Spin-off Plan	- To approve spin-off plan for a newly established JV of electric vehicle components business

Agenda 1 : Approval of Financial Statements (FY2020)

Consolidated Statements of Income

Year Ended December 31, 2020 and 2019

(in billions of KRW)

	2019	2020	YoY
Net sales	62,306	63,262	956
Cost of Sales	46,971	46,945	
Gross profit	15,336	16,317	981
(%)	24.6%	25.8%	1.2%p↑
Selling & Admin Expense	12,900	13,122	222
Operating Income	2,436	3,195	759
(%)	3.9%	5.1%	1.2%p↑
Financial expenses	(288)	(458)	
Gain(Loss) on equity method investment	(1,052)	(24)	
Other non-operating expenses	(568)	(257)	
Net Income before tax	529	2,456	
Income tax	349	392	
Net Income	180	2,064	1,884
Earnings per share for profit attributable to the ordinary equity holders of the Parent Company (in KRW)	169	10,926	

Agenda 1 : Approval of Financial Statements (FY2020)

Consolidated Statements of Comprehensive Income

Year Ended December 31, 2020 and 2019

(in billions of KRW)

	2019	2020	YoY
Profit for the year	180	2,064	1,884
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	(146)	(77)	
Shares of actuarial profit(loss) of associates	33	42	
Financial assets at fair value through other comprehensive income	9	22	
Items that will be reclassified subsequently to profit or loss			
Currency translation differences	296	(699)	
Cash flow hedges	(33)	(6)	
Other comprehensive loss from associates and JV	39	(3)	
Total comprehensive income for the year, net of tax	377	1,343	966
Comprehensive income(loss) for the year, net of tax, attributable to			
Equity holders of the Parent Company	221	1,243	
Non-controlling interest	156	100	

Agenda 1 : Approval of Financial Statements (FY2020)

Consolidated Statements of Financial Position

December 31, 2020 and 2019

(in billions of KRW)

	2020 Beginning	2020 Ending	YoY
Assets			
Current assets	19,754	23,239	3,486
Cash and cash equivalents	4,777	5,896	
Trade receivables	6,360	7,155	
Inventories	5,863	7,447	
Other current assets	2,752	2,741	
Non-current assets	25,106	24,965	(142)
Investments in associates and joint ventures	4,545	4,472	
Tangible/intangible assets	17,197	17,113	
Other non-current assets	3,365	3,380	
	44,860	48,204	3,344
Liabilities			
Trade payables	6,821	8,728	
Borrowings	10,487	9,920	
Provisions	1,083	1,196	
Lease liabilities	771	862	
Other liabilities	9,272	9,956	
	28,435	30,662	2,227
Equity			
Paid in capital	3,992	3,992	
Retained earnings	11,857	13,653	
Accumulated other comprehensive loss	(1,310)	(1,998)	
Other components of equity	(210)	(210)	
Non controlling interest	2,095	2,105	
	16,425	17,542	1,117
Debt ratio	173.1%	174.8%	1.7%p↑

Agenda 1 : Approval of Financial Statements (FY2020)

Consolidated Statements of Changes in Equity

Year Ended December 31, 2020 and 2019

(in billions of KRW)

2020

Balance at the beginning of year

Retained earnings

Accumulated other comprehensive income

Restated Balance at the beginning of year

Changes in Equity

Retained earnings

Accumulated other comprehensive income

Others

Balance at the end of year

2019

Balance at the beginning of year

Retained earnings

Accumulated other comprehensive income

Restated Balance at the beginning of year

Changes in Equity

Retained earnings

Accumulated other comprehensive income

Balance at the end of year

Owners equity	Non controlling interest	Total
14,330	2,095	16,425
-	-	-
-	-	-
14,330	2,095	16,425
1,796	(2)	1,794
(688)	3	(686)
-	9	9
1,107	10	1,117
15,438	2,105	17,542
14,253	2,054	16,307
(8)	0	(8)
-	-	-
14,245	2,054	16,299
(210)	25	(184)
295	16	311
85	41	126
14,330	2,095	16,425

Agenda 1 : Approval of Financial Statements (FY2020)

Consolidated Statements of Cash Flows

Year Ended December 31, 2020 and 2019

(in billions of KRW)

	2019	2020
Cash flows from operating activities		
Cash generated from operations	4,539	5,551
Interest received	129	89
Dividends received	1	14
Interest paid	(411)	(373)
Income tax paid	(569)	(652)
	3,689	4,629
Cash flows from investing activities		
Increase in tangible/intangible assets	(2,545)	(3,083)
Others	461	769
	(2,083)	(2,315)
Cash flows from financing activities		
Decrease in borrowings	(609)	(466)
Repayments of lease liabilities	(277)	(293)
Dividends paid	(231)	(235)
	(1,117)	(994)
Exchange losses on cash and cash equivalents	18	(148)
Net increase in cash and cash equivalents	507	1,173
Cash and cash equivalents at the beginning of year	4,270	4,777
Cash and cash equivalents reclassified to assets held for sale	-	(54)
Cash and cash equivalents at the end of year	4,777	5,896

Agenda 1 : Approval of Financial Statements (FY2020)

Separate Statements of Income

Year Ended December 31, 2020 and 2019

(in billions of KRW)

	2019	2020	YoY
Net sales	28,655	28,435	(220)
Cost of Sales	22,203	21,356	
Gross profit	6,452	7,079	627
(%)	22.5%	24.9%	2.4%p↑
Selling & Admin Expense	6,286	6,332	
Operating Income	166	747	581
(%)	0.6%	2.6%	2.0%p↑
Financial expenses	(249)	(356)	
Other non-operating expenses	(77)	901	
Net Income before tax	(159)	1,292	
Income tax	37	81	
Net Income	(196)	1,212	1,408
Earnings per share for profit attributable to the ordinary equity holders of the Parent Company(in KRW)	(1,094)	6,724	

Agenda 1 : Approval of Financial Statements (FY2020)

Separate Statements of Comprehensive Income

Year Ended December 31, 2020 and 2019

(in billions of KRW)

	2019	2020	YoY
Profit for the year	(196)	1,212	1,408
Other comprehensive income(loss),net of tax items that will not be reclassified subsequently to profit or loss :			
Actuarial loss on defined benefit liability	(121)	(64)	
Financial assets at fair value through other comprehensive income	1	16	
Items that will be reclassified subsequently to profit or loss			
Cash flow hedges	(16)	-	
	(136)	(47)	89
Total comprehensive income for the year, net of tax	(332)	1,164	1,496

Agenda 1 : Approval of Financial Statements (FY2020)

Separate Statements of Financial Position

December 31, 2020 and 2019

(in billions of KRW)

	2019 Ending	2020 Ending	YoY
Assets			
Current assets	7,700	9,670	1,970
Cash and cash equivalents	919	1,917	
Trade receivables	3,666	4,995	
Inventories	1,195	1,594	
Other current assets	1,921	1,164	
Non-current assets	19,775	20,030	256
Investments in associates and joint ventures	9,022	8,881	
Tangible/intangible assets	8,772	9,372	
Other non-current assets	1,981	1,777	
	27,475	29,700	2,225
Liabilities			
Trade payables	5,228	6,291	
Borrowings	8,220	7,825	
Lease liabilities	128	122	
Provisions	606	727	
Other liabilities	4,400	4,814	
	18,582	19,778	1,197
Equity			
Paid in capital	3,992	3,992	
Retained earnings	5,006	6,018	
Accumulated other comprehensive loss	(72)	(56)	
Other components of equity	(33)	(33)	
	8,893	9,922	1,028
Debt ratio	208.9%	199.3%	9.6%p↓

Agenda 1 : Approval of Financial Statements (FY2020)

Separate Statements of Changes in Equity

Year Ended December 31, 2020 and 2019

(in billions of KRW)

	2019	2020
Balance at the beginning of year	9,363	8,893
Retained earnings	(2)	-
Accumulated other comprehensive income	-	-
Restated Balance at the beginning of year	9,361	8,893
Changes in Equity		
Retained earnings	(317)	1,148
Dividend	(136)	(136)
Accumulated other comprehensive income	(15)	16
Balance at the end of year	8,893	9,922

Agenda 1 : Approval of Financial Statements (FY2020)

Separate Statements of Cash Flows

Year Ended December 31, 2020 and 2019

(in billions of KRW)

	2019	2020
Cash flows from operating activities		
Cash generated from operations	366	2,107
Interest received	16	8
Dividends received	286	494
Interest paid	(249)	(249)
Income tax paid	(70)	(137)
	349	2,223
Cash flows from investing activities		
Increase in tangible/intangible assets	(1,056)	(1,427)
Others	399	787
	(657)	(640)
Cash flows from financing activities		
Decrease in borrowings	292	(373)
Repayments of lease liabilities	(39)	(75)
Dividends paid	(136)	(136)
	117	(584)
Exchange losses on cash and cash equivalents	(1)	(2)
Net increase in cash and cash equivalents	(191)	998
Cash and cash equivalents at the beginning of year	1,110	919
Cash and cash equivalents at the end of year	919	1,917

Agenda 1 : Approval of Financial Statements (FY2020)

Statements of Appropriation of Retained Earnings

Year Ended December 31, 2020 and 2019

(in billions of KRW)

	2019	2020
Unappropriated retained earnings(deficit)		
Retained earnings carried forward	0	0
Changes of accounting policy	(2)	-
Remeasurements of the net defined benefit liability	(121)	(64)
Profit(loss) for the year	(196)	1,212
	(319)	1,148
Transfer from voluntary reserve		
Reserve for research and human resource development	5,129	4,661
Total	4,810	5,809
Appropriations of retained earnings		
Earned surplus reserve	14	22
Reserve for research and human resource development	4,661	5,570
Dividends	136	217
	4,810	5,809
Unappropriated Retained Earnings	0	0

Agenda 2 : Approval of Amendment of Article of Incorporation

1. Background

- To delete the provision on quorum for appointment of directors in order to relax the quorum requirement pursuant to the adoption of the electronic voting system
- To reflect the introduction of the separate election of members of the Audit Committee and the changes to the restriction on voting rights pursuant to the amended Article 542-12 of the Korean Commercial Code
- To delete the provision on retirement of shares in accordance with the amendment of the Financial Services and Capital Markets Act and the Model Articles of Incorporation for listed companies

2. Item for Approval

Article	Current	Amendment Proposal	Notes
Article 28 (Election of Director)	3. The directors of the Company shall be elected by a majority vote of the shareholders present or represented at the meeting; provided, that such majority vote shall represent at least one-fourth (1/4) of the total number of the issued shares of the Company.	(Delete)	<ul style="list-style-type: none">• Article 542-12(8) of the Korean Commercial Code relaxes the quorum requirement if the electronic voting system is introduced for the general meeting of shareholders• Deleting provision prescribing the quorum for appointment of directors in order to apply the amended law in accordance with Article 26 of the Articles of Incorporation

Agenda 2 : Approval of Amendment of Article of Incorporation

Article	Current	Amendment Proposal	Notes
Article 38 (Audit Committee)	<p>2. When electing a member of the Audit Committee who is an outside director of the Company, any shareholder holding shares with voting rights in excess of three one hundredths (3/100) of the total issued and outstanding shares of the Company shall not exercise the voting rights with respect to the shares in excess of such ratio.</p> <p>3. When electing or dismissing a member of the Audit Committee who is not an outside director of the Company, if the total number of shares of the Company held by the largest shareholder and its specially related persons, by any person holding shares of the Company for the account of the largest shareholder and its specially related person, and by any person who authorizes the largest shareholder and its specially related persons to exercise his voting right is more than three one hundredths (3/100) of the total issued and outstanding shares of the Company with voting rights, then such shareholder shall not exercise the voting rights with respect to the shares in excess of such ratio.</p>	<p>2. Members of the Audit Committee shall be appointed from the directors appointed at a general meeting of shareholders; provided that, <u>one member of the Audit Committee shall be elected as a director who will also take the role of an Audit Committee member by a resolution of the general meeting of shareholders, separately from other directors.</u></p> <p>3. <u>When electing or dismissing a member of the Audit Committee, any shareholder (in the case of the largest shareholder, combine the shares of specially related persons and other persons determined by the Enforcement Decree of the Korean Commercial Code when electing or dismissing a member of the Audit Committee who is not an outside director) holding shares in excess of three one hundredths (3/100) of the total issued and outstanding shares of the Company, excluding the shares without voting rights, shall not exercise the voting rights with respect to the shares in excess of such ratio.</u></p>	<ul style="list-style-type: none"> Reflecting clause ② (separate election of a director who is also a member of the Audit Committee) and ④ (restriction on voting rights when electing or dismissing member of the Audit Committee) of Article 542-12 of the amended Korean Commercial Code

Agenda 2 : Approval of Amendment of Article of Incorporation

Article	Current	Amendment Proposal	Notes
Article 43-2. (Retirement of Stocks)	<p>1. The Company may retire its stocks based on a resolution of the Board of Directors out of profits to be distributed to its shareholders.</p> <p>2. In the event that it is intended to retire stocks under paragraph (1), the concrete standard and methods, etc. therefor shall be decided in accordance with Article 165-3 of the Capital Market and Financial Investment Business Act.</p>	(Delete)	<ul style="list-style-type: none">Deleting due to the repeal of Article 165-3 of the Financial Services and Capital Markets Act prescribing the special cases on retirement of stocks using profits, for stock-listed corporations

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.

2. Item for Approval

- Appointment of Doo Yong Bae as an Inside Director

Items	Name	Career	Terms
Inside Director	Doo Yong Bae	<ul style="list-style-type: none">▪ (Present) CFO, Executive Vice President at LG Electronics▪ (Former) Vice President, Tax & Trade Division, LG Electronics▪ (Former) Vice President, European Regional CFO, LG Electronics▪ (Former) Deputy Director, Investigation Tax Agency 2, Seoul Regional Tax Office	3 Years (Re-Nominated)

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, LG Electronics
- 2010 Vice President, European Regional CFO, LG Electronics
- 2013 Senior Vice President, Tax & Trade Division Leader, LG Electronics
- 2018 Executive Vice President, Tax, Trade & Insurance Group Leader, LG Electronics
- 2019~Present CFO, Executive Vice President at LG Electronics

Agenda 4 : Appointment of Outside Director as Audit Committee Member

1. Background

- Appoint an outside director as a Audit Committee Member in accordance with Article 542-12 of the Korean Commercial Code and Article 28 of the Articles of Incorporation
- The term of 1 Member out of total 3 Audit Committee Members is to expire

2. Item for Approval

- Appointment of Soo Jin Kang for an Outside Director as Audit Committee Member

Name	Appointment	Expiration	Year 2021 Plan	Term
Joon Keun Choi	March 2018	March 2021	Soo Jin Kang	3 Years (Newly-Nominated)
Dae Hyung Kim	March 2019	March 2022	Dae Hyung Kim	-
Yong Ho Baek	March 2020	March 2023	Yong Ho Baek	-

Agenda 4 : Appointment of Outside Director as Audit Committee Member

1. Profile



- Name : Soo Jin Kang
- Title : Professor, Korea University School of Law
- Year of Birth: 1971
- Education
 - 1993 Seoul National University, LL.B.
 - 2005 Harvard Law School, LL.M.

2. Career

- 1992 Admitted to the bar, Korea
- 1995 Public prosecutor, Seoul Central District Prosecutor's Office
- 1997 Public prosecutor, Seongnam Branch, Suwon District Prosecutor's Office
- 2001 Public prosecutor, Daejeon District Prosecutor's Office
- 2005 Attorney, Logos Law LLC
- 2009 Director of Litigation office, Korea Fair Trade Commission
- 2010 Partner, Yulchon LLC, Attorneys at Law
- 2011 Professor, Korea University School of Law

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

- 2021 compensation limit: 9.0 billion KRW (2020: 9.0 billion)
- Compensation of directors: Fixed annual income (basic income + income based on role) and bonus

Item	2020		2021 Plan
	Approved Limit	Actual Payroll	
Compensation Limit	9.0 billion KRW	4.1 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 2020 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 24th.

Agenda 6 : Request for Approval on Spin-off Plan

1. Background

- To approve the Spinoff Plan is intended to be submitted to the Annual Shareholders' Meeting in accordance with Articles 530-3 and 530-12 of the Korean Commercial Code
- Through the spin-off of the division of part of Electric Vehicle Components Business and the establishment of the new spin-off company, it is aimed to strengthen business expertise and market competitiveness, to improve management efficiency with prompt decision-making tailored to the characteristics of the business, and to improve competitiveness securing growth potential, strategic business alliance, and technical cooperation.

2. Item for Approval

- Type of Spin-off : Vertical Spin-off
- Name of new spin-off company : (Temporary) LG Magna e-Powertrain Co., Ltd.
- Effective Day of Spin-off : July 1st, 2021 (Scheduled)
- Related Business of Spin-off : Part of Electric Vehicle Components Business, including Motor/PE(Power Electronics), Battery Heater, HPDM(High Power Distribution Module), PRA(Power Relay Assembly), DC Charging Box, and Battery/Battery Pack Components