

LG Display Co., Ltd.
Form 6-K
March 25, 2013
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

REPORT OF FOREIGN PRIVATE ISSUER

PURSUANT TO RULE 13a-16 OR 15d-16

UNDER THE SECURITIES EXCHANGE ACT OF 1934

For the month of March 2013

LG Display Co., Ltd.

(Translation of Registrant's name into English)

LG Twin Towers, 128 Yeoui-daero, Yeongdeungpo-gu, Seoul 150-721, Republic of Korea

(Address of principal executive offices)

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Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Note: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Note: Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submission to furnish a report or other document that the registration foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's home country), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

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ANNUAL REPORT

(From January 1, 2012 to December 31, 2012)

THIS IS A TRANSLATION OF THE ANNUAL REPORT ORIGINALLY PREPARED IN KOREAN AND IS IN SUCH FORM AS REQUIRED BY THE KOREAN FINANCIAL SUPERVISORY COMMISSION.

IN THE TRANSLATION PROCESS, SOME PARTS OF THE REPORT WERE REFORMATTED, REARRANGED OR SUMMARIZED AND CERTAIN NUMBERS WERE ROUNDED FOR THE CONVENIENCE OF READERS.

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A. Name and contact information

The name of our company is EL-GI DISPLAY CHUSIK HOESA, which shall be LG Display Co., Ltd. in English.

Our principal executive office is located at LG Twin Towers, 128 Yeoui-daero, Yeongdeungpo-gu, Seoul 150-721, Republic of Korea, Republic of Korea, and our telephone number is +82-2-3777-1114. Our website address is <http://www.lgdisplay.com>.

B. Domestic credit rating

| Subject instruments | Month of rating | Credit rating | Rating agency (Rating range) |
|---------------------|-----------------|---------------|------------------------------------|
| Commercial Paper | January 2006 | | NICE Information Service Co., Ltd. |
| | June 2006 | | |
| | December 2006 | A1 | (A1 ~ D) |
| | June 2007 | | |
| | December 2007 | | Korea Investors Service, Inc. |
| | September 2008 | | |
| | December 2008 | | |
| | June 2006 | | |
| | January 2007 | | Korea Investors Service, Inc. |
| | June 2007 | A1 | |
| December 2007 | | (A1 ~ D) | |
| September 2008 | | | |
| Corporate Debenture | June 2006 | AA- | NICE Information Service Co., Ltd. |
| | December 2006 | | |
| | June 2007 | A+ | |
| | September 2008 | | |
| | July 2009 | AA- | |
| | October 2009 | | |
| | February 2010 | | |
| | May 2010 | | |
| | December 2010 | | |
| | August 2011 | AA- | |
| June 2012 | | (AAA ~ D) | |
| October 2012 | | | |
| March 2013 | | | |

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| | | |
|----------------|-----|-------------------------------|
| June 2006 | AA- | |
| January 2007 | | |
| June 2007 | A+ | |
| September 2008 | | |
| July 2009 | AA- | |
| December 2009 | | Korea Investors Service, Inc. |
| February 2010 | | |
| May 2010 | | (AAA ~ D) |
| August 2010 | | |
| February 2011 | AA- | |
| April 2011 | | |
| August 2011 | | |
| October 2011 | | |
| June 2012 | | |
| October 2012 | | |
| October 2009 | | |
| December 2009 | | |
| August 2010 | | |
| December 2010 | | |
| February 2011 | AA- | Korea Ratings Corporation |
| April 2011 | | (AAA ~ D) |
| July 2011 | | |
| October 2011 | | |
| June 2012 | | |
| March 2013 | | |

C. Capitalization

(1) Change in capital stock (as of December 31, 2012)

(Unit: Won, Share)

| Date | Description | Change in number of common shares | Face amount per share |
|-------------------|-----------------------------------|-----------------------------------|-----------------------|
| July 23, 2004 | Offering ⁽¹⁾ | 33,600,000 | 5,000 |
| September 8, 2004 | Follow-on offering ⁽²⁾ | 1,715,700 | 5,000 |
| July 27, 2005 | Follow-on offering ⁽³⁾ | 32,500,000 | 5,000 |

- (1) ADSs offering: 24,960,000 shares (US\$30 per share, US\$15 per ADS) / Initial public offering in Korea: 8,640,000 shares (34,500 per share)
- (2) ADSs offering: 1,715,700 shares (34,500 per share) pursuant to the exercise of greenshoe option by the underwriters
- (3) ADSs offering: 32,500,000 shares (US\$42.64 per share, US\$21.32 per ADS)

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(2) Convertible bonds (as of December 31, 2012)

(Unit: In millions of Won, Share)

| | | | | | |
|--|---|--------------|--|--|--|
| Issue date: | April 18, 2007 | | | | |
| Maturity: | April 18, 2012 ⁽³⁾ | | | | |
| Face amount: ⁽¹⁾ | 513,480 | | | | |
| Conversion shares: | Registered common shares | | | | |
| Conversion period: | Convertible into shares of common stock during the period from April 19, 2008 to April 3, 2012 | | | | |
| Conversion price: ⁽²⁾ | 47,892 per share | | | | |
| Outstanding ⁽³⁾ | <table border="0"> <tr> <td>Face amount:</td> <td></td> </tr> <tr> <td>Number of convertible shares: ⁽²⁾</td> <td></td> </tr> </table> | Face amount: | | Number of convertible shares: ⁽²⁾ | |
| Face amount: | | | | | |
| Number of convertible shares: ⁽²⁾ | | | | | |
| Remarks: | <ul style="list-style-type: none"> - Registered form - Listed on Singapore Exchange | | | | |

- (1) Face amount translated from US\$550 million at the noon buying rate of the Federal Reserve Bank of New York in effect on April 10, 2007 (which was the date the convertible bond purchase agreement was entered into), which was 933.6 = US\$1.00.
- (2) Conversion price was adjusted from 49,070 to 48,760 and the number of convertible shares was adjusted from 10,464,234 to 10,530,762 following the approval by the shareholders of a cash dividend of 750 per share at the annual general meeting of shareholders on February 29, 2008. Conversion price was further adjusted from 48,760 to 48,251 and the number of shares issuable upon conversion was adjusted from 10,530,762 to 10,641,851 following the approval by the shareholders of a cash dividend of 500 per share at the annual general meeting of shareholders on March 13, 2009. Conversion price was further adjusted from 48,251 to 48,075 and the number of shares issuable upon conversion was adjusted from 10,641,851 to 10,680,811 following the approval by the shareholders of a cash dividend of 500 per share at the annual general meeting of shareholders on March 12, 2010. In April 2010, certain holders of our US\$550 million convertible bonds due 2012 exercised their put option for an aggregate principal amount of US\$484 million and were repaid at 109.75% of their principal amount. Accordingly, the number of shares issuable upon conversion changed from 10,680,811 to 1,281,697. Conversion price was further adjusted from 48,075 to 47,892 and the number of shares issuable upon conversion was adjusted from 1,281,697 to 1,286,594 following the approval by the shareholders of a cash dividend of 500 per share at the annual general meeting of shareholders on March 11, 2011.
- (3) The remaining US\$66 million of these convertible bonds were repaid in full upon their maturity on April 18, 2012 at 116.77% of their principal amount.

D. Voting rights (as of December 31, 2012)

(Unit: share)

| Description | | Number of shares |
|---|------------------|------------------|
| A. Total number of shares issued: | Common shares | 357,815,700 |
| | Preferred shares | |
| B. Shares without voting rights: | Common shares | |
| | Preferred shares | |
| C. Shares subject to restrictions on voting rights pursuant to our articles of incorporation: | Common shares | |
| | Preferred shares | |

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| | | |
|---|------------------|-------------|
| D. Shares subject to restrictions on voting rights pursuant to regulations: | Common shares | |
| | Preferred shares | |
| E. Shares with restored voting rights: | Common shares | |
| | Preferred shares | |
| Total number of issued shares with voting rights (=A B C D + E): | Common shares | 357,815,700 |
| | Preferred shares | |

E. Dividends

At the annual general meeting of shareholders on March 9, 2012, we did not declare a cash dividend to our shareholders.

Dividends during the most recent three fiscal years

| Description (unit) | 2012 | 2011 | 2010 |
|---|--------|-----------|-----------|
| Par value (Won) | 5,000 | 5,000 | 5,000 |
| Profit (loss) for the period (million Won) ⁽¹⁾ | 28,549 | (991,032) | 1,002,648 |
| Earnings per share (Won) ⁽²⁾ | 80 | (2,770) | 2,802 |
| Total cash dividend amount (million Won) | | | 178,908 |
| Total stock dividend amount (million Won) | | | |
| Cash dividend payout ratio (%) | | | 17.8 |
| Cash dividend yield (%) ⁽³⁾ | | | 1.3 |
| Stock dividend yield (%) | | | |
| Cash dividend per share (Won) | | | 500 |
| Stock dividend per share (share) | | | |

- (1) Profit (loss) for the period based on separate K-IFRS.
- (2) Earnings per share is based on par value of 5,000 per share and is calculated by dividing net income by weighted average number of common stock.
- (3) Cash dividend yield is the percentage that is derived by dividing cash dividend by the arithmetic average of the daily closing prices of our common stock during the one-week period ending two trading days prior to the closing of the register of shareholders for the purpose of determining the shareholders entitled to receive annual dividends.

2. Business

A. Business overview

We were incorporated in February 1985 under the laws of the Republic of Korea. LG Electronics and LG Semicon transferred their respective LCD business to us in 1998, and since then, our business has been focused on the research, development, manufacture and sale of display panels, applying technologies such as TFT-LCD, LTPS-LCD and OLED.

As of December 31, 2012, we operated TFT-LCD and OLED production facilities and a LCD research center in Paju, Korea and TFT-LCD production facilities in Gumi, Korea. We have also established subsidiaries in the Americas, Europe and Asia.

As of December 31, 2012, our business consisted of the manufacture and sale of LCD and OLED panels and monitor products. Because our non-LCD business represented an extremely small portion of our assets and revenues as of and for the year ended December 31, 2012, we have included them as part of our LCD reporting business segment.

Table of Contents2012 consolidated operating results highlights

(Unit: In billions of Won)

| | 2012 | LCD business |
|-------------------------|------|--------------|
| Sales Revenue | | 29,430 |
| Gross Profit | | 3,005 |
| Operating Profit (Loss) | | 912 |

B. Industry

(1) Industry characteristics and growth potential

- TFT-LCD technology is one of the widely used technologies in the manufacture of flat panel displays, and the demand for flat panel displays is growing. The flat panel display industry is characterized by entry barriers due to rapidly evolving technology, capital-intensive characteristics, and the significant investments required to achieve economies of scale, among other factors. There is intense competition among the players in the industry, and the industry as a whole has experienced continued growth in its production capacity in response to growth in demand for flat panel displays.
- The demand for LCD panels for notebook computers and monitors has stagnated due to market maturation. The demand for LCD panels for television sets has been growing as digital broadcasting is becoming more common and as LCD television has come to play an important role in the digital display market. In addition, the demand for LCD panels for tablets, smartphones, industrial products and automobile navigation systems, among others, has shown continued growth.
- The average selling prices of LCD panels may continue to decline with time irrespective of general business cycles as a result of, among other factors, technology advancements and cost reductions.

(2) Cyclicity

- The TFT-LCD business is highly cyclical. In spite of the increased demand for products, this industry has experienced periodic volatility caused by imbalances between supply and demand due to capacity expansion within the industry.
- Macroeconomic factors and other causes of business cycles can affect the rate of growth in demand for display panels. Accordingly, if supply exceeds demand, average selling prices of display panels may decrease. Conversely, if growth in demand outpaces growth in supply, average selling prices may increase.

(3) Market conditions

- Since 2011, due to a general overcapacity in the TFT-LCD industry, TFT-LCD panel makers have slowed their respective rates of production capacity growth, while a number of them are pursuing other strategic alternatives such as mergers or formation of new alliances.
- Most TFT-LCD panel makers are located in Asia.

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a. Korea: LG Display, Samsung Display, Hydis Technologies, etc.

b. Taiwan: AU Optronics, Innolux (formerly Chimei Innolux), CPT, HannStar, etc.

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c. Japan: Japan Display, Sharp, Panasonic LCD, etc.

d. China: BOE, CSOT, etc.

(4) Market shares

- Our worldwide market share of large-sized TFT-LCD panels (i.e., TFT-LCD panels that are 9 inches or larger) based on revenue is as follows:

| | 2012 ⁽¹⁾ | 2011 ⁽²⁾ | 2010 ⁽³⁾ |
|--|---------------------|---------------------|---------------------|
| Panels for Notebook Computers ⁽⁴⁾ | 34.5% | 34.9% | 33.2% |
| Panels for Monitors | 32.3% | 28.3% | 26.5% |
| Panels for Televisions ⁽⁵⁾ | 25.2% | 24.7% | 23.4% |
| Total | 28.4% | 27.3% | 25.4% |

(1) Source: 2012 Q4 DisplaySearch Quarterly Large-Area TFT LCD Shipment Report.

(2) Source: 2011 Q4 DisplaySearch Quarterly Large-Area TFT LCD Shipment Report (advanced version with LED backlight).

(3) Source: 2010 Q4 DisplaySearch Large-Area TFT LCD Shipment Report (advanced version with LED backlight).

(4) Includes panels for netbooks and tablets.

(5) Includes panels for public displays.

(5) Competitiveness

- Our ability to compete successfully depends on factors both within and outside our control, including product pricing, our relationship with customers, successful and timely investment and product development, cost competitiveness, success in marketing to our end-brand customers, component and raw material supply costs, foreign exchange rates and general economic and industry conditions.
- In order to compete effectively, it is critical to be cost competitive and maintain stable and long-term relationships with customers which will enable us to be profitable even in a buyer's market.
- A substantial portion of our sales is attributable to a limited number of end-brand customers and their designated system integrators. The loss of these end-brand customers, as a result of customers entering into strategic supplier arrangements with our competitors or otherwise, would result in reduced sales.
- Developing new products and technologies that can be differentiated from those of our competitors is critical to the success of our business. It is important that we take active measures to protect our intellectual property internationally by obtaining patents and undertaking monitoring activities in our major markets. It is also necessary to recruit and retain experienced key managerial personnel and skilled line operators.
- As a leading technology innovator in the display industry, we continue to focus on delivering differentiated value to our customers by developing new technologies and products, including in the categories of 3D, touch screens and next generation displays. With respect to 3D technology, we have commenced mass production of high definition 3D panels with reduced degrees of crosstalk, or the degree of 3D image overlapping, of less than 1% (which is less than what the human eye can perceive). We have also acquired the technical skills and have established a supply chain management system that enables us to provide one-stop solutions to our

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customers with respect to touch module products. In addition, we have shown that we are technologically a step ahead of the competition by developing products such as 10.1-inch flexible LCDs, 2.6 mm thin televisions (the thinnest in the world at the time) and 19-inch flexible e-papers. We are a leader in large OLED panel display technology, as demonstrated by our 55-inch OLED display panel unveiled at the Consumer Electronics Show in Las Vegas in January 2012, which was the largest OLED panel at the time.

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- Moreover, we entered into long-term sales contracts with major global firms to secure customers and expand partnerships for technology development.
- C. New businesses
- In order to meet the rapidly increasing market demand for large TFT-LCD panels, we commenced mass production at P83, an eighth generation fabrication line located in our P8 facility, and P9, a new eighth generation production facility, in March 2011 and June 2012, respectively.
 - We also plan to strengthen our market position in future display technologies by strengthening our OLED business, accelerating the development of flexible display technologies and maintaining our leadership position in the LED backlight LCD market.
 - We are making an effort to increase our competitiveness, including in the LCD component parts market, by forming cooperative relationships with suppliers and purchasers of our products. As part of this effort, in March 2005, we established a joint venture company, Paju Electric Glass Co., Ltd., with Nippon Electric Glass Co., Ltd. We invested 14.4 billion in return for a 40% interest in Paju Electric Glass Co., Ltd. In November 2010 and April 2011, we invested an additional 14.8 billion and 4.4 billion, respectively, in Paju Electric Glass Co., Ltd. but the additional investments did not change our percentage interest in Paju Electric Glass Co., Ltd. In July 2008, we purchased 6,850,000 shares of common stock of New Optics Ltd. at a purchase price of 9.7 billion, and in February 2010, we purchased an additional 1,000,000 shares of common stock of New Optics at a purchase price of 2.5 billion. In January 2010, we purchased 10.8 million shares of Can Yang Investment Limited representing a 15% interest at a purchase price of US\$10.8 million. In October 2010, we invested an additional US\$4.5 million and acquired 4.8 million additional shares of Can Yang Investment Limited.
 - In October 2008, we established a joint venture company, Suzhou Raken Technology Ltd., with AmTRAN Technology Co., Ltd., a Taiwan corporation. We invested US\$10.4 million in return for a 51% interest in Suzhou Raken Technology Ltd. Suzhou Raken Technology Ltd. will supply both parties with TFT-LCD modules and TFT-LCD televisions. Through the establishment of this joint venture, we are able to further expand our customer base by securing a stable long-term panel dealer. In 2009 and 2010, we invested an additional US\$58.7 million and US\$14.5 million, respectively, in Suzhou Raken Technology Ltd., but the additional investments did not change our percentage interest in Suzhou Raken Technology Ltd.
 - As part of our strategy to expand our production capacity overseas, we signed an investment agreement and a joint venture agreement in November 2009 with the City of Guangzhou, China, to build an eighth-generation panel fabrication facility in China and held a groundbreaking ceremony in May 2012. In December 2012, we established a joint venture company, LG Display (China) Co., Ltd., with Guangzhou GET Technologies Development Co., Ltd. and Shenzhen SKYWORTH-RGB Electronics Co., Ltd to manufacture and sell eighth-generation panels. We made an initial investment of US\$28 million and acquired a 70% equity interest in LG Display (China) Co., Ltd.
 - In December 2009, certain LG affiliates and we entered into a joint venture investment agreement and established a joint venture company, Global OLED Technology LLC, for purposes of managing the patent assets relating to OLED technology that we acquired from Eastman Kodak Company in December 2009. As of December 31, 2009, we had invested 72.3 billion in return for a 49% equity interest in the joint venture company. In June 2010, we sold 19.0 billion worth of our equity interest in the joint venture company. After such sale, our equity interest was reduced to 32.73%.

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- In December 2009, we acquired a 30.6% limited partnership interest in LB Gemini New Growth Fund No. 16. Under the limited partnership agreement, we agreed to invest a total amount of 30 billion in the fund, and as of December 31, 2010, we had invested 8.3 billion in the fund. By becoming a limited partner of this fund, our aim is to seek direct investment opportunities as well as to receive benefits from the investment. In February 2011, we received a distribution of 1.4 billion from the fund, and in March and April 2011, we invested an additional 1.9 billion and 3.1 billion, respectively, in the fund. In June 2011, we received a further distribution of 0.7 billion as return of principal and 0.9 billion as dividends and we invested an additional 1.2 billion in the fund. In December 2011, we invested an additional 2.0 billion in the fund. In April, July and September 2012, we received distributions of 1.0 billion, 0.8 billion and 1.8 billion from the fund, respectively. In each of September, November and December 2012, we invested an additional 1.5 billion in the fund. The additional investments did not change our investment commitment amount of 30 billion or our limited partnership interest in the fund, which remained at 30.6%.
- In order to establish a production base for LCD modules, LCD television sets and LCD monitors, we entered into a joint investment agreement with Top Victory Investment Ltd. in January 2010 and established L&T Display Technology (Xiamen) Ltd. and L&T Display Technology (Fujian) Ltd. in Xiamen and Fujian, China, respectively. We invested (i) 7.1 billion and acquired a 51% equity interest in L&T Display Technology (Xiamen) Ltd. and (ii) 10.1 billion and acquired a 51% equity interest in L&T Display Technology (Fujian) Ltd.
- In May 2010, we completed the acquisition of the LCD module division of LG Innotek Co., Ltd. Through this acquisition, we expect to improve our module manufacturing process and simplify our supply chain which will increase our efficiency and competitiveness.
- In August 2010, in order to strengthen our competitiveness in the LED backlight LCD market, we entered into a joint venture with Everlight Electronics Co., Ltd. and AmTRAN Technology Co., Ltd. and established Eralite Optoelectronics (Jiangsu) Co., Ltd., a company that specializes in LED packaging and manufacturing, in Suzhou, China. We invested US\$4 million and acquired a 20% equity interest in Eralite Optoelectronics (Jiangsu) Co., Ltd.
- In September 2010, in order to strengthen our OLED business, we acquired a 20% equity interest in YAS Co., Ltd., which develops and manufactures OLED deposition equipment components, at a purchase price of 10 billion.
- In November 2010, in order to strengthen our e-book business, we acquired a 100% equity interest in Image & Materials, Inc., a company that develops and manufactures e-book deposition equipment components, at a purchase price of 35 billion. In each of June 2011, September 2011 and February 2012, we invested an additional 3.0 billion in Image & Materials, Inc.
- In October 2010, in order to strengthen our competitiveness in the e-book market, we entered into a joint venture with Iriver Ltd. and established L&I Electronics Technology (Dongguan) Limited, a company that specializes in e-book manufacturing, in Dongguan, China. We invested US\$2.6 million and acquired a 51% equity interest in L&I Electronics Technology (Dongguan) Limited.
- In November 2010, in order to build Backlight-Module-System (BMS) lines that would help differentiate our technical skills from those of our competitors and increase our cost competitiveness, we entered into a joint venture with Compal Electronics, Inc., a Taiwanese company, and established LUCOM Display Technology (Kunshan) Ltd. in Kunshan, China. We invested US\$2.3 million and acquired a 51% equity interest in LUCOM Display Technology (Kunshan) Ltd. In February and April 2011, we invested an additional US\$ 3.1 million and US\$2.3 million, respectively, in LUCOM Display Technology (Kunshan) Ltd., but the additional investments did not change our percentage interest in LUCOM Display Technology (Kunshan) Ltd.
- In April 2011, in order to enhance the product quality and assist the local development of coaters, a component used in our TFT-LCD products, we invested 20 billion and acquired a 16.6% interest in Narae Nanotech Corporation, a Korean equipment manufacturer. In June 2011, we invested an additional 10.0 billion and acquired a further 7.7% interest in Narae Nanotech Corporation. As of June 30, 2012, we held a 23% equity interest in Narae Nanotech Corporation.

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- In December 2011, in order to improve our cost competitiveness with respect to the glass substrate etching stage of our TFT-LCD panel manufacturing process, we invested 10.6 billion and acquired a 20.3% interest in Avatec Co., Ltd., a third party glass substrate etching processor. Avatec Co., Ltd. increased its paid-in capital in October 2012 and January 2013. We did not subscribe to additional equity on those occasions and, as a result, our equity interest in Avatec Co., Ltd. was diluted to 16.3% after the January 2013 paid-in capital increase.
- In December 2011, in order to expand our module production capacity, we established LG Display U.S.A. Inc. in Texas, United States, and LG Display Reynosa S.A. de C.V. in Reynosa, Mexico. We invested in the form of paid-in capital 12.4 billion and 92 million in LG Display U.S.A. Inc. and LG Display Reynosa S.A. de C.V., respectively. We currently own a 100% interest in LG Display U.S.A. Inc. and a 1% interest in LG Display Reynosa S.A. de C.V. LG Display U.S.A. Inc. owns the remaining 99% interest in LG Display Reynosa S.A. de C.V.
- In April 2012, in order to improve our cost competitiveness with respect to tempered glass used for touch screens, we invested 2.0 billion and acquired a 19.8% interest in Glonix Co., Ltd.

3. Major Products and Raw Materials**A. Major products**

We manufacture TFT-LCD panels, of which a significant majority is exported overseas.

(Unit: In billions of Won, except percentages)

| Business area | Sales Type | Items (Market) | Usage | Major trademark | Sales in 2012 (%) |
|---------------|-----------------------------|------------------------------------|---|-----------------|-------------------|
| TFT-LCD | Product/Service/Other Sales | TFT-LCD (Overseas ⁽¹⁾) | Panels for notebook computers, monitors, televisions, smartphones, tablets, etc | LG Display | 27,280 (92.7)% |
| | | TFT-LCD (Korea ⁽¹⁾) | Panels for notebook computers, monitors, televisions, smartphones, tablets, etc | LG Display | 2,150 (7.3)% |
| Total | | | | | 29,430 (100.0)% |

- Period: January 1, 2012 ~ December 31, 2012.

(1) Based on ship-to-party.

B. Average selling price trend of major products

The average selling price of LCD panels per square meter of net display area shipped in the fourth quarter of 2012 increased by approximately 9% from the third quarter of 2012, largely as a result of an increase in the proportion of differentiated products in our product mix. There is no assurance that the average selling prices of LCD panels will not fluctuate in the future due to imbalances in supply and demand.

(Unit: US\$ / m²)

| Description | 2012 Q4 | 2012 Q3 | 2012 Q2 | 2012 Q1 |
|---------------------------------|---------|---------|---------|---------|
| TFT-LCD panel ⁽¹⁾⁽²⁾ | 802 | 733 | 701 | 669 |

(1) Quarterly average selling price per square meter of net display area shipped.

(2) Excludes semi-finished products in the cell process.

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C. Major raw materials

Prices of major raw materials depend on fluctuations in supply and demand in the market as well as on change in size and quantity of raw materials due to the increased production of large-sized panels.

(Unit: In billions of Won, except percentages)

| Business Area | Purchase type | Items | Usage | Cost ⁽¹⁾ | Ratio (%) | Suppliers |
|---------------|---------------|-----------|---------------|---------------------|-----------|--|
| | | | | | | Samsung Corning Precision |
| TFT-LCD | Raw Materials | Glass | LCD panel | 3,434 | 18.6% | Glass Co., Ltd., Nippon Electric Glass Co., Ltd., etc. |
| | | Backlight | manufacturing | 5,687 | 30.9% | Heesung Electronics Ltd., etc. |
| | | Polarizer | | 2,823 | 15.3% | LG Chem, etc. |
| | | Others | | 6,487 | 35.2% | - |
| Total | | | | 18,431 | 100.0% | - |

- Period: January 1, 2012 ~ December 31, 2012.

(1) Based on total cost for purchase of raw materials which includes manufacturing and development costs, etc.

4. Production and Equipment

A. Production capacity and output

(1) Production capacity

The table below sets forth the production capacity of our Gumi and Paju facilities in the periods indicated.

(Unit: 1,000 Glass sheets)

| Business area | Items | Location of facilities | 2012 ⁽¹⁾ | 2011 ⁽¹⁾ | 2010 ⁽¹⁾ |
|---------------|---------|------------------------|---------------------|---------------------|---------------------|
| TFT-LCD | TFT-LCD | Gumi, Paju | 9,195 | 8,376 | 7,509 |

(1) Calculated based on the maximum monthly input capacity (based on glass input substrate size for eighth generation glass sheets) during the year multiplied by the number of months in a year (i.e., 12 months).

(2) Production output

The table below sets forth the production output of our Gumi and Paju facilities in the periods indicated.

(Unit: 1,000 Glass sheets)

| Business area | Items | Location of facilities | 2012 | 2011 | 2010 |
|---------------|---------|------------------------|-------|-------|-------|
| TFT-LCD | TFT-LCD | Gumi, Paju | 7,853 | 6,850 | 6,490 |

- Based on glass input substrate size for eighth generation glass sheets.

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B. Production performance and utilization ratio

(Unit: Hours, except percentages)

| Production facilities | Available working hours of 2012 | Actual working hours of 2012 | Average utilization ratio |
|-----------------------|------------------------------------|---------------------------------|------------------------------|
| Gumi | 8,774 ⁽¹⁾ | 8,637 ⁽¹⁾ | |
| | (366 days) ⁽²⁾ | (360 days) ⁽²⁾ | 98.4% |
| Paju ⁽³⁾ | 8,035 ⁽¹⁾ | 8,035 ⁽¹⁾ | |
| | (335 days) ⁽²⁾ | (335 days) ⁽²⁾ | 100.0% |

(1) Based on the assumption that all 24 hours in a day have been fully utilized.

(2) Number of days is calculated by averaging the number of working days for each facility.

(3) Includes P98, which commenced mass production in June 2012.

C. Investment plan

In connection with our strategy to expand our TFT-LCD and other production capacities, we incurred capital expenditures of approximately 4.0 trillion in 2012 on a cash out basis. In 2013, we expect that our capital expenditures on a cash out basis will be no more than 4 trillion or, on a delivery basis, between approximately 4 trillion and 4.5 trillion, primarily to fund the expansion of our OLED and LTPS-based panel production capacities, as well as other expansions and improvements to our existing facilities. Such amount is subject to change depending on business conditions and market environment.

5. Sales

A. Sales performance

(Unit: In billions of Won)

| Business area | Sales types | Items (Market) | 2012 | 2011 | 2010 |
|---------------|----------------|------------------------------|--------|--------|--------|
| | | Overseas ⁽¹⁾ | 27,280 | 22,328 | 23,806 |
| TFT-LCD | Products, etc. | TFT-LCD Korea ⁽¹⁾ | 2,150 | 1,963 | 1,706 |
| | | Total | 29,430 | 24,291 | 25,512 |

(1) Based on ship-to-party.

B. Sales route and sales method

(1) Sales organization

- As of December 31, 2012, each of our Television Business Unit and IT/Mobile Business Unit had individual sales and customer support functions.
- Sales subsidiaries in the United States, Germany, Japan, Taiwan, China and Singapore perform sales activities and provide local technical support to customers.

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(2) Sales route

Sales of our products take place through one of the following two routes:

- LG Display HQ and overseas manufacturing subsidiaries g Overseas sales subsidiaries (USA/Germany/Japan/Taiwan/China/Singapore), etc. g System integrators and end-brand customers g End users
- LG Display HQ and overseas manufacturing subsidiaries g System integrators and end-brand customers g End users

(3) Sales methods and sales terms

- Direct sales and sales through overseas subsidiaries, etc. Sales terms are subject to change depending on the fluctuation in the supply and demand of LCD panels.

(4) Sales strategy

- Our strategy is to secure stable sales to major personal computer makers and leading consumer electronics makers globally, strengthen sales of high-resolution, IPS, slim, narrow bezel and other high-end display panels in the tablet, notebook computer and monitor markets, maintain our position as market leader in the market for high-end ultra-high definition (UHD) and 3D FPR television panels.
- In the smartphone, industrial products (including aviation and medical equipment) and automobile navigation systems segment, our strategy is to continue to build a strong and diversified business portfolio by expanding our business with customers with a global reach on the strength of our high-end products applying IPS technology.

(5) Purchase orders

- Customers generally place purchase orders with us one month prior to delivery. Our customary practice for procuring orders from our customers and delivering our products to such customers is as follows:
 - Receive order from customer (overseas sales subsidiaries, etc.) g Headquarter is notified g Manufacture product g Ship product (overseas sales subsidiaries, etc.) g Sell product (overseas sales subsidiaries, etc.)

6. Market Risks and Risk Management

A. Market risks

Our industry continues to experience continued declines in the average selling prices of display panels irrespective of cyclical fluctuations in the industry, and our margins would be adversely impacted if prices decrease faster than we are able to reduce our costs.

The TFT-LCD industry is highly competitive. We have experienced pressure on the prices and margins of our major products due largely to additional industry capacity from panel makers in Korea, Taiwan, China and Japan. Our main competitors in the industry include Samsung Display, Hydis Technologies, AU Optronics, Innolux, CPT, HannStar, Japan Display, Sharp, Panasonic LCD, BOE and CSOT.

Our ability to compete successfully depends on factors both within and outside our control, including product pricing, performance and reliability, successful and timely investment and product development, success or failure of our end-brand customers in marketing their brands

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and products, component and raw material supply costs, and general economic and industry conditions. We cannot provide assurance that we will be able to compete successfully with our competitors on these fronts and, as a result, we may be unable to sustain our current market position.

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Our results of operations are subject to exchange rate fluctuations. To the extent that we incur costs in one currency and generate sales in a different currency, our profit margins may be affected by changes in the exchange rates between the two currencies. Our sales of display panels are denominated mainly in U.S. dollars, whereas our purchases of raw materials are denominated mainly in U.S. dollars and Japanese Yen. Our risk management policy regarding foreign currency risk is to minimize the impact of foreign currency fluctuations on our foreign currency denominated assets and liabilities. For additional information, see Note 13 of the notes to our audited consolidated financial statements as of and for the year ended December 31, 2012 attached hereto.

B. Risk management

The average selling prices of display panels have declined in general and could continue to decline with time irrespective of industry-wide cyclical fluctuations. Certain contributing factors for this decline will be beyond our ability to control and manage. However, in anticipation of such price decline we have continued to develop new technologies and have implemented various cost reduction measures. In addition, in order to manage our risk against foreign currency fluctuations, we may from time to time enter into cross-currency interest rate swap contracts and foreign currency forward contracts. For additional information, see Note 13 of the notes to our audited consolidated financial statements as of and for the year ended December 31, 2012 attached hereto.

7. Derivative Contracts

A. Currency risks

- We are exposed to currency risks on sales, purchases and borrowings that are denominated in currencies other than in Won, our functional currency. These currencies are primarily the U.S. dollar, the Japanese Yen and the Euro.
- We generally use forward exchange contracts with a maturity of less than one year to hedge against currency risks.
- Interest on borrowings is denominated in the currency of the borrowing. Generally, borrowings are denominated in currencies that match the cash flows generated by our underlying operations, primarily in Won and the U.S. dollar.
- In respect of other monetary assets and liabilities denominated in foreign currencies, we ensure that our net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates, when necessary, to address short-term imbalances. In addition, we also adjust the factoring volumes of foreign currency denominated receivables and utilize usances as means of settling accounts payable relating to capital expenditures for our facilities, in response to currency fluctuations.

B. Interest rate risks

- Our exposure to interest rate risks relates primarily to our long term debt obligations. As of December 31, 2012, we had no interest swap contracts outstanding.

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Our material contracts, other than contracts entered into in the ordinary course of business, are set forth below:

| Type of agreement | Name of party | Term | Content |
|---------------------------------------|---------------------------------|-----------------|--|
| Technology licensing agreement | Semiconductor Energy Laboratory | October 2005 ~ | Patent licensing of LCD and OLED related technology |
| | Ferguson Patent Properties | October 2007 ~ | Patent licensing of LCD driving technology |
| | Hewlett-Packard | January 2011 ~ | Patent licensing of semi-conductor device technology |
| Technology licensing/supply agreement | Chunghwa Picture Tubes | November 2007 ~ | Patent cross-licensing of LCD technology |
| | HannStar Display Corporation | November 2009 ~ | Patent cross-licensing of LCD technology |
| | AU Optronics Corporation | August 2011~ | Patent cross-licensing of LCD technology |
| | Innolux Corporation | July 2012 ~ | Patent cross-licensing of LCD technology, etc. |

9. Research & Development

A. Summary of R&D-related expenditures

(Unit: In millions of Won, except percentages)

| Items | 2012 | 2011 | 2010 |
|---|-----------|-----------|-----------|
| Material Cost | 494,422 | 550,200 | 616,072 |
| Labor Cost | 412,805 | 365,375 | 285,212 |
| Depreciation Expense | 259,467 | 217,874 | 93,365 |
| Others | 206,093 | 180,582 | 122,619 |
| Total R&D-Related Expenditures | 1,372,787 | 1,314,031 | 1,117,268 |
| Accounting Treatment | | | |
| Selling & Administrative Expenses | 301,239 | 248,328 | 264,073 |
| Manufacturing Cost | 873,323 | 942,015 | 717,848 |
| Development Cost (Intangible Assets) | 198,225 | 123,688 | 135,347 |
| R&D-Related Expenditures / Revenue Ratio | | | |
| (Total R&D-Related Expenditures ÷ Revenue for the period × 100) | 4.7% | 5.4% | 4.4% |

B. R&D achievements

Achievements in 2010

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- 1) Development of 9.7-inch AH-IPS model for iPads.
 - Development of the world's first IPS tablet
 - Achieving the following viewing angles by applying AH-IPS: top (80°) / bottom (80°) / left (80°) / right (80°)
- 2) Development of second Green PC products (13.3-inch, 14.0-inch and 15.6-inch in high-definition (HD))
 - Thin and light; low electricity consumption thereby increasing battery life
 - Development of Company-led flat product market

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- 3) Development of world's first TruMotion 480Hz product (47-inch and 55-inch in full high-definition (FHD))
 - World's first application of 240hz driving technology and scanning technology to achieve TruMotion 480Hz.
 - 50% reduction in source driver integrated circuits (D-IC) (from 16ea to 8ea) by applying 1 gate 1 drain technology
- 4) World's first FHD 47-inch three-dimensional (3D) display panels using Glass Patterned Retarder (GPR) technology
 - Achieving FHD for 3D display panels using GPR technology
- 5) Development of our first large-sized display panels viewable in 3D using shutter glasses (42-inch, 47-inch, 55-inch in FHD)
 - Achieving high aperture ratio by applying S-IPS V technology
 - Removal of gate driver integrated circuits by applying GIP technology
 - Reduction in the number of integrated circuits (from 8ea to 6ea) by applying 960Ch source D-IC
- 6) World's first LCD product which uses the LCD monitor's bottom cover as the back cover of a television set (32-inch, 37-inch and 42-inch in FHD)
 - Removal of the television set back cover by replacing it with the LCD monitor's bottom cover. Co-designed with a third party
- 7) Development of 42-inch and 47-inch FHD display panels for television to be sold in emerging markets
 - Focusing on basic functions and removing functions that are costly
 - Achieving cost reduction by applying GIP technology
- 8) Development of intra interface technology for large-sized, high resolution, high frequency display panels
 - Improved data transmission rate (from 660Mbps to 1.6Gbps)
 - Developing slim PCBs by decreasing the number of transmission lines

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- 9) Development of our first 21.5-inch and 26-inch FHD Edge LED products
 - Application of 21.5-inch, 26-inch FHD TV LED BL and mid-sized FHD model Slim TCON (176Pin g 88Pin)

- 10) Development of our first 32 HD Edge LED product
 - Application of 32-inch HD TV Edge LED BL

- 11) Development of our first 37-inch FHD M240Hz product
 - Development of 37-inch FHD 240Hz panel. Development and mass production of MEMC 240Hz with TCON model.

- 12) Development of 240Hz panel for LG Electronics Borderless TV
 - Development of Narrow Bezel 240Hz panel (Bezel 14 mm g 7 mm) for LG Electronics Borderless TV

- 13) Development of the world's first slim 23W FHD monitor in IPS mode
 - Slim design by applying slim-type LED backlight (thickness: 14.5 mm g 11.5 mm)
 - Cost saving by applying low voltage liquid crystal
 - Removal of gate driver integrated circuits by applying GIP technology

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- 14) Development of the world's first slim 185W HD monitor in TN mode
 - Slim design by applying slim-type LED backlight (thickness: 11.5 mm g 9.7 mm)
 - 50% reduction in source D-IC by applying DRD (Double Rate Driving) technology
 - Elimination of optical sheet by applying new TFT structure technology (I-VCOM)
 - Removal of gate driver integrated circuits by applying GIP technology

- 15) Development of 42-inch, 47-inch and 55-inch FHD monitors applying low cell gap (3.1 g 2.8um) technology
 - Enhanced 3D performance (3D CrossTalk 10.x% g 5.x)%
 - World's first application of this technology in 42-inch, 47 inch and 55-inch FHD products

- 16) Development of ultra slim 0.2t glass 12.1-inch notebook computer
 - Realization of ultra slim product by applying 0.2t glass and flat screen backlight structure

- 17) Development of world's first ultra slim 19SX TN monitor
 - Slim design by applying slim type LED backlight (thickness: 15.5 mm g 9.9 mm)
 - 50% reduction (6ea to 3ea) in the number of source D-IC by applying DRD technology
 - Elimination of gate driver integrated circuits by applying GIP technology

- 18) Development of 215FHD e-IPS monitor products applying LED PKG
 - Reduction in the number of LED and LED array cost through optimization of LED PKG's beam and size
 - Realization of 2 sheet structure by adopting I-VCOM resulting in increased transmittance and backlight luminance

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- Elimination of gate driver integrated circuits by applying GIP technology
 - Minimization of liquid crystal display module (LCM) thickness by applying thin LED array structure (14.5 mm g 10.2 mm)
- 19) Development and application of LED PKG in 215FHD TN monitor products
- Reduction in the number of LED and LED array cost through optimization of LED PKG s beam and size
 - Elimination of DBEF sheet by adopting I-VCOM resulting in increased transmittance and backlight luminance
 - Elimination of gate driver integrated circuits by applying GIP technology
 - Minimization of LCM thickness by applying thin LED array structure (14.5 mm g 10.2 mm)
- 20) Development of world s first slim TN monitor (185W HD, 20W HD+, 215W/23W FHD)
- Developing ultra slim monitor by cooperating with set makers in the design process (SET standard: over 20 mm g 12.9 mm)
 - Minimization of LCM thickness by applying thin LED array structure (11.5 mm g 8.2 mm)
 - Simplification of circuit by developing T-con + Scaler 1chip
- 21) Development of world s first ultra slim 215W FHD TN monitor
- Developing ultra slim monitor by cooperating with set makers in the design process (SET standard: 12.9 mm g 7.2 mm)
 - Minimization of LCM thickness by applying thin LED array structure (8.2 mm g 6 mm)

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- 22) Development of the world's first 3D FPR type 42-inch, 47-inch and 55-inch FHD panels
 - Improved 3D performance (cross talk 1.0%, 3D luminance 170 nit)

- 23) Development of our first 42-inch, 47-inch and 55-inch FHD panels with built-in 3D formatters
 - Development of our first products with built-in MEMC and 3D formatters

- 24) Development of the world's first real 240Hz applying GIP driving technology
 - First to develop real 240Hz applying GIP driving technology
 - Reduced the number of driver integrated circuits by applying 960ch Source D-IC: 8ea/g 6ea

- 25) Development of panels for Macbook Air
 - Development and mass production of 116HD, 133 WXGA+ panels
 - Application of Z-inversion technology for low energy consumption

- 26) Introduction of the world's first HD shutter glasses type 3D notebook product (17.3 inch FHD)
 - Development of 172Hz high recharging speed notebook LCD panel
 - Development of Timing Controller (TC) driving technology

- 27) The first all-in-one touch panel notebook from an LCD panel manufacturer (15.6 inch HD add-on touch notebook)
 - The world's first large size (15.6-inch) notebook panel to receive Win7 Touch certification (received on July 23, 2010)
 - The world's first LCD and touch panel integrated add-on touch module developed by an LCD panel manufacturer

- 28) Introduction of the world's first Micro Film 3D notebook (15.6-inch FHD)

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- The world's first 3D FPR type notebook (developed timely to win market share in the 3D market)
- 29) Development of the world's first 240Hz 23W IPS monitor
- The world's first to realize 240Hz by application of 120Hz panel driving and scanning technologies
 - Achievement of Motion Picture Response Time (MPRT) of 8ms
- 30) Development of the world's first add-on infrared camera type 21.5W IPS monitor
- Realization of thin LCM (20.5 mm) by application of the world's first add-on infrared camera
 - Improved touch capabilities (dead zone free and multi-touch) and the first in the world to receive Win 7 Logo certification
 - Touch location auto correction by applying auto calibration
- 31) Development of 20-inch HD and 23-inch FHD e-IPS monitor products applying widescreen LED PKG
- Reduction in the number of LED and LED array cost through optimization of LED PKG's beam and size
 - Elimination of gate driver integrated circuits by applying GIP technology
 - Cost reduction and lower power consumption (20% reduction for driver integrated circuits) by using low voltage driver integrated circuits
 - Minimization of LCM thickness by applying thin LED array structure (for 20-inch HD panels: 14.5 mm g 10.2 mm)
- 32) Development of 20-inch HD and 23-inch FHD TN monitor products applying widescreen LED PKG
- Reduction in the number of LED and LED array cost through optimization of LED PKG's beam and size
 - Elimination of DBEF sheet by adopting I-VCOM resulting in increased transmittance and backlight luminance (for 20-inch HD monitors)

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- 50% reduction in the number of source D-IC by applying DRD technology (for 23-inch FHD panels)
- Elimination of gate driver integrated circuits by applying GIP technology
- Minimization of LCM thickness by applying thin LED array structure (11.5 mm g 10.2 mm)

Achievements in 2011

1) Introduction of glass-free mobile 3D product (4.3-inch WVGA)

- Development and preparation for mass production of our first glass-free 3D product (utilizing barrier cell)

2) Introduction of the world's first 12.5-inch AH-IPS notebook product

- Development of the world's first 12.5-inch notebook utilizing AH-IPS technology

- Achievement of a maximum circuit logic power of 1.0W

- Development of a slim and light AH-IPS model (development of a model that utilizes IPS and flat PCB)

3) Introduction of an integrated 14.0-inch touch panel notebook product

- Development of a 14.0-inch touch panel notebook product as part of our plan to develop and expand our integrated touch panel products portfolio

4) Introduction of our 15.6-inch dream color IPS notebook product

- Development of a notebook utilizing H-IPS technology

- Realization of a 100% color reproduction rate by applying RGB LED technology

- Realization of 1.073G color by applying 10-bit color depth technology

5) Development and mass production of 9.7-inch LCD panels for iPad 2

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- Application of AH-IPS and slim LCD technology

- Decreased thickness by 20% and weight by 7% compared to LCD panel for iPad 1

- 6) Development of the world's first 3D FPR 23-inch FHD TN monitor product
 - Minimization of flicker / crosstalk by applying FPR technology

 - Minimization of cost increase by applying one layer 3D film

 - Realization of high luminance 3D images (two times the luminance compared to images from monitors utilizing shutter glass technology)

- 7) Introduction of our first 50-inch Cinema TV product
 - Application of 21:9 screen display ratio (2560 x 1080 resolution)

 - Application of 960ch + EPI source D-IC for optimal high-resolution

 - Application of scanning technology under the Horizontal 2Edge structure

- 8) Development of the world's first 3D FPR 23-inch IPS FHD monitor product
 - Minimization of flicker / crosstalk by applying FPR technology

 - Minimization of cost increase by applying one layer 3D film

 - Realization of high luminance 3D images (two times the luminance compared to images from monitors utilizing shutter glass technology)

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- 9) Development and introduction of the world's first 15.6-inch HD FPR 3D notebook product
 - Realization of the world's first 15.6-inch HD FPR 3D product
 - Realization of high luminance 3D images (two times the luminance compared to images from notebooks utilizing shutter glass technology)
 - Minimization of cost increase by applying one layer 3D film

- 10) Development and introduction of the world's first 17.3-inch Dream Color AH-IPS notebook product
 - Development of the world's first 17.3-inch notebook computer applying AH-IPS
 - Realization of Dream Color (100% color reproduction rate) by applying RGB LED
 - Realization of 1.073G color by applying Color Depth 10-bit technology
 - Realization of 89 degrees viewing angle (up/down/left/right) by applying IPS technology

- 11) Development and introduction of a 15.6-inch HD product with the world's lowest (at the time) power consumption from logic circuit (0.5W).
 - Application of DRD Z-inversion, HVDD and low voltage process
 - Application of high intensity LED (2.3cd) and Vcut light guide plate
 - Increase in battery life due to logic circuit power consumption reduction

- 12) Development of the world's smallest (at the time) Narrow Bezel Notebook Model
 - The first in the world to apply 4.5 mm narrow bezel
 - Formation of camera hole by B/M mask patterning

- 13) Development of a new 10.1-inch WX smartbook LCD

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- Development of the our first 10.1-inch WXGA LCD following in the footsteps of our 9.7-inch XGA model
 - Realization of reduced power consumption, high permeability and increased viewing angle by application of IPS technology.
- 14) Development of a 42-inch FHD product applying COT technology
- Simplifying panel production process by applying COT (Color Filter on TFT) technology
 - Luminance increased by 10%
- 15) Development of 42-inch, 47-inch and 55-inch direct slim LCD TV
- Development of the world's first direct-mounted 11.0 mm depth ultra-slim LCM model
 - Application of 96 block local dimming and M240Hz technology
- 16) Development of a 47-inch super narrow public display panel
- Development of our first super narrow bezel (seam 6.9 mm) product for application in public display panels
- 17) Introduction of the world's first 15.6-inch FHD AH-IPS notebook product
- Development of the world's first 15.6-inch FHD model applying AH-IPS technology
 - Development of slim & light AH-IPS model (thickness: 3.4 mm; weight: 330g)
 - Achieving the following viewing angles by applying IPS technology; 178° from top to bottom; 178° from left to right

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- 18) Development of a 15.6-inch FHD notebook applying a new backlight arrangement
 - Optimization of light placement by application of New Concept LED Backlight
 - Reduction in the number of LED integrated circuits (78ea g 10ea) by application of mid-power LED
 - Reduced energy consumption pursuant to a reduction in the number of LED integrated circuits (7.4W g 5.9W)

- 19) Development of the world's first 215/25/27 FHD TN and 215 FHD IPS 3D monitor
 - Minimization of flicker/crosstalk by application of FPR technology
 - Minimization of cost increase by applying one-layered 3D film
 - Realization of high luminance 3D images (two times the luminance compared to images from monitors utilizing shutter glass technology)

- 20) Development of a 4.5-inch true HD AH-IPS display smartphone product
 - For 4G LTE smartphones (introduced by LG Electronics in September 2011)
 - Application of true HD720 resolution and AH-IPS technology

- 21) Development of the world's first 14.0-inch HD 3D FPR notebook product
 - Realization of the world's first 14.0-inch 3D FPR display
 - Realization of high luminance 3D images (two times the luminance compared to images from notebook panels utilizing shutter glass technology)

- 22) Development of the world's first AH-IPS GIP / DRD column inversion technology
 - Development of AH-IPS GIP / DRD by application of shrink GIP technology
 - Realization of TN-equivalent panel size through reduced panel load

- Achieved TN-equivalent logic energy consumption levels

Achievements in 2012

- 1) Introduction of the world's first 13.3-inch high definition plus (HD+) AH-IPS notebook product

- Development of the world's first 13.3-inch HD+ model applying AH-IPS technology

- 2) Development and introduction of a 14.0-inch HD product with the world's lowest (at the time) rate of logic circuit energy consumption (0.4W)

- Application of DRD Z-inversion, HVDD and low voltage process

- Application of high intensity LED (2.3cd) and Vcut light guiding plate

- Increase in battery life due to reduced logic circuit energy consumption

- 3) Introduction of a 14.0-inch HD+ notebook product with a high color reproduction rate

- Development of a 14.0-inch HD+ 72% color reproduction rate model

- Development of a slim model applying 0.3 mm glass etching

- 4) Introduction of a 15.6-inch FHD glasses-free 3D notebook product

- Development of the first notebook product applying switchable barrier type 3D technology that does not require the use of glasses

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- 5) Development of the world's first 23-inch FHD monitor product applying AH-IPS 4Mask technology
 - Increased display panel luminance by application of AH-IPS technology (20% more luminance compared to display panels applying conventional IPS technology)
 - Simplified panel production process by application of AH-IPS 4Mask technology
 - 30% reduction in energy consumption resulting from increased efficiency of LED and circuit components
 - Increased productivity in the manufacture of circuit and mechanical components resulting from increased standardization
- 6) Development of TN monitor products (20-inch HD+, 21.5-inch FHD and 23-inch FHD) applying new LED
 - 20% reduction in energy consumption resulting from increased efficiency of LED and circuit components (based on 23W power consumption models)
 - Increased productivity in the manufacture of circuit and mechanical components resulting from increased standardization
- 7) Development of products with new edge backlight unit (32-inch, 37-inch and 42-inch FHD)
 - Vertical 2Bar LED backlight unit g Vertical 1Bar LED backlight unit
 - Reduced energy consumption by 25% resulting from a reduction in the number of LED integrated (based on 32-inch display panel)
- 8) Development of 42-inch FHD product with new direct backlight unit
 - Development of LED Lens through the improvement of LED Beam spread angle (72ea based on 42-inch display panel)
 - Same thickness as conventional edge LED lighting lamp (35.5 mm)
- 9) Development of products with the world's narrowest bezels of 3.5 mm (47-inch and 55-inch FHD)
 - Narrow set design possible using 3.5 mm bezel
- 10) Development of the world's first panel products without borders on three sides (32-inch, 42-inch, 47-inch and 55-inch FHD)

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- Made possible by removing the forward-facing case top, resulting in zero bezel on three sides
- 11) Development of monitor products without borders on three sides (21.5-inch, 23-inch and 27-inch FHD)
- Made possible by removing the forward-facing case top, resulting in zero bezel on three sides, and application of double-sided adhesive to secure the position of the panel and backlight
 - Used double guide panels to reduce light leakage issues in IPS panels
- 12) Development of 12.5-inch HD AH-IPS slim and light notebook display panels
- Achieved thickness of 2.85t
 - Reduced the number of LEDs required by using high intensity LEDs (2.5cd)
- 13) The world's first GF2 Touch Tablet Product Development (10.1WXGA LCM + Touch)
- Touch Concept: GF2, Touch IC In-House
 - Reduced cost by applying TMIC
 - Reduced power consumption by applying 6 in 1 (Buck version) PMIC
 - Reduced cost and power consumption by applying AH-IPS + DRD-Z
 - Reduced cost by applying Taper LGP

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- 14) Development of Automotive 9.2WV product that applies wide temperature AH5-IPS technology
 - For use in Center Information Displays and Rear Seat Entertainment Displays mounted on K9 model Kia cars
 - Wide temperature materials/components used and AH5-IPS technology applied

- 15) Application and introduction of the world's first large multi-model on a glass (MMG) type product (60-inch FHD and 32-inch HD)
 - Increased glass efficiency by successfully applying large MMG technology for the first time in the industry
 - Developed three sided and six sided chamfers for eighth generation 60-inch FHD panels and 32-inch HD panels, respectively

- 16) Development of the world's first 84-inch UHD display panel product
 - a-Si based 1G 1D UHD panel with steady charging
 - Developed extra-large edge LED with rigid heat resistant structure

- 17) Development of 2000 nit bright public display panel for outdoor use (47-inch FHD)
 - Use of optimal-temperature panel prevents any blackening effect when exposed to direct sunlight
 - Use of quarter-wave plate (applying FPR technology) allows viewers wearing polarized sunglasses to view the public display panel with ease
 - Applied heat resistant structure without heat sink
 - Improved bright room contrast ratio by applying Shine Out ARC POL technology

- 18) Development of seam (AtA) 5.6 mm super-narrow bezel (SNB) public display panel (55-inch FHD)
 - Bezel thickness minimized (2.9 mm for pad, 1.6 mm for non-pad)
 - Developed SNB structure technology

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- 19) Development of 47-inch and 55-inch display panel products applying vertical 1Bar structure
 - Our first 47-inch and 55-inch display panel products applying vertical 1Bar LED backlight units
 - Reduced number of LEDs needed, resulting in reduced energy consumption (for example, energy consumption for the 47-inch display panel was reduced from 65.5W to 55.8W)

- 20) Development of the world's first 29-inch 21:9 ratio three-side borderless monitor product
 - Made possible by removing the forward-facing case top, resulting in zero bezel on three sides
 - Double-sided adhesive used to secure the position of the panel and backlight
 - Double guide panels used to resolve light leakage issues in IPS panels

- 21) Development of the world's first 12.9-inch high-resolution slim AH-IPS display panel
 - Ultra-high resolution WQSXGA+ (239 PPI)
 - Achieved 400 nit brightness by improving panel luminance and applying high intensity LED PKG and new 1Bar structure
 - Developed 2.95 mm slim model through glass etching and application of rigid PCB

- 22) Development of the world's first ultra-slim all-in-one product applying G2 Touch technology (4.67WXGA, LGE Optimus G)
 - 320 PPI high resolution AH-IPS display panel
 - Ultra-slim LCM by applying G2 Touch and OCR Direct Bonding technologies

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- 23) Development of the world's first TV product applying DRD technology (32-inch, 37-inch HD)
 - Simplified circuit structure for HD TV by applying DRD technology (source D-IC reduced from 4ea to 2ea)

- 24) Development of customer co-designed TV (32-inch to 55-inch FHD)
 - Co-designed TV model that integrates LCM and the front cover in a single body

 - Differentiated set bezel design

- 25) Development of the world's first borderless TV product with 7.8 mm bezel (47-inch FHD)
 - Borderless on the top and left/right sides with a borderless like bottom design

- 26) Development of the world's largest, at the time, 55-inch FHD OLED TV product
 - Utilizes WRGB OLED technology with a thickness of 4.45 mm

- 27) Development of the first touch notebook product with direct bonding of touch screen module (TSM) (12.5-inch FHD)
 - Applied direct bonding between LCM and TSM to reduce thickness (4.8 mm)

 - Direct bonding multi-sourcing in response to customer demand

- 28) Development of 23.8-inch desktop monitor product
 - Narrower bezels (8 mm for the top and left/right sides) compared to conventional bezels

- 29) Development of the world's first clear borderless (borderless on all four sides) monitor product (27-inch FHD)
 - Applied Narrow Bezel Vertical LED Structure technology by changing the LED backlight structure

 - Developed even black matrix structure on all four sides

10. Intellectual Property

As of December 31, 2012, our cumulative patent portfolio (including patents that have already expired) included a total of 19,713 patents, consisting of 8,982 in Korea and 10,731 in other countries.

11. Environmental Matters

We are subject to a variety of environmental regulations and we may be subject to fines or restrictions that could cause our operations to be interrupted. Our manufacturing processes generate worksite waste, including water and air pollutants, at various stages in the manufacturing process, and we are subject to a variety of laws and regulations relating to the use, storage, discharge and disposal of such chemical by-products and waste substances. We have installed various types of anti-pollution equipment, consistent with environmental standards, for the treatment of chemical waste and equipment for the recycling of treated waste water at our various facilities. However, we cannot provide assurance that environmental claims will not be brought against us or that the local or national governments will not take steps toward adopting more stringent environmental standards. Any failure on our part to comply with any present or future environmental regulations could result in the assessment of damages or imposition of fines against us, suspension of production or a cessation of operations. In addition, environmental regulations could require us to acquire costly equipment or to incur other significant compliance expenses that may materially and negatively affect our financial condition and results of operations.

We have also voluntarily agreed to reduce emission of greenhouse gases, such as trifluoride oxide and perfluoro compounds, or PFCs, including sulfur hexafluoride, or SF₆, gases, by installing abatement systems to meet voluntary emissions targets for the TFT-LCD industry for 2010. As part of our voluntary activities to reduce emission of greenhouse gases, we installed trifluoride oxide abatement systems at all of our production lines.

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We also installed an SF6 abatement system in P1 in April 2005, and have taken steps to install additional SF6 abatement systems through the use of Clean Development Mechanism, or CDM, projects. We manage our CDM projects jointly with LG International Corp. On July 10, 2010, after becoming the first TFT-LCD company to receive the UNFCCC CDM Executive Board's approval of our CDM project, we installed an SF6 abatement system in P6. We received a total of 343,971 tonnes of CO₂ equivalent of certified emission reduction credits, or CERs, from the UN for the reduction of greenhouse gas emissions during the period from August 1, 2010 to December 31, 2010, all of which was sold in December 2011. We also received a total of 579,583 tonnes of CO₂ equivalent of CERs for the reduction of greenhouse gas emissions during the period from January 1, 2011 to January 31, 2012. We intend to ask a third party accreditation agency to examine the reduction of our greenhouse gas emissions in P1 and P6 since February 1, 2012 as part of our application for receiving CERs from the UN. In August 2011, we commenced the installation of an SF6 abatement system in P7 through the implementation of CDM projects which became operational in February 2012, which further reduced our greenhouse gas emissions. We intend to ask a third party accreditation agency to examine the reduction of our greenhouse gas emissions in P7 since February 1, 2012 as part of our application for receiving CERs from the UN.

In 2010, we were designated by the Korean government as one of the companies subject to greenhouse gas emission and energy consumption targets under the Framework Act on Low Carbon, Green Growth. As a result, we may need to invest in additional equipment and there may be other costs associated with meeting reduction targets, which may have a negative effect on our profitability or production activities. In addition, if we fail to meet a reduction target and are unable to comply with the government's subsequent enforcement notice relating to such failure, we may be subject to fines.

In connection with the greenhouse gas emission and energy reduction target system, we submitted a statement of our domestic emissions and energy usage for the years 2007 through 2010 to the Korean government (i.e., the Ministry of Environment and the Ministry of Knowledge Economy), which was certified by DNV Certification Co., Ltd., a government-designated certification agency. We submitted a statement of our domestic emissions and energy usage for the year 2011 to the Ministry of Environment and the Ministry of Knowledge Economy in March 2012 after certification by Lloyd's Register Quality Assurance, another government-designated certification agency. We plan to submit a statement for our domestic emission and energy usage for the year 2012 by the end of March 2013 after we receive certification.

The table below sets forth yearly levels of our greenhouse gases emissions and energy usage in the statement submitted to the Korean government:

(Unit: thousand tonnes of CO₂ equivalent; Tetra Joules)

| Category | 2011 | 2010 | 2009 |
|------------------|--------|--------|--------|
| Greenhouse gases | 5,926 | 5,576 | 4,755 |
| Energy | 55,234 | 45,850 | 37,075 |

In addition, in order to improve the efficiency and reliability of measuring our greenhouse gas emission reduction activities, we have implemented improvements in our electronic greenhouse gas inventory system in 2012.

Operations at our manufacturing plants are subject to regulation and periodic monitoring by the Korean Ministry of Environment and local environmental protection authorities. We believe that we have adopted adequate anti-pollution measures and have minimized our impact on the environment by improving existing and developing new technologies for the effective maintenance of environmental protection standards consistent with local industry practice. In addition, we have continually monitored, and we believe that we are in compliance in all material respects with, the applicable environmental laws and regulations in Korea. Expenditures related to such compliance may be substantial. Such expenditures are generally included in capital expenditures. As required by Korean law, we employ licensed environmental specialists for each environmental area, including air quality, water quality, toxic materials and radiation. We currently have ISO 14001 certifications with respect to the environmental record for P1 through P98, our OLED production facility in Gumi, Korea, our Gumi module production plant and our Paju module production plant, as well as our module production plants in Nanjing and Guangzhou, China.

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In addition, with respect to P1 through P98 and our module production plants in Gumi and Paju, we have established and are currently operating a new green management system, which was certified by BSI Group Korea in November 2011. Furthermore, we have been certified by the Korean Ministry of Environment as a Green Company, with respect to our environmental record for P1 and our module production plant in Gumi since 1997, with respect to our operations at P2 and P3 since 2006, and with respect to our operations at P4, P5 and P6 since 2008, and received commendations from the Prime Minister and the Minister of Environment of Korea for our efforts to promote recycling.

We also have an internal monitoring system to control the use of hazardous substances in the manufacture of our products as we are committed to compliance with all applicable environmental laws and regulations, including European Union Restriction of Hazardous Substances (RoHS) Directive 2011/65/EU, and restricts the use of certain hazardous substances in the manufacture of electrical and electronic equipment.

In addition, as part of our commitment to purchase environment-friendly raw materials, we have implemented a green purchasing system that prevents the introduction of hazardous materials at the purchasing stage. The green purchasing system has been a key component in our efforts to comply with RoHS and other applicable environmental laws and regulation.

In October 2005, we became the first TFT-LCD company to receive accreditation as an International Accredited Testing Laboratory by the Korea Laboratory Accreditation Scheme, which is operated by the Korean Ministry of Knowledge Economy. In September 2006, we received international accreditation from TUV SUD, EU's German accreditation agency, as a RoHS testing laboratory. Our efforts to keep pace with the increasingly stringent accreditation standards and to receive and maintain such accreditations are part of our on-going efforts to systematically monitor environmentally controlled substances in our component parts inventory. Moreover, we participated in reforming IEC 62321, an international testing standard published by the International Electrotechnical Commission and used by RoHS, and the commission adopted our halogen-free combustion ion chromatography method in as IEC 62321-3-2, which is to be published in June 2013.

12. Financial Information

A. Financial highlights (Based on consolidated K-IFRS)

(Unit: In millions of Won)

| Description | As of December 31, 2012 | As of December 31, 2011 | As of December 31, 2010 | As of December 31, 2009 |
|---|----------------------------|----------------------------|----------------------------|----------------------------|
| Current assets | 8,914,685 | 7,858,065 | 8,840,433 | 8,226,142 |
| Quick assets | 6,524,678 | 5,540,695 | 6,625,216 | 6,558,362 |
| Inventories | 2,390,007 | 2,317,370 | 2,215,217 | 1,667,780 |
| Non-current assets | 15,540,826 | 17,304,866 | 15,017,225 | 11,477,335 |
| Investments in equity accounted investees | 402,158 | 385,145 | 325,532 | 282,450 |
| Property, plant and equipment, net | 13,107,511 | 14,696,849 | 12,815,401 | 9,596,497 |
| Intangible assets | 497,602 | 535,114 | 539,901 | 352,393 |
| Other non-current assets | 1,533,555 | 1,687,758 | 1,336,391 | 1,245,995 |
| Total assets | 24,455,511 | 25,162,931 | 23,857,658 | 19,703,477 |

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| | | | | |
|--------------------------|------------|------------|------------|------------|
| Current liabilities | 9,206,158 | 9,911,434 | 8,881,829 | 6,495,071 |
| Non-current liabilities | 5,009,173 | 5,120,469 | 3,914,862 | 3,168,657 |
| Total liabilities | 14,215,331 | 15,031,903 | 12,796,691 | 9,663,728 |
| Share capital | 1,789,079 | 1,789,079 | 1,789,079 | 1,789,079 |
| Share premium | 2,251,113 | 2,251,113 | 2,251,113 | 2,251,113 |
| Reserves | (69,370) | 12,181 | (35,298) | (51,005) |
| Retained earnings | 6,238,989 | 6,063,359 | 7,031,163 | 6,050,562 |
| Non-controlling interest | 30,369 | 15,296 | 24,910 | 0 |
| Total equity | 10,240,180 | 10,131,028 | 11,060,967 | 10,039,749 |

(Unit : In millions of Won, except for per share data and number of consolidated entities)

| Description | For the year ended December 31, 2012 | For the year ended December 31, 2011 | For the year ended December 31, 2010 | For the year ended December 31, 2009 |
|---|--|---|---|---|
| Revenue | 29,429,668 | 24,291,289 | 25,511,535 | 20,037,701 |
| Operating profit (loss) | 912,368 ⁽¹⁾ | (763,548) ⁽²⁾ | 1,688,560 ⁽²⁾ | 1,114,846 ⁽²⁾ |
| Operating profit from continuing operations | 236,345 | (787,895) | 1,159,234 | 1,117,778 |
| Profit (loss) for the period | 236,345 | (787,895) | 1,159,234 | 1,117,778 |
| Profit (loss) attributable to: | | | | |
| Owners of the Company | 233,204 | (771,223) | 1,156,343 | 1,117,778 |
| Non-controlling interest | 3,141 | (16,672) | 2,891 | |
| Basic earnings (loss) per share | 652 | (2,155) | 3,232 | 3,124 |
| Diluted earnings (loss) per share | 652 | (2,155) | 3,152 | 3,124 |
| Number of consolidated entities | 20 | 18 | 16 | 11 |

- (1) Amendment to K-IFRS No. 1001 Presentation of Financial Statements adopted in the presentation of operating profit. After adoption of the amendment, operating profit or loss is presented as an amount of revenue less cost of sales, selling and administrative expenses and research and development expenses. Prior to the adoption of the amendment, other income and other expenses were included in the presentation of operating profit or loss. For additional information, see Note 2 of the notes to our audited consolidated financial statements as of and for the year ended December 31, 2012 attached hereto.
- (2) Reclassified to conform to the presentation for the year ended December 31, 2012.

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B. Financial highlights (Based on separate K-IFRS)

(Unit: In millions of Won)

| Description | As of December 31, 2012 | As of December 31, 2011 | As of December 31, 2010 | As of December 31, 2009 |
|------------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Current assets | 8,432,253 | 7,326,764 | 8,499,873 | 7,973,355 |
| Quick assets | 6,484,308 | 5,414,054 | 6,739,908 | 6,687,050 |
| Inventories | 1,947,945 | 1,912,710 | 1,759,965 | 1,286,305 |
| Non-current assets | 15,369,335 | 16,947,200 | 14,658,125 | 11,283,512 |
| Investments | 1,468,778 | 1,386,313 | 1,279,831 | 1,075,229 |
| Property, plant and equipment, net | 12,004,435 | 13,522,553 | 11,688,061 | 8,730,263 |
| Intangible assets | 488,663 | 479,510 | 483,260 | 340,885 |
| Other non-current assets | 1,407,459 | 1,558,824 | 1,206,973 | 1,137,135 |
| Total assets | 23,801,588 | 24,273,964 | 23,157,998 | 19,256,867 |
| Current liabilities | 9,132,943 | 9,485,333 | 8,453,869 | 6,120,663 |
| Non-current liabilities | 5,007,525 | 5,101,714 | 3,833,454 | 3,102,006 |
| Total liabilities | 14,140,468 | 14,587,047 | 12,287,323 | 9,222,669 |
| Share capital | 1,789,079 | 1,789,079 | 1,789,079 | 1,789,079 |
| Share premium | 2,251,113 | 2,251,113 | 2,251,113 | 2,251,113 |
| Reserves | (893) | (3,944) | (7,795) | (17,366) |
| Retained earnings | 5,621,821 | 5,650,669 | 6,838,278 | 6,011,372 |
| Total equity | 9,661,120 | 9,686,917 | 10,870,675 | 10,034,198 |

(Unit: In millions of Won, except for per share data)

| Description | For the year ended December 31, 2012 | For the year ended December 31, 2011 | For the year ended December 31, 2010 | For the year ended December 31, 2009 |
|--|---|---|---|---|
| Revenue | 28,672,355 | 23,471,309 | 25,004,257 | 20,119,342 |
| Operating profit (loss) | 626,478 ⁽¹⁾ | (1,051,042) ⁽²⁾ | 1,402,453 ⁽²⁾ | 1,084,575 ⁽²⁾ |
| Operating profit (loss) from continuing operations | 28,549 | (991,032) | 1,002,648 | 1,088,814 |
| Profit (loss) for the period | 28,549 | (991,032) | 1,002,648 | 1,088,814 |
| Basic earnings (loss) per share | 80 | (2,770) | 2,802 | 3,043 |
| Diluted earnings (loss) per share | 80 | (2,770) | 2,726 | 3,043 |

- (1) Amendment to K-IFRS No. 1001 Presentation of Financial Statements adopted in the presentation of operating profit. After adoption of the amendment, operating profit or loss is presented as an amount of revenue less cost of sales, selling and administrative expenses and research and development expenses. Prior to the adoption of the amendment, other income and other expenses were included in the presentation of operating profit or loss. For additional information, see Note 2 of the notes to our audited separate financial statements as of and for the year ended December 31, 2012 attached hereto.
- (2) Reclassified to conform to the presentation for the year ended December 31, 2012.

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C. Consolidated subsidiaries (as of December 31, 2012)

| Company | Primary Business | Location | Equity Interest |
|--|-----------------------------------|-----------|-----------------|
| LG Display America, Inc. | Sales | U.S.A. | 100% |
| LG Display Germany GmbH | Sales | Germany | 100% |
| LG Display Japan Co., Ltd. | Sales | Japan | 100% |
| LG Display Taiwan Co., Ltd. | Sales | Taiwan | 100% |
| LG Display Nanjing Co., Ltd. | Manufacturing and sales | China | 100% |
| LG Display Shanghai Co., Ltd. | Sales | China | 100% |
| LG Display Poland Sp. zo.o. | Manufacturing and sales | Poland | 80% |
| LG Display Guangzhou Co., Ltd. | Manufacturing and sales | China | 90% |
| LG Display Shenzhen Co., Ltd. | Sales | China | 100% |
| LG Display Singapore Pte. Ltd. | Sales | Singapore | 100% |
| L&T Display Technology (Xiamen) Co., Ltd. | Manufacturing and sales | China | 51% |
| L&T Display Technology (Fujian) Co., Ltd. | Manufacturing and sales | China | 51% |
| LG Display Yantai Co., Ltd. | Manufacturing and sales | China | 100% |
| LG Display (China) Co., Ltd. | Manufacturing and sales | China | 70% |
| L&I Electronic Technology (Dongguan) Limited | Manufacturing and sales | China | 51% |
| Image & Materials, Inc. | Manufacturing and sales | Korea | 100% |
| LUCOM Display Technology (Kunshan) Limited | Manufacturing and sales | China | 51% |
| LG Display U.S.A. Inc. | Manufacturing and sales | U.S.A. | 100% |
| LG Display Reynosa S.A. de C.V. | Manufacturing | Mexico | 100% |
| Nanumnuri Co., Ltd. ⁽¹⁾ | Workplace services ⁽²⁾ | Korea | 100% |

- (1) Formed as a wholly owned subsidiary in March 2012 in order to comply with Korean legal requirement for employers with 100 or more employees to employ disabled persons. We made a capital contribution of 800 million.
- (2) Includes workplace services such as janitorial, car washing, gym and cafe services.

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D. Status of equity investment (as of December 31, 2012)

| Company | Investment Amount | Initial Equity Investment Date | Equity Interest |
|--|-------------------------------|--------------------------------|-----------------|
| LG Display America, Inc. | US\$260,000,000 | September 24, 1999 | 100% |
| LG Display Germany GmbH | EUR960,000 | November 5, 1999 | 100% |
| LG Display Japan Co., Ltd. | ¥95,000,000 | October 12, 1999 | 100% |
| LG Display Taiwan Co., Ltd. | NT\$115,500,000 | May 19, 2000 | 100% |
| LG Display Nanjing Co., Ltd. | CNY2,834,206,315 | July 15, 2002 | 100% |
| LG Display Shanghai Co., Ltd. | CNY4,138,650 | January 16, 2003 | 100% |
| LG Display Poland Sp. zo.o. | PLN410,327,700 | September 6, 2005 | 80% |
| LG Display Guangzhou Co., Ltd. | CNY895,904,754 | August 7, 2006 | 90% |
| LG Display Shenzhen Co., Ltd. | CNY3,775,250 | August 28, 2007 | 100% |
| LG Display Singapore Pte. Ltd. | SGD1,400,000 | January 12, 2009 | 100% |
| L&T Display Technology (Xiamen) Co., Ltd. | CNY41,785,824 | January 5, 2010 | 51% |
| L&T Display Technology (Fujian) Co., Ltd. | CNY59,197,026 | January 5, 2010 | 51% |
| LG Display Yantai Co., Ltd. | CNY525,016,000 ⁽¹⁾ | April 19, 2010 | 100% |
| L&I Electronic Technology (Dongguan) Limited | CNY17,062,560 | October 25, 2010 | 51% |
| Image & Materials, Inc. | 43,999,839,152 | November 29, 2010 | 100% |
| LUCOM Display Technology (Kunshan) Limited | CNY50,353,677 | December 27, 2010 | 51% |
| LG Display U.S.A. Inc. | US\$10,920,000 | December 8, 2011 | 100% |
| LG Display Reynosa S.A. de C.V. | MXN111,998,058 | December 30, 2011 | 100% |
| Nanumnuri Co., Ltd. | 800,000,000 | March 19, 2012 | 100% |
| LG Display (China) Co., Ltd. | CNY176,361,123 | December 27, 2012 | 70% |
| Suzhou Raken Technology Co., Ltd. | CNY569,455,395 | October 7, 2008 | 51% |
| Paju Electric Glass Co., Ltd. | 33,648,000,000 | March 25, 2005 | 40% |
| TLI Co., Ltd. | 14,073,806,250 ²⁾ | May 16, 2008 | 12% |
| AVACO Co., Ltd. | 6,172,728,120 | June 9, 2008 | 16% |
| Guangzhou New Vision Technology Research and Development Limited | CNY25,000,000 | July 11, 2008 | 50% |
| NEW OPTICS, Ltd. | 12,199,600,000 | July 30, 2008 | 42% |
| LIG ADP Co., Ltd. | 6,330,000,000 | February 24, 2009 | 13% |
| Wooree E&L Co., Ltd. (formerly Wooree LED Co., Ltd.) | 11,900,000,000 ³⁾ | May 22, 2009 | 30% |
| Dynamic Solar Design Co., Ltd. | 6,066,658,000 | June 24, 2009 | 40% |
| Global OLED Technology LLC | US\$45,170,000 | December 23, 2009 | 33% |
| LB Gemini New Growth Fund No. 16 | 15,487,847,109 | December 7, 2009 | 31% |
| Can Yang Investment Ltd. | US\$15,300,000 | January 27, 2010 | 9% |

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| Company | Investment Amount | Initial Equity Investment Date | Equity Interest |
|---|-------------------|--------------------------------|-----------------|
| YAS Co., Ltd. | 10,000,000,000 | September 16, 2010 | 19% |
| Eralite Optoelectronics (Jiangsu) Co., Ltd. | US\$4,000,000 | September 28, 2010 | 20% |
| Narae Nanotech Corporation | 30,000,000,000 | April 22, 2011 | 23% |
| Avatec Co., Ltd. | 10,600,000,000 | December 6, 2011 | 17% |
| Glonix Co., Ltd. | 2,000,000,000 | April 10, 2012 | 20% |

- (1) In October 2012, we invested an additional CNY252 million in LG Display Yantai Co., Ltd.
- (2) As of the date of this annual report, our equity interest in TLI Co., Ltd. was diluted to 10.4% after holders of TLI Co., Ltd.'s warrant bonds exercised their right to shares.
- (3) As of the date of this annual report, our equity interest in Wooree E&L Co., Ltd. was diluted to 21.5% because we did not subscribe to any of the additional equity interests issued in Wooree E&L Co., Ltd.'s paid-in capital increase in January 2013.
- (4) As of the date of this annual report, our equity interest in Avatec Co., Ltd. was diluted to 16.3% because we did not subscribe to any of the additional interests issued in Avatec Co., Ltd.'s paid-in increase in January 2013.

13. Audit Information

A. Audit service

(Unit: In millions of Won, hours)

| Description | 2012 | 2011 | 2010 |
|-----------------------------|------------------------------|------------------------------|------------------------------|
| Auditor | KPMG Samjong | KPMG Samjong | KPMG Samjong |
| Activity | Audit by independent auditor | Audit by independent auditor | Audit by independent auditor |
| Compensation ⁽¹⁾ | 850 (285) ⁽²⁾ | 850 (285) ⁽²⁾ | 850 (585) ⁽³⁾ |
| Time required | 16,792 | 16,154 | 16,646 |

- (1) Compensation amount is the contracted amount for the full fiscal year.
- (2) Compensation amount in () is for Form 20-F filing and SOX 404 audit.
- (3) Compensation amount in () is for K-IFRS audit of 2009 financial statements, Form 20-F filing and SOX 404 audit.

B. Non-audit service

Not applicable.

14. Management's Discussion and Analysis of Financial Condition and Results of Operations

A. Risk relating to forward-looking statements

The annual report contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements reflect our current views as of the date of this report with respect to future events and are not a guarantee of future performance or results. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of factors beyond our control. We have no obligation to update or correct the forward-looking statements contained in these materials subsequent to the date hereof. All forward-looking statements attributable to us in this report are expressly qualified in their entirety by the cautionary statements contained or referred to in this section.

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B. Overview

Although challenges in our market environment persisted in 2012 as oversupply issues in the display industry and lingering difficulties in the general global economic environment continued to affect our business, we believe we were able to overcome these challenges and achieve the goals we had set for ourselves as we entered 2012. For example, our FPR 3D products increased their share of the global 3D panel market to nearly 50% in 2012. In addition, sales of our AH-IPS panels for use in mobile and tablet computer products increased further in 2012 and our AH-IPS panels allowed us to enter new product markets, such as the automotive display market. Furthermore, we continued to lead the market in high-resolution and large display panels as we achieved the production of our one billionth LCD display panel in October 2012 while continuing to pioneer new products, such as the 84-inch UHD display panel, which we began to mass produce in 2012

We also undertook efforts to prepare for the future and better position ourselves to nimbly respond to future evolution of the industry. In the beginning of 2012, we streamlined our management structure by restructuring our internal organization. In 2012, we also prepared a medium- to long-term strategy and a new vision for our company.

As a result of these efforts, we achieved record highs in quarterly revenue in the second and third quarters of 2012, and were able to record an operating profit of 912 billion on a record-breaking annual revenue of 29,430 billion.

C. Financial condition and results of operations

(1) Results of operations (Based on consolidated K-IFRS)

In 2012, we maintained our market-leading position in the display industry through a continued shift in our product mix toward increasingly higher proportions of differentiated products, such as our FPR 3D, Blade monitor, Shuriken notebook monitor, smartphone and tablet computer products. For example, the share of our FPR 3D products in the global 3D market increased to nearly 50%, and sales of our smartphone and tablet computer panels continued to grow in 2012. In the large-sized panel market, our products had the largest market share for two years in a row since 2011. Overall, our net display area shipped increased by 17% in 2012 as compared to 2011.

(Unit: In millions of Won)

| Description | 2012 | 2011 | Changes |
|-----------------------------------|--------------|--------------|-------------|
| Revenue | 29,429,668 | 24,291,289 | 5,138,379 |
| Cost of sales | (26,424,756) | (23,081,322) | (3,343,434) |
| Gross profit | 3,004,912 | 1,209,967 | 1,794,945 |
| Selling expenses | (813,742) | (728,419) | (85,323) |
| Administrative expenses | (493,691) | (429,042) | (64,649) |
| Research and development expenses | (785,111) | (816,054) | 30,943 |

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| | | | |
|----------------------------------|-------------|-------------|-----------|
| Operating profit (loss) | 912,368 | (763,548) | 1,675,916 |
| Finance income | 293,172 | 207,266 | 85,906 |
| Finance costs | (436,696) | (363,309) | (73,387) |
| Other non-operating income | 1,260,942 | 1,223,076 | 37,866 |
| Other non-operating expenses | (1,614,040) | (1,400,491) | (213,549) |
| Equity income on investment, net | 42,779 | 16,047 | 26,732 |
| Profit (loss) before income tax | 458,525 | (1,080,959) | 1,539,484 |
| Income tax expense (benefit) | 222,180 | (293,064) | 515,244 |
| Profit (loss) for the period | 236,345 | (787,895) | 1,024,240 |

(a) Selected financial ratios

| Ratios | Calculation | 2012 Ratio | 2011 Ratio | Percentage Point Change |
|--|---|---------------|---------------|----------------------------|
| Current ratio | (current assets ÷ current liabilities) x 100 | 96.8% | 79.3% | 17.5% |
| Debt to equity ratio | (total liabilities ÷ total equity) x 100 | 138.8% | 148.4% | (9.6)% |
| Operating margin | (results from operating activities ÷ revenue) x 100 | 3.1% | (3.1)% | 6.2% |
| Net margin | (profit for the period ÷ revenue) x 100 | 0.8% | (3.2)% | 4.0% |
| Return on assets | (profit for the period ÷ total assets) x 100 | 1.0% | (3.1)% | 4.1% |
| Return on equity | (profit for the period ÷ total equity) x 100 | 2.3% | (7.8)% | 10.1% |
| Net cash from operating activities to assets ratio | (net cash from operating activities ÷ total assets) x 100 | 18.7% | 14.6% | 4.1% |

| Ratios | Calculation | 2012 Ratio |
|-------------------------|---|----------------|
| Revenue growth | (current year revenue ÷ prior year revenue) x 100 - 1 | 21.2% |
| Operating profit growth | (current year results from operating activities ÷ prior year results from operating activities) x 100 - 1 | Not Applicable |
| Net profit growth | (current year profit ÷ prior year profit) x 100 - 1 | Not Applicable |
| Total assets growth | (current year end total assets ÷ prior year end total assets) x 100 - 1 | (2.8)% |
| Asset turnover | Revenue ÷ ((total assets at beginning of year + total assets at end of year) ÷ 2) | 1.2 |

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(b) Revenue and cost of sales

Our cost of sales as a percentage of revenue decreased by 5.2 percentage points from 95.0% in 2011 to 89.8% in 2012 primarily due to our continued efforts to maximize production capacity and minimize loss coupled with increases in sales of our differentiated products, which tend to command higher margins relative to other products in our product mix.

(Unit: In millions of Won, except percentages)

| Description | 2012 | 2011 | Changes | |
|--|------------|------------|-----------|------------|
| | | | Amount | Percentage |
| Revenue | 29,429,668 | 24,291,289 | 5,138,379 | 21.2% |
| Cost of sales | 26,424,756 | 23,081,322 | 3,343,434 | 14.5% |
| Gross profit | 3,004,912 | 1,209,967 | 1,794,945 | 148.3% |
| Cost of sales as a percentage of sales | 89.8% | 95.0% | | |

(c) Sales by Category

Revenue from sales of panels for televisions as a percentage of total revenue generally decreased in 2012 compared to 2011, but within this category, the proportion of revenue from FPR 3D television panels and other high value-added television panels increased during the same period. Revenue from sales of panels for notebook computers as a percentage of total revenue increased by 2.7 percentage points in 2012 compared to 2011 due in part to increased demand and growth in our customer base for tablet personal computers included in this category of panels. Revenue attributable to sales of panels for mobile applications and others as a percentage of total revenue increased by 2.5 percentage points in 2012 compared to 2011 due in part to an increase in demand for smartphones and growth in our customer base for such products.

| Categories | 2012 | 2011 | Difference |
|---|-------|-------|------------|
| Panels for televisions | 45.9% | 47.7% | (1.8)% |
| Panels for notebook computers | 23.8% | 21.1% | 2.7% |
| Panels for desktop monitors | 17.1% | 20.5% | (3.4)% |
| Panels for mobile applications and others | 13.2% | 10.7% | 2.5% |

(d) Production capacity

Our annual production capacity increased by 2% in 2012 compared to 2011, in large part due to the successful ramp-up of P98.

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(2) Financial condition (based on consolidated K-IFRS)

Our current assets increased by 1,057 billion from 7,858 billion as of December 31, 2011 to 8,915 billion as of December 31, 2012, and our non-current assets decreased by 1,764 billion from 17,305 billion as of December 31, 2011 to 15,541 billion as of December 31, 2012. Our current liabilities decreased by 705 billion from 9,911 billion as of December 31, 2011 to 9,206 billion as of December 31, 2012, and our non-current liabilities decreased by 111 billion from 5,120 billion as of December 31, 2011 to 5,009 billion as of December 31, 2012. Our total equity increased by 109 billion from 10,131 billion as of December 31, 2011 to 10,240 billion as of December 31, 2012.

(Unit: In millions of Won)

| Description | 2012 | 2011 | Changes |
|------------------------------|------------|------------|-------------|
| Current assets | 8,914,685 | 7,858,065 | 1,056,620 |
| Non-current assets | 15,540,826 | 17,304,866 | (1,764,040) |
| Total assets | 24,455,511 | 25,162,931 | (707,420) |
| Current liabilities | 9,206,158 | 9,911,434 | (705,276) |
| Non-current liabilities | 5,009,173 | 5,120,469 | (111,296) |
| Total liabilities | 14,215,331 | 15,031,903 | (816,572) |
| Share capital | 1,789,079 | 1,789,079 | 0 |
| Share premium | 2,251,113 | 2,251,113 | 0 |
| Reserves | (69,370) | 12,181 | (81,551) |
| Retained earnings | 6,238,989 | 6,063,359 | 175,630 |
| Non-controlling interest | 30,369 | 15,296 | 15,073 |
| Total equity | 10,240,180 | 10,131,028 | 109,152 |
| Total liabilities and equity | 24,455,511 | 25,162,931 | (707,420) |

In 2012, we continued our efforts to maximize production capacity and minimize loss and we also commenced mass production at P98 in July 2012, which led to an increase in production capacity. As a result of our increased production levels, our inventory increased by 73 billion from December 31, 2011 to December 31, 2012.

Net trade accounts and notes receivable as of December 31, 2012 was 3,334 billion, an increase of 594 billion from net trade accounts and notes receivable as of December 31, 2011. Trade accounts and notes receivable amounting to 1,851 billion (approximately US\$1,728 million) and 1,631 billion (approximately US\$1,414 million) were sold to financial institutions, but are current and outstanding, as of December 31, 2012 and 2011, respectively.

The book value of our total tangible assets as of December 31, 2012 was 13,108 billion, a decrease of 1,589 billion from the book value of our total tangible assets as of December 31, 2011. The decrease was primarily due to an increase in depreciation costs which outpaced increases resulting from investments in production facilities in Korea in the amount of 2,318 billion and in overseas facilities in the amount of 22 billion.

Trade accounts and notes payable as of December 31, 2012 was 4,147 billion, an increase of 364 billion from trade accounts and notes payable as of December 31, 2011. The increase was primarily due to an increase in our purchase of components and raw materials corresponding to an increase in our production levels in 2012.

Other accounts payable as of December 31, 2012 was 2,811 billion, a decrease of 1,182 billion from other accounts payable as of December 31, 2011. The decrease was primarily due to the repayment of accounts payable relating to P9 after its completion in June 2012.

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(3) Liquidity and capital resources

In 2012, our net cash from operating activities amounted to 4,570 billion, our net cash used in financing activities, including the incurrence of short- and long-term borrowings as well as the issuance of corporate debentures, amounted to 48 billion, and our net cash used in investing activities, including the acquisition of tangible assets and our acquisition of investments in equity accounted investees, amounted to 3,688 billion.

In 2013, we expect that our capital expenditures on a cash out basis will be no more than 4 trillion or, on a delivery basis, between approximately 4 trillion and 4.5 trillion, primarily to fund the expansion of our OLED and LTPS-based panel production capacities, as well as other expansions and improvements to our existing facilities. Such amount is subject to change depending on business conditions and market environment.

(Unit: In millions of Won)

| Description | 2012 | 2011 | Changes |
|---|-------------|-------------|-----------|
| Results (loss) from operating activities | 912,368 | (763,548) | 1,675,916 |
| Net cash provided by operating activities | 4,569,695 | 3,665,858 | 903,837 |
| Net cash provided by (used in) financing activities | (48,124) | (278,249) | 230,125 |
| Net cash used in investing activities | (3,688,185) | (3,494,461) | (193,724) |
| Cash and cash equivalents at December 31, | 2,338,661 | 1,517,977 | 820,684 |

15. Board of Directors

A. Members of the board of directors

On March 8, 2013, Joon Park was newly appointed and Tae Shik Ahn was reappointed as outside directors at our annual general meeting of shareholders and William Y. Kim voluntarily resigned as an outside director. As of the date of this annual report, our board of directors are comprised of two non-outside directors, one non-standing director and four outside directors.

(as of the date of this annual report)

| Name | Date of birth | Position | Experience | First elected |
|-----------------------|------------------|---|---|-------------------|
| Sang Beom Han | June 18, 1955 | Representative | Head of LG Display TV Business Division | March 9, 2012 |
| | | Director (non-outside), Chief Executive Officer and Executive Vice President | | |
| James (Hoyoung) Jeong | November 2, 1961 | Director (non-outside) and | Executive Vice President and Chief Financial Officer of LG Electronics | February 29, 2008 |
| | | Chief Financial Officer | | |
| Yu Sig Kang | November 3, 1948 | Director (non-standing) | Vice Chairman, Representative Director, LG Corp. | March 11, 2011 |
| Tae Sik Ahn | March 21, 1956 | Outside Director | Professor, School of Business Administration, Seoul National University | March 12, 2010 |

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| | | | | |
|-------------------------------|-------------------|------------------|--|-------------------|
| William Y. Kim ⁽¹⁾ | June 6, 1956 | Outside Director | Partner, Ropes & Gray LLP | February 29, 2008 |
| Jin Jang | November 28, 1954 | Outside Director | Chair Professor, Department of Information Display, Kyung Hee University | March 11, 2011 |
| Dong Il Kwon | February 5, 1957 | Outside Director | Professor, Department of Materials Science and Engineering, Seoul National University | March 9, 2012 |

(1) Although William Y. Kim voluntarily resigned as an outside director on March 8, 2013, he will remain as a member of the board of directors until Joon Park begins his term as an outside director, which is scheduled to begin on March 30, 2013.

B. Committees of the board of directors

As a result of the amendments to our articles of incorporation adopted by our shareholders on March 8, 2013, we currently have the following committees that serve under our board of directors: Audit Committee, Outside Director Nomination Committee and Management Committee.

(as of the date of this annual report)

| Committee | Composition | Member |
|-----------------------------|---|---|
| Audit Committee | 3 outside directors | Tae Sik Ahn, William Y. Kim ⁽¹⁾ , Jin Jang |
| Outside Director Nomination | 1 non-outside director and 2 outside directors | James (Hoyoung) Jeong, Dong Il Kwon, Jin Jang |
| Management Committee | 2 non-outside directors | Sang Beom Han, James (Hoyoung) Jeong |

(1) Although William Y. Kim voluntarily resigned as an outside director on March 8, 2013, he will remain as a member of the audit committee until Joon Park begins his term as a member of the audit committee on March 30, 2013.

C. Independence of directors

- Outside director: Independent
- Non-outside director: Not independent
- Each of our outside directors meets the applicable independence standards set forth under the applicable laws and regulations. Each of our outside directors was nominated by the Outside Director Nomination Committee, was approved by the board of directors and was appointed at the general meeting of shareholders. None of our outside directors has or had any business transaction or any related party transactions with us.

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16. Information Regarding Shares

A. Total number of shares

- (1) Total number of shares authorized to be issued (as of December 31, 2012): 500,000,000 shares.
- (2) Total shares issued and outstanding (as of December 31, 2012): 357,815,700 shares.

B. Shareholder list

- (1) Largest shareholder and related parties as of December 31, 2012:

| Name | Relationship | Number of Shares of Common Stock | Equity Interest |
|----------------|---------------------|----------------------------------|-----------------|
| LG Electronics | Largest Shareholder | 135,625,000 | 37.9% |
| Sang Beom Han | Related Party | 930 | 0.0% |

- (2) Shareholders who are known to us to own 5% or more of our shares as of December 31, 2012:

| Beneficial Owner | Number of Shares of Common Stock | Equity Interest |
|--------------------------|----------------------------------|-----------------|
| LG Electronics | 135,625,000 | 37.9% |
| National Pension Service | 19,541,368 | 5.5% |

17. Directors and Employees

A. Directors

- (1) Remuneration for directors in 2012

(Unit: person, in millions of Won)

| Classification | No. of directors ⁽¹⁾ | Amount paid ⁽²⁾ | Per capita average | | Remarks |
|---|---------------------------------|----------------------------|----------------------------------|--|---------|
| | | | remuneration paid ⁽⁵⁾ | | |
| Non-outside directors | 3 | 3,200 ⁽³⁾⁽⁴⁾ | 1,067 | | |
| Outside directors who are not audit committee members | 1 | 55 | 66 | | |
| Outside directors who are audit committee members | 3 | 168 | 56 | | |
| Total | 7 | 1,186 | | | |

- (1) Number of directors as at December 31, 2012.
- (2) Amount paid is calculated on the basis of amount of cash actually paid.
- (3) Among the non-outside directors, Yu Sig Kang does not receive any remuneration.
- (4) Includes remuneration and severance for Young Soo Kwon whose term as CEO ended on March 9, 2012.
- (5) Per capita average remuneration paid is calculated by dividing total amount paid by the average number of directors for the year ended December 31, 2012.

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(2) Stock option

The following table sets forth certain information regarding our stock options as of December 31, 2012.

(Unit: Won, Stock)

| Executive Officers (including Former Officers) | Exercise Period ⁽²⁾ | | | Exercise Price | Number of Granted Options | Number of Exercised Options | Number of Cancelled Options ⁽¹⁾ | Number of Exercisable Options ⁽¹⁾ |
|--|--------------------------------|---------------|---------------|-------------------|---------------------------------|-----------------------------------|--|--|
| | Grant Date | From | To | | | | | |
| Ron H. Wirahadiraksa | April 7, 2005 | April 8, 2008 | April 7, 2012 | 44,050 | 100,000 | 0 | 50,000 | 50,000 |
| Duke M. Koo | April 7, 2005 | April 8, 2008 | April 7, 2012 | 44,050 | 40,000 | 0 | 20,000 | 20,000 |
| Sang Deog Yeo | April 7, 2005 | April 8, 2008 | April 7, 2012 | 44,050 | 40,000 | 0 | 20,000 | 20,000 |
| Jae Geol Ju | April 7, 2005 | April 8, 2008 | April 7, 2012 | 44,050 | 40,000 | 0 | 20,000 | 20,000 |
| Total | | | | | 220,000 | | 110,000 | 110,000 |

(1) When the increase rate of our share price is the same or less than the increase rate of the Korea Composite Stock Price Index (KOSPI) over the three-year period following the grant date, only 50% of the initially granted shares are exercisable. Since the increase rate of our share price was lower than the increase rate of KOSPI during the period from April 7, 2005 to April 7, 2008, only 50% of the 220,000 initially granted shares are exercisable.

(2) On April 7, 2012, all outstanding stock options expired unexercised.

B. Employees

As of December 31, 2012, we had 34,657 employees (excluding our executive officers). The total amount of salary paid to our employees for the year ended December 31, 2012 based on income tax statements submitted to the Korean tax authority in accordance with Article 20 of the Income Tax Act was 1,653,773 million. The following table provides details of our employees as of December 31, 2012:

(Unit: person, in millions of Won, year)

| | Number of Employees ⁽¹⁾ | Total Salary in 2012 ^{(2) (3) (4)} | Per Capita Salary ⁽⁵⁾ | Average Years of Service |
|--------------|---------------------------------------|--|--|-----------------------------|
| Male | 23,978 | 1,258,255 | 52 | 5.3 |
| Female | 10,679 | 395,518 | 37 | 3.4 |
| Total | 34,657 | 1,653,773 | 47 | 4.7 |

(1) Includes part-time employees.

(2) Welfare benefits and retirement expenses have been excluded. Total welfare benefit provided to our employees for the year ended December 31, 2012 was 317,272 million and the per capita welfare benefit provided was 9.1 million.

(3) Based on income tax statements, which are submitted to the Korean tax authority in accordance with Article 20 of the Income Tax Act.

(4) Includes incentive payments to employees who have transferred from our affiliated companies.

(5) Per Capita Salary is calculated using the average number of employees (male: 24,178, female: 10,658) for the year ended December 31, 2012.

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

Consolidated Financial Statements

For the Years Ended December 31, 2012 and 2011

(With Independent Auditors' Report Thereon)

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Independent Auditors Report

Based on a report originally issued in Korean

To the Board of Directors and Shareholders

LG Display Co., Ltd.:

We have audited the accompanying consolidated statements of financial position of LG Display Co., Ltd and subsidiaries (the Group) as of December 31, 2012 and 2011 and the related consolidated statements of comprehensive income (loss), changes in equity and cash flows for the years then ended. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Korean International Financial Reporting Standards. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Group as of December 31, 2012 and 2011 and its financial performance and its consolidated cash flows for the years then ended, in accordance with Korean International Financial Reporting Standards (K-IFRS).

Without qualifying our opinion, we draw attention to the following:

The procedures and practices utilized in the Republic of Korea to audit such consolidated financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report is for use by those knowledgeable about Korean auditing standards and their application in practice.

As discussed in note 20 to the consolidated financial statements, the Group has been or is under investigations by antitrust authorities in several countries with respect to possible anti-competitive activities in the Liquid Crystal Display (LCD) industry and named as defendants in a number of individual lawsuits and class actions in the United States and Canada, respectively, in connection with alleged antitrust violations concerning the sale of LCD panels. The Group estimated and recognized losses related to these investigations and alleged violations. However, actual losses are subject to change in the future based on new developments in each matter, or changes in circumstances, which could be materially different from those estimated and recognized by the Group.

As discussed in note 2 (e) to the consolidated financial statements, the Group adopted the amendment to K-IFRS No. 1001, *Presentation of Financial Statements*, and presented operating profit or loss as an amount of revenue less cost of sales, selling and administrative expense, and research and development expenses in the consolidated statement of comprehensive income for the year ended December 31, 2012. The Group applied this change in accounting policies retrospectively, and accordingly restated the comparative consolidated statement of comprehensive loss for the year ended December 31, 2011.

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/s/ KPMG Samjong Accounting Corp.

Seoul, Korea

February 15, 2013

This report is effective as of February 15, 2013, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Financial Position

As of December 31, 2012 and 2011

| <i>(In millions of won)</i> | Note | December 31, 2012 | December 31, 2011 |
|---|---------------|-------------------|-------------------|
| Assets | | | |
| Cash and cash equivalents | 6, 13 | 2,338,661 | 1,517,977 |
| Deposits in banks | 6, 13 | 315,092 | 815,000 |
| Trade accounts and notes receivable, net | 7, 13, 19, 22 | 3,334,341 | 2,740,107 |
| Other accounts receivable, net | 7, 13 | 199,007 | 212,870 |
| Other current financial assets | 9, 13 | 3,828 | 3,297 |
| Inventories | 8 | 2,390,007 | 2,317,370 |
| Prepaid income taxes | | 8,483 | 8,522 |
| Other current assets | 7 | 325,266 | 242,922 |
| Total current assets | | 8,914,685 | 7,858,065 |
| Investments in equity accounted investees | 10 | 402,158 | 385,145 |
| Other non-current financial assets | 9, 13 | 86,432 | 84,548 |
| Deferred tax assets | 29 | 1,294,813 | 1,424,005 |
| Property, plant and equipment, net | 11, 23 | 13,107,511 | 14,696,849 |
| Intangible assets, net | 12, 23 | 497,602 | 535,114 |
| Other non-current assets | 7 | 152,310 | 179,205 |
| Total non-current assets | | 15,540,826 | 17,304,866 |
| Total assets | | 24,455,511 | 25,162,931 |
| Liabilities | | | |
| Trade accounts and notes payable | 13, 22 | 4,147,036 | 3,782,627 |
| Current financial liabilities | 13, 14 | 1,015,272 | 894,972 |
| Other accounts payable | 13 | 2,811,161 | 3,992,671 |
| Accrued expenses | | 412,055 | 267,595 |
| Income tax payable | | 56,521 | 58,259 |
| Provisions | 18 | 250,984 | 279,403 |
| Advances received | | 485,468 | 616,351 |
| Other current liabilities | 18 | 27,661 | 19,556 |
| Total current liabilities | | 9,206,158 | 9,911,434 |
| Non-current financial liabilities | 13, 14 | 3,440,585 | 3,722,364 |
| Non-current provisions | 18 | 6,515 | 5,400 |
| Deferred tax liabilities | 29 | | 240 |
| Employee benefits | 17 | 180,640 | 146,638 |
| Long-term advances received | 19 | 1,049,678 | 668,914 |
| Other non-current liabilities | 18 | 331,755 | 576,913 |
| Total non-current liabilities | | 5,009,173 | 5,120,469 |
| Total liabilities | | 14,215,331 | 15,031,903 |
| Equity | | | |
| Share capital | 21 | 1,789,079 | 1,789,079 |

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| | | | |
|---|----|------------|------------|
| Share premium | | 2,251,113 | 2,251,113 |
| Reserves | 21 | (69,370) | 12,181 |
| Retained earnings | | 6,238,989 | 6,063,359 |
| Total equity attributable to equity holders of the Company | | 10,209,811 | 10,115,732 |
| Non-controlling interests | | 30,369 | 15,296 |
| Total equity | | 10,240,180 | 10,131,028 |
| Total liabilities and equity | | 24,455,511 | 25,162,931 |

See accompanying notes to the consolidated financial statements.

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income (Loss)

For the years ended December 31, 2012 and 2011

(In millions of won, except earnings per share)

| | Note | 2012 | 2011 |
|---|------------|--------------|--------------|
| Revenue | 22, 23, 24 | 29,429,668 | 24,291,289 |
| Cost of sales | 8, 22 | (26,424,756) | (23,081,322) |
| Gross profit | | 3,004,912 | 1,209,967 |
| Selling expenses | 16 | (813,742) | (728,419) |
| Administrative expenses | 16 | (493,691) | (429,042) |
| Research and development expenses | | (785,111) | (816,054) |
| Operating profit (loss) | | 912,368 | (763,548) |
| Finance income | 27 | 293,172 | 207,266 |
| Finance costs | 27 | (436,696) | (363,309) |
| Other non-operating income | 25 | 1,260,942 | 1,223,076 |
| Other non-operating expenses | 25 | (1,614,040) | (1,400,491) |
| Equity income on investments, net | | 42,779 | 16,047 |
| Profit (loss) before income tax | | 458,525 | (1,080,959) |
| Income tax expense (benefit) | 28 | 222,180 | (293,064) |
| Profit (loss) for the year | | 236,345 | (787,895) |
| Other comprehensive income (loss) | | | |
| Net change in unrealized fair value of available-for-sale financial assets | 27,28 | 4,764 | 2,700 |
| Defined benefit plan actuarial losses | 17,28 | (75,899) | (23,732) |
| Cumulative translation differences | 27,28 | (86,320) | 47,443 |
| Loss on sales of own shares of associates accounted for using the equity method | 28 | (48) | (214) |
| Income tax benefit on other comprehensive income items | 28 | 17,282 | 4,958 |
| Other comprehensive income (loss) for the year, net of income tax | | (140,221) | 31,155 |
| Total comprehensive income (loss) for the year | | 96,124 | (756,740) |
| Profit (loss) attributable to: | | | |
| Owners of the Controlling Company | | 233,204 | (771,223) |
| Non-controlling interests | | 3,141 | (16,672) |
| Profit (loss) for the year | | 236,345 | (787,895) |
| Total comprehensive income (loss) attributable to: | | | |
| Owners of the Controlling Company | | 94,079 | (741,417) |
| Non-controlling interests | | 2,045 | (15,323) |
| Total comprehensive income (loss) for the year | | 96,124 | (756,740) |
| Earnings (loss) per share | | | |

| | | | |
|---|----|-----|---------|
| Basic and diluted earnings (loss) per share | 30 | 652 | (2,155) |
|---|----|-----|---------|

See accompanying notes to the consolidated financial statements.

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2012 and 2011

| | Attributable to owners of the Controlling Company | | | | | | | |
|---|---|------------------|---|---|-----------------------|----------------------|-----------------------------|-----------------|
| | Share capital | Share premium | sales of own shares of associates | Cumulative net gain on translation reserve | Fair value reserve | Retained earnings | Non-controlling interest | Total equity |
| <i>(In millions of won)</i> | | | | | | | | |
| Balances at January 1, 2011 | 1,789,079 | 2,251,113 | 810 | (30,548) | (5,560) | 7,031,163 | 24,910 | 11,060,967 |
| Total comprehensive income (loss) for the year | | | | | | | | |
| Loss for the year | | | | | | (771,223) | (16,672) | (787,895) |
| Other comprehensive income (loss) | | | | | | | | |
| Net change in fair value of available-for-sale financial assets, net of tax | | | | | 1,704 | | | 1,704 |
| Cumulative translation differences, net of tax | | | | 45,989 | | | 1,349 | 47,338 |
| Defined benefit plan actuarial loss, net of tax | | | | | | (17,673) | | (17,673) |
| Loss on sales of own shares of associates accounted for using the equity method, net of tax | | | (214) | | | | | (214) |
| Total other comprehensive income (loss) | | | (214) | 45,989 | 1,704 | (17,673) | 1,349 | 31,155 |
| Total comprehensive income (loss) for the year | | | (214) | 45,989 | 1,704 | (788,896) | (15,323) | (756,740) |
| Transaction with owners, recognized directly in equity | | | | | | | | |
| Dividends to equity holders | | | | | | (178,908) | | (178,908) |
| Changes in ownership interests in subsidiaries | | | | | | | 5,709 | 5,709 |
| Balances at December 31, 2011 | 1,789,079 | 2,251,113 | 596 | 15,441 | (3,856) | 6,063,359 | 15,296 | 10,131,028 |
| Balances at January 1, 2012 | 1,789,079 | 2,251,113 | 596 | 15,441 | (3,856) | 6,063,359 | 15,296 | 10,131,028 |
| Total comprehensive income (loss) for the year | | | | | | | | |
| Income for the year | | | | | | 233,204 | 3,141 | 236,345 |
| Other comprehensive income (loss) | | | | | | | | |
| Net change in fair value of available-for-sale financial assets, net of tax | | | | | 3,790 | | | 3,790 |
| Cumulative translation differences, net of tax | | | | (85,293) | | | (1,096) | (86,389) |
| Defined benefit plan actuarial loss, net of tax | | | | | | (57,574) | | (57,574) |
| Loss on sales of own shares of associates accounted for using the equity method, net of tax | | | (48) | | | | | (48) |

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| | | | | | | |
|---|-----------|-----------|-------|----------|---------|------------|
| Total other comprehensive income (loss) | (48) | (85,293) | 3,790 | (57,574) | (1,096) | (140,221) |
| Total comprehensive income (loss) for the year | (48) | (85,293) | 3,790 | 175,630 | 2,045 | 96,124 |
| Transaction with owners, recognized directly in equity | | | | | | |
| Incorporation of subsidiaries | | | | | 13,028 | 13,028 |
| Balances at December 31, 2012 | 1,789,079 | 2,251,113 | 548 | (69,852) | (66) | 6,238,989 |
| | | | | | 30,369 | 10,240,180 |

See accompanying notes to the consolidated financial statements.

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2012 and 2011

| <i>(In millions of won)</i> | Note | 2012 | 2011 |
|--|--------|------------------|------------------|
| Cash flows from operating activities: | | | |
| Profit (loss) for the year | | 236,345 | (787,895) |
| Adjustments for: | | | |
| Income tax expense (benefit) | 28 | 222,180 | (293,064) |
| Depreciation | 11, 15 | 4,196,487 | 3,413,450 |
| Amortization of intangible assets | 12, 15 | 272,925 | 237,996 |
| Gain on foreign currency translation | | (234,912) | (85,804) |
| Loss on foreign currency translation | | 73,391 | 132,295 |
| Retirement allowance | 17, 26 | 138,879 | 113,970 |
| Reversal of stock compensation expense | 16 | (3) | (469) |
| Gain on disposal of property, plant and equipment | | (5,925) | (740) |
| Loss on disposal of property, plant and equipment | | 3,728 | 862 |
| Impairment loss on property, plant and equipment | | | 3,589 |
| Loss on disposal of intangible assets | | 704 | 1,588 |
| Impairment loss on intangible assets | | 40,012 | 5,574 |
| Finance income | | (133,711) | (59,542) |
| Finance costs | | 209,104 | 238,737 |
| Equity in income of equity method accounted investees, net | 10 | (42,779) | (16,047) |
| Other non-operating income | | (8,232) | (19,122) |
| Other non-operating expense | | 560,458 | 210,008 |
| | | 5,292,306 | 3,883,281 |
| Change in trade accounts and notes receivable | | (1,456,943) | 296,691 |
| Change in other accounts receivable | | 15,515 | (90,398) |
| Change in other current assets | | (46,216) | 11,010 |
| Change in inventories | | (72,637) | (102,153) |
| Change in other non-current assets | | (47,872) | (39,796) |
| Change in trade accounts and notes payable | | 440,883 | 792,128 |
| Change in other accounts payable | | (292,443) | 97,686 |
| Change in accrued expenses | | 158,698 | (158,640) |
| Change in other current liabilities | | 359,132 | (5,384) |
| Change in long-term advance received | | 789,670 | 281,975 |
| Change in other non-current liabilities | | 2,453 | 13,770 |
| Change in provisions | | (390,974) | (208,390) |
| Change in defined benefit liabilities | | (180,599) | (69,727) |
| | | (721,333) | 818,772 |
| Cash generated from operating activities | | 4,807,318 | 3,914,158 |
| Income taxes paid | | (77,643) | (162,266) |
| Interest received | | 33,302 | 65,600 |
| Interest paid | | (193,282) | (151,634) |
| Net cash from operating activities | | 4,569,695 | 3,665,858 |

See accompanying notes to the consolidated financial statements.

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows, Continued

For the years ended December 31, 2012 and 2011

| <i>(In millions of won)</i> | 2012 | 2011 |
|---|--------------------|--------------------|
| Cash flows from investing activities: | | |
| Dividends received | 686 | 6,130 |
| Proceeds from withdrawal of deposits in banks | 913,500 | 2,401,500 |
| Increase in deposits in banks | (413,512) | (1,713,500) |
| Acquisition of investments in equity accounted investees | (6,599) | (53,226) |
| Proceeds from disposal of investments in equity accounted investees | 3,938 | 2,045 |
| Acquisition of property, plant and equipment | (3,972,479) | (4,063,070) |
| Proceeds from disposal of property, plant and equipment | 58,846 | 643 |
| Acquisition of intangible assets | (285,888) | (215,286) |
| Grants received | 3,962 | 1,605 |
| Proceeds from settlement of derivatives | 742 | 23,784 |
| Increase in short-term loans | (10) | |
| Proceeds from collection of short-term loans | | 92 |
| Acquisition of other non-current financial assets | (55,276) | (59,444) |
| Proceeds from disposal of other non-current financial assets | 63,905 | 174,266 |
| Net cash used in investing activities | (3,688,185) | (3,494,461) |
| Cash flows from financing activities: | | |
| Proceeds from short-term borrowings | 3,455,548 | 1,292,804 |
| Repayments of short-term borrowings | (3,441,632) | (2,483,997) |
| Proceeds from issuance of debentures | 298,783 | 1,145,209 |
| Proceeds from long-term debt | 494,000 | 941,921 |
| Repayments of current portion of long-term debt | (867,851) | (1,000,987) |
| Increase in non-controlling interest | 13,028 | 5,709 |
| Payment of cash dividend | | (178,908) |
| Net cash used in financing activities | (48,124) | (278,249) |
| Net increase (decrease) in cash and cash equivalents | 833,386 | (106,852) |
| Cash and cash equivalents at January 1 | 1,517,977 | 1,631,009 |
| Effect of exchange rate fluctuations on cash held | (12,702) | (6,180) |
| Cash and cash equivalents at December 31 | 2,338,661 | 1,517,977 |

See accompanying notes to the consolidated financial statements.

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1. **Reporting Entity**

(a) **Description of the Controlling Company**

LG Display Co., Ltd. (the "Controlling Company") was incorporated in February 1985 under its original name of LG Soft, Ltd. as a wholly owned subsidiary of LG Electronics Inc. In 1998, LG Electronics Inc. and LG Semicon Co., Ltd. transferred their respective Thin Film Transistor Liquid Crystal Display (TFT-LCD) related business to the Controlling Company. The main business of the Controlling Company and its subsidiaries is to manufacture and sell TFT-LCD panels. The Controlling Company is a stock company ("Jusikhoesa") domiciled in the Republic of Korea with its address at 128, Yeouidae-ro, Yeongdeungpo-gu, Seoul, the Republic of Korea. In July 1999, LG Electronics Inc. and Koninklijke Philips Electronics N.V. ("Philips") entered into a joint venture agreement. Pursuant to the agreement, the Controlling Company changed its name to LG.Philips LCD Co., Ltd. However, on February 29, 2008, the Controlling Company changed its name to LG Display Co., Ltd. based upon the approval of shareholders at the general shareholders' meeting on the same date as a result of the decrease in Philips' share interest in the Controlling Company and the possibility of its business expansion to Organic Light Emitting Diode (OLED) and Flexible Display products. As of December 31, 2012, LG Electronics Inc. owns 37.9% (135,625,000 shares) of the Controlling Company's common shares.

As of December 31, 2012, the Controlling Company has TFT-LCD manufacturing plants, an OLED manufacturing plant and an LCD Research & Development Center in Paju and TFT-LCD manufacturing plants in Gumi. The Controlling Company has overseas subsidiaries located in North America, Europe and Asia.

The Controlling Company's common stock is listed on the Korea Exchange under the identifying code 034220. As of December 31, 2012, there are 357,815,700 shares of common stock outstanding. The Controlling Company's common stock is also listed on the New York Stock Exchange in the form of American Depositary Shares ("ADSs") under the symbol "LPL". One ADS represents one-half of one share of common stock. As of December 31, 2012, there are 21,853,986 ADSs outstanding.

Table of Contents1. Reporting Entity, Continued

(b) Consolidated Subsidiaries as of December 31, 2012

(In millions)

| Subsidiaries | Location | Percentage of ownership | Fiscal year end | Date of incorporation | Business | Capital stocks |
|--|------------------------|-------------------------|-----------------|-----------------------|---|----------------|
| LG Display America, Inc. (*1) | California, U.S.A. | 100% | December 31 | September 24, 1999 | Sell TFT-LCD products | USD 260 |
| LG Display Japan Co., Ltd. | Tokyo, Japan | 100% | December 31 | October 12, 1999 | Sell TFT-LCD Products | JPY 95 |
| LG Display Germany GmbH | Dusseldorf, Germany | 100% | December 31 | November 5, 1999 | Sell TFT-LCD products | EUR 1 |
| LG Display Taiwan Co., Ltd. | Taipei, Taiwan | 100% | December 31 | April 12, 1999 | Sell TFT-LCD products | NTD 116 |
| LG Display Nanjing Co., Ltd. (*2) | Nanjing, China | 100% | December 31 | July 15, 2002 | Manufacture and sell TFT-LCD products | CNY 2,834 |
| LG Display Shanghai Co., Ltd. | Shanghai, China | 100% | December 31 | January 16, 2003 | Sell TFT-LCD products | CNY 4 |
| LG Display Poland Sp. z o. o. (*3) | Wroclaw, Poland | 80% | December 31 | September 6, 2005 | Manufacture and sell TFT-LCD products | PLN 511 |
| LG Display Guangzhou Co., Ltd. (*4) | Guangzhou, China | 90% | December 31 | June 30, 2006 | Manufacture and sell TFT-LCD products | CNY 992 |
| LG Display Shenzhen Co., Ltd. | Shenzhen, China | 100% | December 31 | August 28, 2007 | Sell TFT-LCD products | CNY 4 |
| LG Display Singapore Pte. Ltd. | Singapore | 100% | December 31 | January 12, 2009 | Sell TFT-LCD products | SGD 1.4 |
| L&T Display Technology (Xiamen) Limited | Xiamen, China | 51% | December 31 | January 5, 2010 | Manufacture LCD module and TV sets | CNY 82 |
| L&T Display Technology (Fujian) Limited | Fujian, China | 51% | December 31 | January 5, 2010 | Manufacture LCD module and monitor sets | CNY 116 |
| LG Display Yantai Co., Ltd. (*5) | Yantai, China | 100% | December 31 | April 19, 2010 | Manufacture and sell TFT-LCD products | CNY 525 |
| L&I Electronic Technology (Dongguan) Limited | Dongguan, China | 51% | December 31 | September 26, 2010 | Manufacture and sell e-Book devices | CNY 33 |
| Image&Materials, Inc. (*6) | Domestic | 100% | December 31 | May 17, 2006 | Manufacture EPD materials | KRW 1,008 |
| | Kunshan, | 51% | December 31 | December 15, | | CNY 99 |

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LUCOM Display
Technology (Kunshan)
Limited

China

2010

Manufacture
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Table of Contents1. Reporting Entity, Continued(b) Consolidated Subsidiaries as of December 31, 2012, Continued*(In millions)*

| Subsidiaries | Location | Percentage of ownership | Fiscal year end | Date of incorporation | Business | Capital stocks |
|---------------------------------|------------------|-------------------------|-----------------|-----------------------|---------------------------------------|----------------|
| LG Display U.S.A., Inc. | Texas, U.S.A. | 100% | December 31 | October 26, 2011 | Manufacture TFT-LCD products | USD 11 |
| LG Display Reynosa S.A. de C.V. | Reynosa, Mexico | 100% | December 31 | November 4, 2011 | Manufacture TFT-LCD products | MXN 112 |
| Nanumnuri Co., Ltd. (*7) | Domestic | 100% | December 31 | March 21, 2012 | Janitorial services | KRW 800 |
| LG Display China Co., Ltd. (*8) | Guangzhou, China | 70% | December 31 | December 10, 2012 | Manufacture and sell TFT-LCD products | CNY 252 |

(*1) In June 2012, the Controlling Company contributed 88,380 million in cash for the capital increase of LG Display America, Inc. (LGDUS). There were no changes in the Controlling Company's ownership percentage in LGDUS as a result of this additional investment.

(*2) In May 2012, the Controlling Company invested 52,358 million in cash for the capital increase of LG Display Nanjing Co., Ltd. (LGDNJ). There were no changes in the Controlling Company's ownership percentage in LGDNJ as a result of this additional investment.

(*3) Toshiba Corporation (Toshiba) acquired 20% of LG Display Poland Sp. zo.o. (LGDWR) in December 2007 through a stock purchase agreement. With the acquisition of the 20% interest, Toshiba and the Controlling Company and LGDWR entered into a derivative contract with LGDWR's equity shares as its underlying assets. According to the contract, the Controlling Company or LGDWR has a call option to buy Toshiba's 20% interest in LGDWR and Toshiba has a put option to sell its 20% interest in LGDWR to the Controlling Company or LGDWR under the same terms: the exercise price of the call is equal to the price of the put option which is the total amount of Toshiba's investment at cost. The call and put options are exercisable after five years from the date of acquisition and on each anniversary thereafter with no stated expiration date in whole or in part. Toshiba's investment in LGDWR is regarded as financing due to the options and recorded as other accounts payable in the consolidated statement of financial position of LG Display Co., Ltd. and its subsidiaries (the Group). Accordingly, LGDWR is consolidated as a wholly owned subsidiary in the consolidated financial statements.

(*4) Skyworth TV Holdings Limited (Skyworth) acquired a 16% equity interest in LG Display Guangzhou Co., Ltd. (LGDGZ) in June 2008. With the acquisition of the 16% interest in June 2008 (which was reduced to 10% at December 31, 2009 with the additional investment in LGDGZ by the Controlling Company), Skyworth and the Controlling Company entered into a derivative contract with LGDGZ's equity interest as its underlying assets. According to the contract, the Controlling Company has a call option to buy Skyworth's interest in LGDGZ and Skyworth has a put option to sell its interest in LGDGZ to LG Display Co., Ltd. under the same terms: the exercise price of the call is equal to the price of the put option which is the total amount of Skyworth's investment at cost. The call and put options are exercisable after five years from the date of acquisition with no stated expiration date in whole or in part. Skyworth's investment in LGDGZ is regarded as financing due to the options and recorded as other accounts payable in the consolidated statement of financial position of the Group. Accordingly, LGDGZ is consolidated as a wholly owned subsidiary in the consolidated financial statements.

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1. Reporting Entity, Continued

(b) Consolidated Subsidiaries as of December 31, 2012, Continued

- (*5) In October 2012, the Controlling Company contributed 43,860 million in cash for the capital increase of LG Display Yantai Co., Ltd. (LGDYT). There were no changes in the Controlling Company's ownership percentage in LGDYT as a result of this additional investment.
- (*6) In February 2012, the Controlling Company contributed 3,000 million in cash for the capital increase of Image & Materials, Inc. (I&M). There were no changes in the Controlling Company's ownership percentage in I&M as a result of this additional investment.
- (*7) In March 2012, the Controlling Company established Nanumnuri Co., Ltd., a wholly owned subsidiary of the Controlling Company founded as a Standard Workplace for the Disabled under the Act on Employment Promotion and Vocational Rehabilitation for Disabled Persons, with an investment of 800 million in cash.
- (*8) The Controlling Company entered into an agreement with Shenzhen SKYWORTH-RGB Electronics Co., Ltd. and Guangzhou GET Technologies Development Co., Ltd. to manufacture and sell TFT-LCD products and incorporated LG Display China Co., Ltd. in Guangzhou, China. The Controlling Company invested 30,399 million in cash for a 70% controlling equity interest in LG Display China Co., Ltd.

Table of Contents1. Reporting Entity, Continued

(c) Summary of financial information of subsidiaries at the reporting date is as follows:

(In millions of won)

| Company | December 31, 2012 | | | 2012 | |
|--|-------------------|-------------------|-------------------------------------|------------|-------------------|
| | Total assets | Total liabilities | Total shareholders equity (deficit) | Sales | Net income (loss) |
| LG Display America, Inc. | 1,818,414 | 1,949,396 | (130,982) | 9,236,622 | (4,645) |
| LG Display Japan Co., Ltd. | 207,085 | 186,744 | 20,341 | 1,401,933 | 2,247 |
| LG Display Germany GmbH | 615,325 | 590,165 | 25,160 | 4,387,621 | 5,154 |
| LG Display Taiwan Co., Ltd. | 319,808 | 280,343 | 39,465 | 2,687,636 | 3,113 |
| LG Display Nanjing Co., Ltd. | 621,923 | 76,907 | 545,016 | 559,706 | 43,962 |
| LG Display Shanghai Co., Ltd. | 990,912 | 962,109 | 28,803 | 3,694,307 | 7,739 |
| LG Display Poland Sp. zo.o. | 247,017 | 69,111 | 177,906 | 89,911 | 872 |
| LG Display Guangzhou Co., Ltd. | 2,193,321 | 1,567,033 | 626,288 | 2,751,526 | 159,042 |
| LG Display Shenzhen Co., Ltd. | 354,416 | 342,778 | 11,638 | 2,570,699 | 1,449 |
| LG Display Singapore Pte. Ltd. | 526,439 | 519,087 | 7,352 | 1,305,073 | 2,916 |
| L&T Display Technology (Xiamen) Limited | 37,423 | 42,888 | (5,465) | 9,211 | 5,198 |
| L&T Display Technology (Fujian) Limited | 255,465 | 218,245 | 37,220 | 1,001,003 | 10,033 |
| LG Display Yantai Co., Ltd. | 668,923 | 542,201 | 126,722 | 458,250 | 32,084 |
| L&I Electronic Technology (Dongguan) Limited | 342 | 6,318 | (5,976) | 2,810 | (6,428) |
| Image&Materials, Inc. | 3,765 | 9,092 | (5,327) | 66 | (11,287) |
| LUCOM Display Technology (Kunshan) Limited | 46,229 | 36,417 | 9,812 | 109,358 | (2,268) |
| LG Display U.S.A., Inc. (*) | 50,503 | 36,907 | 13,596 | 135,470 | 1,294 |
| Nanumnuri Co., Ltd. | 1,135 | 537 | 598 | 2,720 | (202) |
| LG Display China Co., Ltd. | 93,684 | 50,590 | 43,094 | | (204) |
| | 9,052,129 | 7,486,868 | 1,565,261 | 30,403,922 | 250,069 |

(*) The financial information of LG Display U.S.A., Inc. includes the financial information of LG Display Reynosa S.A. de C.V.

Table of Contents1. Reporting Entity, Continued*(In millions of won)*

| Company | December 31, 2011 | | | 2011 | |
|--|-------------------|-------------------|-------------------------------------|------------|-------------------|
| | Total assets | Total liabilities | Total shareholders equity (deficit) | Sales | Net income (loss) |
| LG Display America, Inc. | 875,539 | 1,098,035 | (222,496) | 5,788,697 | 3,267 |
| LG Display Japan Co., Ltd. | 175,612 | 153,762 | 21,850 | 1,965,315 | 1,369 |
| LG Display Germany GmbH | 781,216 | 759,743 | 21,473 | 3,475,842 | 3,522 |
| LG Display Taiwan Co., Ltd. | 879,023 | 842,467 | 36,556 | 2,893,775 | 2,286 |
| LG Display Nanjing Co., Ltd. | 646,161 | 109,681 | 536,480 | 569,760 | 42,328 |
| LG Display Shanghai Co., Ltd. | 863,155 | 840,581 | 22,574 | 3,428,814 | 6,379 |
| LG Display Poland Sp. zo.o. | 276,114 | 104,506 | 171,608 | 117,584 | 16,822 |
| LG Display Guangzhou Co., Ltd. | 1,412,071 | 909,711 | 502,360 | 2,736,682 | 150,105 |
| LG Display Shenzhen Co., Ltd. | 168,196 | 157,321 | 10,875 | 2,072,182 | 2,973 |
| LG Display Singapore Pte. Ltd. | 551,109 | 546,541 | 4,568 | 1,146,402 | (2,282) |
| L&T Display Technology (Xiamen) Limited | 106,834 | 117,739 | (10,905) | 336,436 | (31,862) |
| L&T Display Technology (Fujian) Limited | 246,600 | 217,370 | 29,230 | 712,435 | 7,507 |
| LG Display Yantai Co., Ltd. | 439,909 | 384,526 | 55,383 | 328,476 | 6,493 |
| L&I Electronic Technology (Dongguan) Limited | 8,094 | 7,918 | 176 | 7,350 | (4,689) |
| Image&Materials, Inc. | 13,512 | 10,551 | 2,961 | 210 | (1,086) |
| LUCOM Display Technology (Kunshan) Limited | 41,934 | 29,221 | 12,713 | 30,035 | (4,981) |
| LG Display U.S.A., Inc. (*) | 12,686 | | 12,686 | | |
| | 7,497,765 | 6,289,673 | 1,208,092 | 25,609,995 | 198,151 |

(*) The financial information of LG Display U.S.A., Inc. includes the financial information of LG Display Reynosa S.A. de C.V.

Table of Contents1. Reporting Entity, Continued

(d) Associates and Jointly Controlled Entities (Equity Method Investees) as of December 31, 2012

*(In millions of won)***Associates and jointly**

| controlled entities | Location | Percentage of ownership | Fiscal year end | Date of incorporation | Business | Carrying amount |
|--|------------------|--------------------------------|------------------------|------------------------------|---|------------------------|
| Suzhou Raken Technology Ltd. | Suzhou, China | 51% | December 31 | October 2008 | Manufacture and sell LCD modules and LCD TV sets | 128,751 |
| Guangzhou New Vision Technology Research and Development Limited | Guangzhou, China | 50% | December 31 | July 2008 | R&D on design of LCD modules and LCD TV sets | 3,596 |
| Global OLED Technology LLC | Virginia, U.S.A | 33% | December 31 | December 2009 | Managing and licensing OLED patents | 36,164 |
| Paju Electric Glass Co., Ltd. | Domestic | 40% | December 31 | January 2005 | Manufacture electric glass for FPDs | 82,855 |
| TLI Inc. | Domestic | 12% | December 31 | October 1998 | Manufacture and sell semiconductor parts | 6,961 |
| AVACO Co., Ltd. | Domestic | 16% | December 31 | January 2001 | Manufacture and sell equipment for FPDs | 10,964 |
| New Optics LTD. | Domestic | 42% | December 31 | August 2005 | Manufacture back light parts for TFT-LCDs | 25,064 |
| LIG ADP Co., Ltd. | Domestic | 13% | December 31 | January 2001 | Develop and manufacture the equipment for FPDs | 1,730 |
| WooRee E&L Co., Ltd. (formerly, WooRee LED Co., Ltd.) | Domestic | 30% | December 31 | June 2008 | Manufacture LED back light unit packages | 23,549 |
| Dynamic Solar Design Co., Ltd. | Domestic | 40% | December 31 | April 2009 | Develop and manufacture equipment for solar battery and FPDs | 69 |
| LB Gemini New Growth Fund No. 16 | Domestic | 31% | December 31 | December 2009 | Invest in small and middle sized companies and benefit from M&A opportunities | 13,680 |
| Can Yang Investments Limited | Hong Kong | 9% | December 31 | January 2010 | Develop and manufacture and sell LED parts | 13,856 |

Table of Contents1. Reporting Entity, Continued*(In millions of won)***Associates and jointly**

| controlled entities | Location | Percentage of ownership | Fiscal year end | Date of incorporation | Business | Carrying amount |
|---|-----------------|--------------------------------|------------------------|------------------------------|--|------------------------|
| YAS Co., Ltd. | Domestic | 19% | December 31 | April 2002 | Develop and manufacture deposition equipment for OLEDs | 9,409 |
| Eralite Optoelectronics (Jiangsu) Co., Ltd. | Suzhou, China | 20% | December 31 | August 2010 | Manufacture LED Packages | 3,449 |
| Narenanotech Corporation | Domestic | 23% | December 31 | December 1995 | Manufacture and sell FPD manufacturing equipment | 26,448 |
| Avatec. Co., Ltd. | Domestic | 17% | December 31 | August 2000 | Manufacture and sell glass for FPDs | 14,685 |
| Glonix Co., Ltd. | Domestic | 20% | December 31 | October 2006 | Manufacture and sell LCD | 928 |
| | | | | | | 402,158 |

2. Basis of Presenting Financial Statements(a) Statement of Compliance

In accordance with the Act on External Audits of Stock Companies, these consolidated financial statements have been prepared in accordance with Korean International Financial Reporting Standards (K-IFRS).

The consolidated financial statements were authorized for issuance by the Board of Directors on January 24, 2013, which will be submitted for approval to the shareholders meeting to be held on March 8, 2013.

(b) Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the consolidated statements of financial position:

derivative financial instruments are measured at fair value,

financial instruments at fair value through profit or loss are measured at fair value,

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available-for-sale financial assets are measured at fair value,

liabilities for cash-settled share-based payment arrangements are measured at fair value, and

liabilities for defined benefit plans are recognized as the present value of defined benefit obligations less the fair value of plan assets

(c) Functional and Presentation Currency

The consolidated financial statements are presented in Korean won, which is the Controlling Company's functional currency. All amounts in Korean won are in millions unless otherwise stated.

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2. Basis of Presenting Financial Statements, Continued

(d) Use of Estimates and Judgments

The preparation of the consolidated financial statements in conformity with K-IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

Classification of financial instruments (note 3(d))

Estimated useful lives of property, plant and equipment (note 3.(e))

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next 12 months is included in the following notes:

Recognition and measurement of provisions (note 3(j) and 20)

Net realizable value of inventories (note 8)

Measurement of defined benefit obligations (note 17)

Deferred tax assets and liabilities (note 29)

(e) Changes in accounting policies

(i) Disclosures of Financial Instruments

The Group has applied the amendments to K-IFRS No. 1107, *Financial Instruments: Disclosures*, for the year ended December 31, 2012 by prospectively disclosing the nature of transferred assets, their carrying amount, and the description of risks and rewards for each class of transferred financial assets that are derecognized in their entirety. When the Group derecognizes transferred financial assets but still has continuing involvement in the transferred financial assets, the nature of, and risks associated with, the Group's continuing involvement in derecognized financial assets shall be additionally disclosed.

(ii) Presentation of Operating Profit or Loss in the Consolidated Statement of Comprehensive Income

The Group has adopted the amendment to K-IFRS No. 1001, *Presentation of Financial Statements*, and has presented operating profit or loss as an amount of revenue less cost of sales and selling and administrative expense including research and development expenses on the consolidated statement of comprehensive income (loss) for the year ended December 31, 2012. Before the adoption of the amendment, the Group presented

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operating profit or loss as an amount of revenue plus other income less cost of sales, selling and administrative expenses, research and development expenses and other expenses.

Table of Contents2. Basis of Presenting Financial Statements, Continued(e) Changes in accounting policies, Continued

The Group has applied the amendment retrospectively, and accordingly restated the comparative consolidated statement of comprehensive loss for the year ended December 31, 2011. The impact upon adoption of the amendment is as follows:

| <i>(In millions of won)</i> | 2012 | 2011 |
|---|-------------|-------------|
| Operating profit (loss) before adoption of the amendment | 574,557 | (924,336) |
| Deductions: | | |
| Rental income | (7,253) | (6,325) |
| Foreign currency gain | (1,228,847) | (1,190,793) |
| Gain on disposal of property, plant and equipment | (5,925) | (740) |
| Reversal of allowance for doubtful accounts for other receivables | (521) | |
| Commission earned | (3,867) | (8,630) |
| Others | (14,457) | (16,588) |
| | (1,260,870) | (1,223,076) |
| Additions: | | |
| Other bad debt expense | 9 | 849 |
| Foreign currency loss | 1,095,280 | 1,220,143 |
| Loss on disposal of property, plant and equipment | 3,728 | 862 |
| Impairment loss on property, plant and equipment | | 3,589 |
| Loss on disposal of intangible assets | 704 | 1,588 |
| Impairment loss on intangible assets | 40,012 | 5,574 |
| Expenses related to legal proceedings or claims and others | 458,948 | 151,259 |
| | 1,598,681 | 1,383,864 |
| Operating profit (loss) after adoption of the amendment | 912,368 | (763,548) |

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3. Summary of Significant Accounting Policies

The significant accounting policies followed by the Group in preparation of its consolidated financial statements are as follows:

(a) Consolidation

(i) Subsidiaries

Subsidiaries are those entities controlled by the Controlling Company or its subsidiaries, where control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Each item of profit and loss and other reserves is allocated to the owners of the parent and non-controlling interests. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(ii) Associates and jointly controlled entities (equity method investees)

Associates are those entities over which the Group has significant influence over the financial and operating policies, but not control. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity.

A jointly controlled entity is an entity that the Group has joint control over and whose activities are established by a contractual arrangement that requires unanimous consent for strategic financial and operating decisions.

Investments in associates and jointly controlled entities are initially recognized at cost and subsequently accounted for using the equity method of accounting. The carrying amount of investments in associates and jointly controlled entities is increased or decreased to recognize the Group's share of the profits or losses and changes in the Group's proportionate interest of the investee after the date of acquisition. Distributions received from an investee reduce the carrying amount of the investment. Unrealized gains on transactions between the Group and associates and jointly controlled entities are eliminated to the extent of the Group's interest in the associates and jointly controlled entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

If an associate or jointly controlled entity uses accounting policies different from those of the Controlling Company for like transactions and events in similar circumstances, appropriate adjustments are made to the consolidated financial statements. As of and during the periods presented in the consolidated financial statements, no adjustments were made in applying the equity method.

When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, including income, expenses and unrealized gains or losses, are eliminated in preparing the consolidated financial statements. Intra-group losses are recognized as expense if intra-group losses indicate an impairment that requires recognition in the consolidated financial statements.

Table of Contents3. Summary of Significant Accounting Policies. Continued(b) Foreign Currency Transactions and Translation

Transactions in foreign currencies are translated to the respective functional currencies of the Group at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency at the exchange rate on the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was originally determined. Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on available-for-sale equity instruments and a financial asset and liability designated as a cash flow hedge, which are recognized in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the original transaction. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition are recognized in profit or loss in the period in which they arise. Foreign currency differences arising from assets and liabilities in relation to the investing and financing activities including loans, bonds and cash and cash equivalents are recognized in finance income (expense) in the consolidated statement of comprehensive income and foreign currency differences arising from assets and liabilities in relation to activities other than investing and financing activities are recognized in other non-operating income (expense) in the consolidated statement of comprehensive income. Relevant foreign currency differences are presented in gross amounts in the consolidated statement of comprehensive income.

If the presentation currency of the Group is different from a foreign operation's functional currency, the financial position and financial performance of the foreign operation are translated into the presentation currency using the following methods. The assets and liabilities of foreign operations, whose functional currency is not the currency of a hyperinflationary economy, including goodwill and fair value adjustments arising on acquisition, are translated to the Group's functional currency at exchange rates at the reporting date. The income and expenses of foreign operations are translated to the Group's functional currency at exchange rates at the dates of the transactions. Foreign currency differences are recognized in other comprehensive income. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of, in part or in full, the relevant accumulative amount in other comprehensive income is transferred to profit or loss as part of the profit or loss on disposal. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount in other comprehensive income is reclassified to profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation is treated as assets and liabilities of the foreign operation. Thus they are expressed in the functional currency of the foreign operation and translated at the at each reporting date's exchange rate.

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3. Summary of Significant Accounting Policies, Continued(c) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted-average method, and includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work-in-process, cost includes an appropriate share of production overheads based on the actual capacity of production facilities. However, the normal capacity is used for the allocation of fixed production overheads if the actual level of production is lower than the normal capacity.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated selling expenses. The valuation loss of inventories recognized as cost (cost of sales) amounted to 135,720 million and 133,341 million for the years ended December 31, 2012 and 2011, respectively.

(d) Financial Instruments(i) Non-derivative financial assets

The Group initially recognizes loans and receivables and deposits on the date they are originated. All other non-derivative financial assets, including financial assets at fair value through profit or loss, are recognized in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows of the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability. If a transfer does not result in derecognition because the Group has retained substantially all the risks and rewards of ownership of the transferred asset, the Group continues to recognize the transferred asset and recognizes a financial liability for the consideration received. In subsequent periods, the Group recognizes any income on the transferred assets and any expense incurred on the financial liability.

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. If a contract contains one or more embedded derivatives, the Group designates the entire hybrid (combined) contract as a financial asset at fair value through profit or loss unless: the embedded derivative(s) does not significantly modify the cash flows that otherwise would be required by the contract; or it is clear with little or no analysis when a similar hybrid (combined) instrument is first considered that separation of the embedded derivative(s) is prohibited. Upon initial recognition, attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

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3. Summary of Significant Accounting Policies, Continued

(d) Financial Instruments, Continued

(i) Non-derivative financial assets, Continued

Cash and cash equivalents

Cash and cash equivalents include all cash balances and short-term highly liquid investments with an original maturity of three months or less that are readily convertible into known amounts of cash. They are stated at face value, which approximates fair value.

Deposits in banks

Deposits in banks are those with maturity of more than three months and less than one year and are held for cash management purposes.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. When loans and receivables are recognized initially, the Group measures them at their fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables comprise trade accounts and notes receivable and other accounts receivable.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or that are not classified as financial assets at fair value through profit or loss, held-to-maturity financial assets or loans and receivables. The Group's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognized in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and whose derivatives are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost.

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3. Summary of Significant Accounting Policies, Continued

(d) Financial Instruments, Continued

(ii) Non-derivative financial liabilities

The Group initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. The Group classifies liabilities into two categories in accordance with the substance of the contractual arrangement and the definitions of a financial liability: financial liabilities at fair value through profit or loss and other financial liabilities.

Financial liabilities at fair value through profit or loss include financial liabilities held for trading or designated as such upon initial recognition at fair value through profit or loss. After initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. Upon initial recognition, transaction costs that are directly attributable to acquisition are recognized in profit or loss as incurred.

Non-derivative financial liabilities other than financial liabilities classified as fair value through profit or loss are classified as other financial liabilities and measured initially at fair value minus transaction costs that are directly attributable to the issue. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. As of December 31, 2012, non-derivative financial liabilities comprise borrowings, bonds and others.

The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

(iii) Ordinary share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of ordinary shares are recognized as a deduction from equity, net of tax effects. Capital contributed in excess of par value upon issuance of common stocks is classified as share premium within equity.

Table of Contents3. Summary of Significant Accounting Policies, Continued(d) Financial Instruments, Continued(iv) Derivative financial instruments, including hedge accounting

The Group holds forward exchange contracts, interest rate swaps, currency swaps and other derivative contracts to manage interest rate risk and foreign exchange risk. Derivatives are initially recognized at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss except in the case where the derivatives are designated as cash flow hedges and the hedge is determined to be an effective hedge.

The Group designates derivatives as hedging items to hedge the risk of changes in the fair value of assets, liabilities or firm commitments (a fair value hedge) and foreign currency risk of highly probable forecasted transactions or firm commitments (a cash flow hedge).

On initial designation of the hedge, management formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. Management makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent. For a cash flow hedge of a forecasted transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net income.

Cash flow hedges

When a derivative is designated as a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and presented in the hedging reserve in equity. The amount recognized in other comprehensive income is removed and included in profit or loss in the same period the hedged cash flows affect profit or loss under the same line item in the consolidated statement of comprehensive income. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in other comprehensive income and presented in the hedging reserve in equity remains there until the forecasted transaction affects profit or loss. When the hedged item is a non-financial asset, the amount recognized in other comprehensive income is transferred to the carrying amount of the asset when the asset is recognized. If the forecasted transaction is no longer expected to occur, then the balance in other comprehensive income is recognized immediately in profit or loss. In other cases the amount recognized in other comprehensive income is transferred to profit or loss in the same period that the hedged item affects profit or loss.

Table of Contents3. Summary of Significant Accounting Policies, Continued(d) Financial Instruments, Continued(iv) Derivative financial instruments, including hedge accounting, ContinuedEmbedded derivative

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss. Changes in the fair value of separable embedded derivatives are recognized immediately in profit or loss.

(e) Property, Plant and Equipment(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes an expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and borrowing costs on qualifying assets.

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item and recognized in other non-operating income or other non-operating expenses.

(ii) Subsequent costs

Subsequent expenditure on an item of property, plant and equipment is recognized as part of its cost only if it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognized in profit or loss on a straight-line basis method, reflecting the pattern in which the asset's future economic benefits are expected to be consumed by the Group. The residual value of property, plant and equipment is zero. Land is not depreciated.

Estimated useful lives of the assets are as follows:

| | Useful lives (years) |
|-------------------------------|----------------------|
| Buildings and structures | 20, 40 |
| Machinery | 4 |
| Furniture and fixtures | 3~5 |
| Equipment, tools and vehicles | 3~5, 12 |

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate and any changes are accounted for as changes in accounting estimates. There were no such changes for all periods presented.

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3. Summary of Significant Accounting Policies. Continued

(f) Borrowing Costs

The Group capitalizes borrowing costs, which includes exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs, directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. To the extent that the Group borrows funds specifically for the purpose of obtaining a qualifying asset, the Group determines the amount of borrowing costs eligible for capitalization as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. The Group immediately recognizes other borrowing costs as an expense.

(g) Government Grants

In case there is reasonable assurance that the Group will comply with the conditions attached to a government grant, the government grant is recognized as follows:

(i) Grants related to the purchase or construction of assets

A government grant related to the purchase or construction of assets is deducted in calculating the carrying amount of the asset. The grant is recognized in profit or loss over the life of a depreciable asset as a reduced depreciation expense.

(ii) Grants for compensating the Group's expenses incurred

Grants that compensate the Group for expenses incurred are recognized in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognized.

(iii) Other government grants

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognized as income of the period in which it becomes receivable.

(h) Intangible Assets

Intangible assets are initially measured at cost. Subsequently, intangible assets are measured at cost less accumulated amortization and accumulated impairment losses.

(i) Goodwill

Goodwill arising from business combinations is recognized as the excess of the acquisition cost of investments in subsidiaries, associates and joint ventures over the Group's share of the net fair value of the identifiable assets acquired and liabilities assumed. Any deficit is a bargain purchase that is recognized in profit or loss. Goodwill is measured at cost less accumulated impairment losses.

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3. Summary of Significant Accounting Policies, Continued

(h) Intangible Assets, Continued

(ii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss as incurred.

Development activities involve a plan or design of the production of new or substantially improved products and processes. Development expenditure is capitalized only if the Group can demonstrate all of the following:

the technical feasibility of completing the intangible asset so that it will be available for use or sale,

its intention to complete the intangible asset and use or sell it,

its ability to use or sell the intangible asset,

how the intangible asset will generate probable future economic benefits. Among other things, the Group can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset,

the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset, and

its ability to measure reliably the expenditure attributable to the intangible asset during its development.

The expenditure capitalized includes the cost of materials, direct labor, overhead costs that are directly attributable to preparing the asset for its intended use, and borrowing costs on qualifying assets.

(iii) Other intangible assets

Other intangible assets include intellectual property rights, software, customer relationships, technology, memberships and others.

(iv) Subsequent costs

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific intangible asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

Table of Contents3. Summary of Significant Accounting Policies, Continued(h) Intangible Assets, Continued(v) Amortization

Amortization is calculated on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The residual value of intangible assets is zero. However, as there are no foreseeable limits to the periods over which condominium and golf club memberships are expected to be available for use, these intangible assets are regarded as having indefinite useful lives and not amortized.

| | Estimated useful lives (years) |
|--|---------------------------------------|
| Intellectual property rights | 5, 10 |
| Rights to use electricity, water and gas supply facilities | 10 |
| Software | 4 |
| Customer relationships | 7 |
| Technology | 10 |
| Development costs | (*) |
| Condominium and golf club memberships | Not amortized |

(*) Capitalized development costs are amortized over the useful life considering the life cycle of the developed products. Amortization of capitalized development costs is recognized in research and development expenses in the consolidated statement of comprehensive income.

Amortization periods and the amortization methods for intangible assets with finite useful lives are reviewed at each financial year-end. The useful lives of intangible assets that are not being amortized are reviewed each period to determine whether events and circumstances continue to support indefinite useful life assessments for those assets. If appropriate, the changes are accounted for as changes in accounting estimates.

(i) Impairment(i) Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency in interest or principal payments by an issuer or a debtor, for economic reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the Group would not otherwise consider, or the disappearance of an active market for that financial asset. In addition, for an investment in an equity security, objective evidence of impairment includes significant financial difficulty of the issuer and a significant or prolonged decline in its fair value below its cost.

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3. Summary of Significant Accounting Policies, Continued

(i) Impairment, Continued

(i) Financial assets, continued

Management considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

If there is objective evidence that an impairment loss has been incurred on financial assets carried at amortized cost or cost, the amount of the impairment loss is measured as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognized in profit or loss and reflected in an allowance account against loans and receivables.

The amount of the impairment loss on financial assets including equity securities carried at cost is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

When a decline in the fair value of an available-for-sale financial asset has been recognized in other comprehensive income the amount of the cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss.

In a subsequent period, for the financial assets recorded at fair value, if the fair value increases and the increase can be objectively related to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed. The amount of the reversal in financial assets carried at amortized cost and a debt instrument classified as available for sale is recognized in profit or loss. However, impairment loss recognized for an investment in an equity instrument classified as available-for-sale is reversed through other comprehensive income.

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3. Summary of Significant Accounting Policies, Continued

(i) Impairment, Continued

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than assets arising from employee benefits, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, irrespective of whether there is any indication of impairment, the recoverable amount is estimated each year at the same time.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit, or CGU). The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Fair value less costs to sell is based on the best information available to reflect the amount that the Group could obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Goodwill acquired in a business combination is allocated to CGUs that are expected to benefit from the synergies of the combination. Impairment losses recognized in respect of a CGU are allocated first to reduce the carrying amount of any goodwill allocated to the unit, and then to reduce the carrying amounts of the other assets in the unit on a pro rata basis.

In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss in respect of goodwill is not reversed.

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3. Summary of Significant Accounting Policies, Continued

(j) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

The risks and uncertainties that inevitably surround events and circumstances are taken into account in reaching the best estimate of a provision. Where the effect of the time value of money is material, provisions are determined at the present value of the expected future cash flows. The unwinding of the discount is recognized as finance cost

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

The Group recognizes a liability for warranty obligations based on the estimated costs expected to be incurred under its basic limited warranty. This warranty covers defective products and is normally applicable for eighteen months from the date of purchase. These liabilities are accrued when product revenues are recognized. Warranty costs primarily include raw materials and labor costs. Factors that affect the Group's warranty liability include historical and anticipated rates of warranty claims on those repairs and cost per claim to satisfy the Group's warranty obligation. As these factors are impacted by actual experience and future expectations, management periodically assesses the adequacy of its recorded warranty liabilities and adjusts the amounts as necessary. Accrued warranty obligations are included in the current and non-current provisions.

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, and penalties and other sources, are recorded when it is probable that a liability has been incurred and the amount of the assessment and/or remediation can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

(k) Employee Benefits

(i) Short-term employee benefits

Short-term employee benefits that are due to be settled within twelve months after the end of the period in which the employees render the related service are recognized in profit or loss on an undiscounted basis. The expected cost of profit-sharing and bonus plans are recognized when the Group has a present legal or constructive obligation to make payments as a result of past events and a reliable estimate of the obligation can be made.

(ii) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods.

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3. Summary of Significant Accounting Policies. Continued

(k) Employee Benefits. Continued

(iii) Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(iv) Defined benefit plan

A defined benefit plan is a post-employment benefit plan other than defined contribution plans. The Group's net obligation in respect of its defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted.

The calculation is performed annually by an independent actuary using the projected unit credit method. The discount rate is the yield at the reporting date on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The Group recognizes all actuarial gains and losses arising from defined benefit plans in retained earnings immediately.

In measuring the defined benefit liability, the Group recognizes past service cost immediately when the benefits are vested immediately following the introduction of a defined benefit plan.

(v) Share-based payment transactions

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period that the employees unconditionally become entitled to payment. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognized as personnel expense in profit or loss.

(l) Revenue

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of estimated returns, earned trade discounts, volume rebates and other cash incentives paid to customers. Revenue is recognized when persuasive evidence exists that the significant risks and rewards of ownership have been transferred to the buyer, generally on delivery and acceptance at the customers' premises, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue when the sales are recognized. Sales taxes collected from customers and remitted to governmental authorities are accounted for on a net basis and therefore are excluded from revenues in the consolidated statements of comprehensive income.

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3. Summary of Significant Accounting Policies, Continued

(m) Operating Segments

An operating segment is a component of the Group that: 1) engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with other components of the group, 2) whose operating results are reviewed regularly by the Group's chief operating decision maker (CODM) in order to allocate resources and assess its performance, and 3) for which discrete financial information is available. Management has determined that the CODM of the Group is the Board of Directors. The CODM does not receive and therefore does not review discrete financial information for any component of the Group. Consequently, no operating segment information is included in these consolidated financial statements. Entity wide disclosures of geographic and product revenue information are provided in note 23 to these consolidated financial statements.

(n) Finance Income and Finance Costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognized in profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest method. Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognized on financial assets, and losses on hedging instruments that are recognized in profit or loss. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset.

(o) Income Tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

(i) Current tax

Current tax is the expected tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years. The taxable profit is different from the accounting profit for the period since the taxable profit is calculated excluding the temporary differences, which will be taxable or deductible in determining taxable profit (tax loss) of future periods, and non-taxable or non-deductible items from the accounting profit.

Table of Contents3. Summary of Significant Accounting Policies, Continued(o) Income Tax, Continued(ii) Deferred tax

Deferred tax is recognized, using the liability method, in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. However, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

The Group recognizes a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint ventures, except to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. A deferred tax asset is recognized for all deductible temporary differences to the extent that it is probable that the differences relating to investments in subsidiaries, associates and jointly controlled entities will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The Group offsets deferred tax assets and deferred tax liabilities if, and only if the Group has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously.

(p) Earnings (Loss) Per Share

The Group presents basic and diluted earnings (loss) per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Controlling Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares, which comprise convertible bonds.

(q) New Standards and Interpretations Not Yet Adopted

The following accounting standards, interpretations and amendments are issued and will be effective for annual periods beginning on or after January 1, 2013 and have not been adopted early in preparing these consolidated financial statements.

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3. Summary of Significant Accounting Policies, Continued

(q) New Standards and Interpretations Not Yet Adopted, Continued

(i) K-IFRS No. 1110, Consolidated Financial Statements

The standard introduces a single control model to determine whether an investee should be consolidated. The standard is effective for annual periods beginning on or after January 1, 2013.

(ii) K-IFRS No. 1111, Joint Arrangements

The standard classifies joint arrangements into two types: joint operations and joint ventures. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets and obligations for the liabilities relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. The standard requires a joint operator to recognize and measure the assets and liabilities (and recognize the related revenues and expenses) in relation to its interest in the arrangement in accordance with relevant K-IFRSs applicable to the particular assets, liabilities, revenues and expenses. The standard requires a joint venturer to recognize an investment and to account for that investment using the equity method. The standard is effective for annual periods beginning on or after January 1, 2013.

(iii) K-IFRS No. 1112, Disclosure of Interests in Other Entities

The standard brings together into a single standard all the disclosure requirements about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard requires an entity to disclose information that enables users of financial statements to evaluate the nature of and risks associated with its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. The standards are effective for annual periods beginning on or after January 1, 2013.

(iv) Amendments to K-IFRS No. 1019, Employee Benefits

The revised standard requires an entity to calculate the expected return on plan assets based on the discount rate that is used to measure the present value of defined benefit obligation. The effective date for the amendments is annual periods beginning on or after January 1, 2013.

(v) K-IFRS No. 1113, Fair value measurement

The standard defines fair value and sets out a framework for measuring fair value and the required disclosures about fair value measurements. This standard is effective for annual periods beginning on or after January 1, 2013.

(vi) Amendments to K-IFRS No. 1001, Presentation of Financial Statements

The amendments require presentation of other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently. The amendments are effective for annual periods beginning on or after July 1, 2012.

Management is in the process of evaluating the impact, if any, of applying these standards on its financial position and results of operations.

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4. Determination of Fair Value

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Current Assets and Liabilities

The carrying amounts approximate fair value because of the short maturity of these instruments.

(b) Trade Receivables and Other Receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes. The carrying amounts of short-term receivables approximate fair value.

(c) Investments in Equity and Debt Securities

The fair value of marketable available-for-sale financial assets is determined by reference to their quoted closing bid price at the reporting date. The fair value of non-marketable securities is determined using valuation methods.

(d) Derivatives

For forward contracts, if a listed market price is not available, fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

The fair value of interest rate swaps is estimated by discounting estimated future cash flows based on the terms and maturity of each contract by LIBOR and forward interest rates for the same terms at the measurement date.

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group and counterparty when appropriate.

(e) Non-derivative Financial Liabilities

The fair value of financial liabilities at FVTPL is determined by reference to their quoted closing price at the reporting date. Fair value, which is determined for disclosure purposes, except for the liabilities at FVTPL, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

(f) Share-based Payment Transactions

The fair value of the employee share appreciation rights is measured using the Black-Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behavior), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

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4. Determination of Fair Value. Continued

(g) Assets Acquired in a Business Combination

(i) Inventories

The fair value of inventories acquired in a business combination is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

(ii) Property, plant and equipment

The fair value of property, plant and equipment recognized as a result of a business combination is based on market values.

(iii) Intangible assets

The fair value of customer relationships acquired in a business combination is determined using the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows. The fair value of technology acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the patent or trademark being owned.

5. Risk Management

(a) Financial Risk Management

The Group is exposed to credit risk, liquidity risk and market risks. The Group identifies and analyzes such risks, and controls are implemented under a risk management system to monitor and manage these risks at below a threshold level.

(i) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

The Group's exposure to credit risk of trade and other receivables is influenced mainly by the individual characteristics of each customer. However, management considers the demographics of the Group's customer base, including the default risk of the country in which customers operate, do not have a significant influence on credit risk since the majority of the customers are global electronic appliance manufacturers operating in global markets.

The Group establishes credit limits for each customer and each new customer is analyzed quantitatively and qualitatively before determining whether to utilize third party guarantees, insurance or factoring as appropriate.

The Group does not establish allowances for receivables under insurance and receivables from customers with a high credit rating. For the rest of the receivables, the Group establishes an allowance for impairment of trade and other receivables that have been individually or collectively evaluated for impairment and estimated on the basis of historical loss experience for assets.

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5. Risk Management, Continued

(a) Financial Risk Management, Continued

(ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group has historically been able to satisfy its cash requirements from cash flows from operations and debt and equity financing. To the extent that the Group does not generate sufficient cash flows from operations to meet its capital requirements, the Group may rely on other financing activities, such as external long-term borrowings and offerings of debt securities, equity-linked and other debt securities. In addition, the Group maintains a line of credit with various banks.

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Group buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks.

(iv) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currency of the Group, Korean won (KRW). The currencies in which these transactions primarily are denominated are USD, EUR and JPY.

The Group uses forward exchange contracts to hedge its currency risk, most with a maturity of less than one year from the reporting date.

Interest on borrowings is denominated in the currency of the borrowing. Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily KRW, USD and JPY.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances. In relation to the currency fluctuation, the Group adopts policies to adjust factoring volumes of foreign currency denominated receivables or utilizing usance as a means to settle payables for the facilities.

(v) Interest rate risk

Interest rate risk arises principally from the Group's debentures and borrowings. The Group has not entered into any interest rate swap contracts as of December 31, 2012 and 2011 to hedge interest rate risk.

Table of Contents5. Risk Management, Continued(b) Capital Management

Management's policy is to maintain a capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Liabilities to equity ratio, net borrowings to equity ratio and other financial ratios are used by management to achieve an optimal capital structure. Management also monitors the level of dividends to ordinary shareholders. Equity, defined by K-IFRS, is identical to the definition of capital, managed by management.

(In millions of won)

| | December 31, 2012 | December 31, 2011 |
|-------------------------------------|-------------------|-------------------|
| Total liabilities | 14,215,331 | 15,031,903 |
| Total equity | 10,240,180 | 10,131,028 |
| Cash and deposits in banks (*1) | 2,653,753 | 2,332,977 |
| Borrowings | 4,455,857 | 4,610,367 |
| Total liabilities to equity ratio | 139% | 148% |
| Net borrowings to equity ratio (*2) | 18% | 22% |

(*1) Cash and deposits in banks consists of cash and cash equivalents and deposit in banks.

(*2) Net borrowings to equity ratio is calculated by dividing total equity with borrowings less cash and deposits in banks.

6. Cash and Cash Equivalents and Deposits in Banks

Cash and cash equivalents and deposits in banks at the reporting date are as follows:

(In millions of won)

| | December 31, 2012 | December 31, 2011 |
|----------------------------------|-------------------|-------------------|
| Current assets | | |
| Cash and cash equivalents | | |
| Demand deposits | 2,338,661 | 1,517,977 |
| Deposits in banks | | |
| Time deposits | 300,092 | 800,000 |
| Restricted cash | 15,000 | 15,000 |
| | 315,092 | 815,000 |

Table of Contents7. Receivables and Other Current Assets

(a) Trade accounts and notes receivable at the reporting date are as follows:

| <i>(In millions of won)</i> | December 31, 2012 | December 31, 2011 |
|-----------------------------|--------------------------|--------------------------|
| Trade, net | 2,584,226 | 2,113,912 |
| Due from related parties | 750,115 | 626,195 |
| | 3,334,341 | 2,740,107 |

(b) Other accounts receivable at the reporting date are as follows:

| <i>(In millions of won)</i> | December 31, 2012 | December 31, 2011 |
|------------------------------------|--------------------------|--------------------------|
| Current assets | | |
| Non-trade accounts receivable, net | 189,924 | 197,300 |
| Accrued income | 9,073 | 15,570 |
| Short-term loans | 10 | |
| | 199,007 | 212,870 |

Due from related parties included in other accounts receivable, as of December 31, 2012 and 2011 are 1,792 million and 1,772 million, respectively.

(c) Other assets at the reporting date are as follows:

| <i>(In millions of won)</i> | December 31, 2012 | December 31, 2011 |
|-----------------------------|--------------------------|--------------------------|
| Current assets | | |
| Advance payments | 10,514 | 12,115 |
| Prepaid expenses | 45,058 | 42,208 |
| Value added tax refundable | 260,353 | 188,599 |
| Others | 9,341 | |
| | 325,266 | 242,922 |
| Non-current assets | | |
| Long-term prepaid expenses | 144,023 | 157,344 |
| Others | 8,287 | 21,861 |
| | 152,310 | 179,205 |

Table of Contents8. Inventories

Inventories at the reporting date are as follows:

| <i>(In millions of won)</i> | December 31, 2012 | | | December 31, 2011 | | |
|-----------------------------|-------------------|---------------------|------------|-------------------|---------------------|------------|
| | Acquisition cost | Valuation allowance | Book value | Acquisition cost | Valuation allowance | Book value |
| Finished goods | 1,098,804 | (54,679) | 1,044,125 | 947,046 | (25,110) | 921,936 |
| Work-in-process | 682,478 | (29,218) | 653,260 | 818,666 | (46,460) | 772,206 |
| Raw materials | 383,857 | (13,204) | 370,653 | 475,378 | (17,293) | 458,085 |
| Supplies | 360,588 | (38,619) | 321,969 | 209,621 | (44,478) | 165,143 |
| | 2,525,727 | (135,720) | 2,390,007 | 2,450,711 | (133,341) | 2,317,370 |

The amount of the inventories recognized as cost (cost of sales) is as follows:

| <i>(In millions of won)</i> | December 31, 2012 | December 31, 2011 |
|---|-------------------|-------------------|
| Inventories recognized as cost of sales | 26,424,756 | 23,081,322 |

9. Other Financial Assets

(a) Other financial assets at the reporting date are as follows:

| <i>(In millions of won)</i> | December 31, 2012 | December 31, 2011 |
|-------------------------------------|-------------------|-------------------|
| Current assets | | |
| Deposits | 3,828 | 3,297 |
| Non-current assets | | |
| Guarantee deposits with banks | 16 | 95 |
| Available-for-sale financial assets | 16,136 | 13,682 |
| Deposits | 59,034 | 70,171 |
| Long-term loans | | 600 |
| Long-term other accounts receivable | 11,246 | |
| | 86,432 | 84,548 |

(b) Available-for-sale financial assets at the reporting date are as follows:

| <i>(In millions of won)</i> | December 31, 2012 | December 31, 2011 |
|------------------------------|-------------------|-------------------|
| Non-current assets | | |
| Debt securities | | |
| Government bonds | 2,838 | 2,838 |
| Equity securities | | |
| E Ink Holdings, Inc. | | 6,319 |
| Intellectual Discovery, Ltd. | 2,673 | 2,673 |

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| | | |
|-----------------------------------|--------|--------|
| Siliconworks Co., Ltd. | 10,505 | |
| Formosa Epitaxy, Inc. (Formosa) | | 1,735 |
| Other | 120 | 117 |
| | 16,136 | 13,682 |

Table of Contents10. Investments in Equity Accounted Investees

Investments in equity accounted investees accounted for under the equity method consist of the following:

| <i>(in millions of won)</i> Company | Carrying value | |
|---|--------------------------|--------------------------|
| | December 31, 2012 | December 31, 2011 |
| Suzhou Raken Technology Ltd. | 128,751 | 133,000 |
| Guangzhou New Vision Technology Research and Development Limited | 3,596 | 3,814 |
| Global OLED Technology LLC | 36,164 | 44,147 |
| Paju Electric Glass Co., Ltd. | 82,855 | 69,395 |
| TLI Inc. (*) | 6,961 | 16,410 |
| AVACO Co., Ltd. (*) | 10,964 | 7,328 |
| New Optics Ltd. | 25,064 | 10,986 |
| LIG ADP Co., Ltd. (*) | 1,730 | 2,745 |
| WooRee E&L Co. Ltd (formerly, WooRee LED Co., Ltd.) | 23,549 | 15,080 |
| Dynamic Solar Design Co., Ltd. | 69 | 1,538 |
| LB Gemini New Growth Fund No.16 | 13,680 | 13,658 |
| Can Yang Investments Limited | 13,856 | 14,488 |
| YAS Co., Ltd. | 9,409 | 9,814 |
| Eralite Optoelectronics (Jiangsu) Co., Ltd. | 3,449 | 4,173 |
| Narenanotech Corporation | 26,448 | 27,969 |
| Avatec. Co., Ltd. (*) | 14,685 | 10,600 |
| Glunix Co., Ltd. | 928 | |
| | 402,158 | 385,145 |

(*) Based on quoted market prices at December 31, 2012, the fair values of the investments in TLI Inc., AVACO Co., Ltd., LIG ADP Co., Ltd., and AVATEC Co., Ltd., which are listed companies on the Korea Exchange, are 6,961 million, 15,169 million, 7,320 million and 27,958 million, respectively.

Dividends received from equity accounted investees for the years ended December 31, 2012 and 2011 amounted to 204 million and 6,130 million, respectively.

Table of Contents10. Investments in Equity Accounted Investees, Continued

Summary of the financial information of equity accounted investees, not adjusted for the percentage ownership held by the Group:

(a) Summary of the financial information of investments in joint ventures is as follows:

(In millions of won)

| Company | Ownership (%) | December 31, 2012 | | | | | 2012 | | Profit (loss) | |
|--|---------------|-------------------|--------------------|--------------|---------------------|-------------------------|-------------------|-----------|---------------|----------|
| | | Current assets | Non-current assets | Total assets | Current liabilities | Non-current liabilities | Total liabilities | Revenue | | Expenses |
| Suzhou Raken Technology Ltd. (*) | 51 | 586,067 | 126,384 | 712,451 | 457,414 | 457,414 | 1,967,587 | 1,956,084 | 11,503 | |
| Guangzhou New Vision Technology Research and Development Limited | 50 | 7,183 | 9 | 7,192 | 1 | 1 | 232 | 225 | 7 | |
| Global OLED Technology LLC | 33 | 7,955 | 104,155 | 112,110 | 1,184 | 434 | 1,618 | 2,402 | 17,972 | (15,570) |

(In millions of won)

| Company | Ownership (%) | December 31, 2011 | | | | | 2011 | | Profit (loss) |
|--|---------------|-------------------|--------------------|--------------|---------------------|-------------------------|-------------------|-----------|---------------|
| | | Current assets | Non-current assets | Total assets | Current liabilities | Non-current liabilities | Total liabilities | Revenue | |
| Suzhou Raken Technology Ltd. (*) | 51 | 694,315 | 149,727 | 844,042 | 585,001 | 585,001 | 1,744,325 | 1,732,866 | 11,459 |
| Guangzhou New Vision Technology Research and Development Limited | 50 | 7,470 | 159 | 7,629 | 1 | 1 | 95 | 532 | (437) |
| Global OLED Technology LLC | 33 | 12,566 | 122,823 | 135,389 | 505 | 505 | 5,245 | 17,113 | (11,868) |

(*) Despite its 51% equity interest, management concluded that the Controlling Company does not have control of Suzhou Raken Technology Ltd. because the Controlling Company and AmTRAN Technology Co., Ltd., which has a 49% equity interest of the investee, jointly control the board of directors of the investee through equal voting powers. Accordingly, investment in Suzhou Raken Technology Ltd. was accounted for as an equity method investment.

Table of Contents10. Investments in Equity Accounted Investees, Continued

(b) Summary of the financial information of associates at the reporting date is as follows:

(In millions of won)

| Company | December 31, 2012 | | | 2012 | | Net income (loss) |
|--|-------------------|-----------------|----------------------|---------------------------------|---------|-------------------------|
| | Ownership (%) | Total assets | Total liabilities | Total shareholders equity | Sales | |
| Paju Electric Glass Co., Ltd. | 40 | 424,805 | 214,271 | 210,534 | 998,899 | 51,985 |
| TLI Inc. (*1,4) | 12 | 117,704 | 18,390 | 99,314 | 59,563 | (2,087) |
| AVACO Co., Ltd. (*1,2) | 16 | 129,416 | 34,943 | 94,473 | 91,000 | 1,973 |
| New Optics Ltd. | 42 | 178,569 | 110,333 | 68,236 | 553,397 | 36,989 |
| LIG ADP Co., Ltd. (*1) | 13 | 74,355 | 40,208 | 34,147 | 18,103 | (18,095) |
| WooRee E&L Co., Ltd. (formerly, WooRee LED Co., Ltd.) (*3) | 30 | 382,032 | 313,680 | 68,352 | 475,204 | 20,485 |
| Dynamic Solar Design Co., Ltd. (*4) | 40 | 2,414 | 15 | 2,399 | | (1,447) |
| LB Gemini New Growth Fund No.16 (*5) | 31 | 45,070 | 429 | 44,641 | 2,526 | 590 |
| Can Yang Investments Limited (*1, 6) | 9 | 259,547 | 112,825 | 146,722 | 56,614 | (3,484) |
| YAS Co., Ltd. (*1) | 19 | 29,508 | 9,411 | 20,097 | 15,349 | (2,970) |
| Eralite Optoelectronics (Jiangsu) Co., Ltd. | 20 | 17,862 | 619 | 17,243 | 4,868 | (2,671) |
| Narenanotech Corporation | 23 | 103,305 | 30,166 | 73,139 | 55,164 | 5,841 |
| Avatec. Co., Ltd. (*7) | 17 | 98,266 | 11,788 | 86,478 | 75,596 | 18,130 |
| Glunix Co., Ltd. (*8) | 20 | 27,534 | 22,852 | 4,682 | 11,530 | (6,094) |

(In millions of won)

| Company | December 31, 2011 | | | 2011 | | Net income (loss) |
|--|-------------------|-----------------|----------------------|---------------------------------|---------|-------------------------|
| | Ownership (%) | Total assets | Total liabilities | Total shareholders equity | Sales | |
| Paju Electric Glass Co., Ltd. | 40 | 384,421 | 202,609 | 181,812 | 885,492 | 53,459 |
| TLI Inc. (*1,4) | 12 | 113,566 | 14,317 | 99,249 | 47,893 | 2,832 |
| AVACO Co., Ltd. (*1,2) | 20 | 127,373 | 54,227 | 73,146 | 238,589 | 7,381 |
| New Optics Ltd. | 42 | 163,443 | 141,532 | 21,911 | 562,927 | (15,659) |
| LIG ADP Co., Ltd. (*1) | 13 | 109,520 | 55,811 | 53,709 | 109,388 | 2,220 |
| WooRee E&L Co., Ltd. (formerly, WooRee LED Co., Ltd.) (*3) | 30 | 160,520 | 128,441 | 32,079 | 226,597 | 8,750 |
| Dynamic Solar Design Co., Ltd. (*4) | 40 | 3,887 | 41 | 3,846 | 6 | (2,150) |
| LB Gemini New Growth Fund No.16 (*5) | 31 | 45,072 | 502 | 44,570 | 4,545 | 2,544 |
| Can Yang Investments Limited (*1, 6) | 12 | 334,224 | 209,233 | 124,991 | 18,707 | (17,424) |
| YAS Co., Ltd. (*1) | 19 | 34,534 | 11,515 | 23,019 | 25,408 | 6,830 |
| Eralite Optoelectronics (Jiangsu) Co., Ltd. | 20 | 22,418 | 1,553 | 20,865 | 74 | (3,134) |
| Narenanotech Corporation | 23 | 103,894 | 36,596 | 67,298 | 43,946 | (3,711) |
| Avatec. Co., Ltd. (*7) | 20 | 63,529 | 13,537 | 49,992 | 44,327 | 6,640 |

Table of Contents10. Investments in Equity Accounted Investees, Continued

- (*1) Although the Controlling Company's share interests in TLI Inc., AVACO Co., Ltd., LIG ADP Co., Ltd., Can Yang Investments Limited, YAS Co., Ltd., and Avatec Co., Ltd. are below 20%, the Controlling Company is able to exercise significant influence through its right to assign a director to the board of directors of each investee and, accordingly, the investments in these investees have been accounted for using the equity method.
- (*2) In 2012, the Controlling Company's ownership in AVACO CO., Ltd. was reduced from 20% to 16% because the Controlling Company did not participate in AVACO Co., Ltd.'s capital increase.
- (*3) As of December 31, 2012 and 2011, the Controlling Company's percentage ownership in the investee represents the Controlling Company's holdings of common shares over total common shares issued.
- (*4) During 2012, the Controlling Company recognized an impairment loss of \$890 million for the difference between the carrying amount of and the recoverable amount from the investment in Dynamic Solar Design Co., Ltd., which was acquired for developing, manufacturing and selling solar battery and Flat Panel Display (FPD). Furthermore during 2012, the Controlling Company recognized an impairment loss of \$9,115 million for the difference between the carrying amount of and the recoverable amount from the investment in TLI Inc., which was acquired for manufacturing and selling semiconductor parts used in display panels.
- (*5) The Controlling Company is a member of the limited partnership in the LB Gemini New Growth Fund No.16 (the Fund). In 2012, the Controlling Company received \$3,571 million from the Fund as capital distribution and made additional cash investments of \$1,533 million each in the Fund in September, November, and December of 2012, respectively. Despite the receipt from the fund and additional investments, there were no changes in the Controlling Company's ownership percentage in the Fund. The Controlling Company is committed to make additional investments of up to an aggregate of \$30,000 million.
- (*6) In 2012, the Controlling Company's ownership in Can Yang Investments Limited was reduced from 12% to 9% because the Controlling Company did not participate in Can Yang Investments Limited's capital increase.
- (*7) In 2012, the Controlling Company's ownership in Avatec Co., Ltd. was reduced from 20% to 17% because the Controlling Company did not participate in Avatec Co., Ltd.'s capital increase.
- (*8) In April 2012, the Controlling Company acquired 4,000,000 common shares (20%) of GLONIX Co., Ltd., which manufactures liquid crystal displays, for \$2,000 million. As of December 31, 2012, 20% of GLONIX Co., Ltd. is owned by the Controlling Company and the Controlling Company has the right to assign a director in the board of directors of GLONIX Co., Ltd.

Table of Contents10. Investments in Equity Accounted Investees, Continued

Changes in investments in equity accounted investees for the years ended December 31, 2012 and 2011 are as follows:

(In millions of won)

| Company | January 1 | Acquisition/ Disposal | Dividends received | 2012 | | December 31 |
|---|-----------|--------------------------|-----------------------|---|--|-------------|
| | | | | Equity profit (loss) on investments | Other comprehensive income (loss) | |
| Suzhou Raken Technology Ltd. | 133,000 | | | 3,660 | (7,909) | 128,751 |
| Guangzhou New Vision Technology Research and Development Limited | 3,814 | | | 4 | (222) | 3,596 |
| Global OLED Technology LLC | 44,147 | | | (5,096) | (2,887) | 36,164 |
| Paju Electric Glass Co., Ltd. | 69,395 | | | 22,765 | (9,305) | 82,855 |
| TLI Inc. | 16,410 | | | (213) | (121) | 6,961 |
| AVACO Co., Ltd. | 7,328 | (366) | (204) | 2,199 | 14 | 10,964 |
| New Optics Ltd. | 10,986 | | | 15,064 | (986) | 25,064 |
| LIG ADP Co., Ltd.) | 2,745 | | | (826) | (189) | 1,730 |
| WooRee E&L Co., Ltd. (formerly, WooRee LED Co., Ltd.) | 15,080 | | | 6,057 | 2,412 | 23,549 |
| Dynamic Solar Design Co., Ltd.) | 1,538 | | | (579) | | 69 |
| LB Gemini New Growth Fund No.16 | 13,658 | 1,027 | | 181 | (1,186) | 13,680 |
| Can Yang Investments Limited | 14,488 | | | (371) | (1,245) | 13,856 |
| YAS Co., Ltd. | 9,814 | | | (414) | 9 | 9,409 |
| Eralite Optoelectronics (Jiangsu) Co., Ltd. | 4,173 | | | (534) | (190) | 3,449 |
| Narenanotech Corporation | 27,969 | | | (1,521) | | 26,448 |
| Avatec. Co., Ltd. | 10,600 | | | 3,465 | 31 | 14,685 |
| Glonix Co., Ltd. | | 2,000 | | (1,062) | (10) | 928 |
| | 385,145 | 2,661 | (204) | 42,779 | (21,784) | 402,158 |

Table of Contents10. Investments in Equity Accounted Investees, Continued*(In millions of won)*

| Company | January 1 | Acquisition/ Disposal | Dividends received | 2011 | Other | Other | December 31 |
|---|-----------|--------------------------|-----------------------|---|-----------------------------------|----------------|-------------|
| | | | | Equity profit (loss) on investments | comprehensive income (loss) | gain (loss) | |
| Suzhou Raken Technology Ltd. | 114,402 | | | 11,355 | 7,243 | | 133,000 |
| Guangzhou New Vision Technology Research and Development Limited | 3,540 | | | (129) | 403 | | 3,814 |
| Global OLED Technology LLC | 47,594 | | | (3,884) | 437 | | 44,147 |
| Paju Electric Glass Co., Ltd. | 45,947 | 4,400 | (4,402) | 18,551 | 4,899 | | 69,395 |
| TLI Inc. | 16,614 | | (242) | 299 | 60 | (321) | 16,410 |
| AVACO Co., Ltd. | 6,998 | | (336) | 96 | 555 | 15 | 7,328 |
| New Optics Ltd. | 17,261 | | | (6,220) | (55) | | 10,986 |
| LIG ADP Co., Ltd.) | 4,037 | | (300) | (847) | (126) | (19) | 2,745 |
| WooRee E&L Co., Ltd. (formerly, WooRee LED Co., Ltd.) | 12,448 | | | 2,587 | 45 | | 15,080 |
| Dynamic Solar Design Co., Ltd.) | 5,776 | | | (860) | | (3,378) | 1,538 |
| RPO, Inc. | 11,268 | | | (546) | 144 | (10,866) | |
| LB Gemini New Growth Fund No.16 | 7,949 | 6,181 | (850) | 779 | (401) | | 13,658 |
| Can Yang Investments Limited | 16,999 | | | (2,019) | (899) | 407 | 14,488 |
| YAS Co., Ltd. | 10,124 | | | (458) | 4 | 144 | 9,814 |
| Eralite Optoelectronics (Jiangsu) Co., Ltd. | 4,575 | | | (627) | 225 | | 4,173 |
| Narenanotech Corporation | | 30,000 | | (2,030) | (1) | | 27,969 |
| Avatec. Co., Ltd. | | 10,600 | | | | | 10,600 |
| | 325,532 | 51,181 | (6,130) | 16,047 | 12,533 | (14,018) | 385,145 |

Table of Contents**11. Property, Plant and Equipment**

Changes in property, plant and equipment for the year ended December 31, 2012 are as follows:

(In millions of won)

| | Land | Buildings and structures | Machinery and equipment | Furniture and fixtures | Construction- in-progress (*1) | Others | Total |
|--|---------|--------------------------------|-------------------------------|------------------------------|--------------------------------------|-----------|--------------|
| Acquisition cost as of January 1, 2012 | 444,252 | 4,170,768 | 28,028,986 | 720,716 | 3,494,777 | 261,526 | 37,121,025 |
| Accumulated depreciation as of January 1, 2012 | | (1,072,446) | (20,589,295) | (562,715) | | (196,131) | (22,420,587) |
| Accumulated impairment loss as of January 1, 2012 | | | (138) | (3,222) | | (229) | (3,589) |
| Book value as of January 1, 2012 | 444,252 | 3,098,322 | 7,439,553 | 154,779 | 3,494,777 | 65,166 | 14,696,849 |
| Additions | | | | | 2,726,336 | | 2,726,336 |
| Depreciation | | (235,016) | (3,873,305) | (68,643) | | (19,523) | (4,196,487) |
| Disposals | (2,787) | (7,010) | (42,127) | (1,085) | | (3,641) | (56,650) |
| Others (*2) | (473) | 1,420,649 | 3,762,658 | 47,981 | (5,251,832) | 18,615 | (2,402) |
| Effect of movements in exchange rates | | (28,092) | (22,684) | (2,034) | (2,379) | (984) | (56,173) |
| Subsidy received | | (1,792) | (2,170) | | | | (3,962) |
| Book value as of December 31, 2012 | 440,992 | 4,247,061 | 7,261,925 | 130,998 | 966,902 | 59,633 | 13,107,511 |
| Acquisition cost as of December 31, 2012 | 440,992 | 5,546,497 | 31,490,302 | 755,948 | 966,902 | 256,806 | 39,457,447 |
| Accumulated depreciation as of December 31, 2012 | | (1,299,436) | (24,228,377) | (624,950) | | (197,173) | (26,349,936) |
| Accumulated impairment loss as of December 31, 2012 | | | | | | | |

(*1) As of December 31, 2012, construction-in-progress relates to construction of plants including their machinery.

(*2) Others are mainly amounts transferred from construction-in-progress.

Table of Contents11. Property, Plant and Equipment, Continued

Changes in property, plant and equipment for the year ended December 31, 2011 are as follows:

(In millions of won)

| | Land | Buildings and structures | Machinery and equipment | Furniture and fixtures | Construction- in-progress (*1) | Others | Total |
|---|---------|--------------------------------|-------------------------------|------------------------------|--------------------------------------|-----------|--------------|
| Acquisition cost as of January 1, 2011 | 442,962 | 3,879,677 | 24,099,414 | 672,508 | 2,703,860 | 242,687 | 32,041,108 |
| Accumulated depreciation as of January 1, 2011 | | (876,361) | (17,626,751) | (529,303) | | (193,292) | (19,225,707) |
| Book value as of January 1, 2011 | 442,962 | 3,003,316 | 6,472,663 | 143,205 | 2,703,860 | 49,395 | 12,815,401 |
| Additions | | | | | 5,264,019 | | 5,264,019 |
| Depreciation | | (193,120) | (3,141,295) | (61,324) | | (17,711) | (3,413,450) |
| Impairment loss | | | (138) | (3,222) | | (229) | (3,589) |
| Disposals | | (166) | (563) | (366) | | (15) | (1,110) |
| Others (*2) | 1,290 | 278,471 | 4,091,712 | 74,323 | (4,478,639) | 32,843 | |
| Effect of movements in exchange rates | | 9,843 | 18,757 | 2,163 | 5,537 | 883 | 37,183 |
| Subsidy received | | (22) | (1,583) | | | | (1,605) |
| Book value as of December 31, 2011 | 444,252 | 3,098,322 | 7,439,553 | 154,779 | 3,494,777 | 65,166 | 14,696,849 |
| Acquisition cost as of December 31, 2011 | 444,252 | 4,170,768 | 28,028,986 | 720,716 | 3,494,777 | 261,526 | 37,121,025 |
| Accumulated depreciation as of December 31, 2011 | | (1,072,446) | (20,589,295) | (562,715) | | (196,131) | (22,420,587) |
| Accumulated impairment loss as of December 31, 2011 | | | (138) | (3,222) | | (229) | (3,589) |

(*1) As of December 31, 2011, construction-in-progress relates to construction of plants including their machinery.

(*2) Others are mainly amounts transferred from construction-in-progress.

The capitalized borrowing costs and capitalization rate for the years ended December 31, 2012 and 2011 are as follows:

(In millions of won)

| | 2012 | 2011 |
|-----------------------------|--------|--------|
| Capitalized borrowing costs | 24,612 | 23,139 |
| Capitalization rate | 3.29% | 3.65% |

Table of Contents**12. Intangible Assets**

Changes in intangible assets for the year ended December 31, 2012 are as follows:

| <i>(In millions of won)</i> | Intellectual property rights | Software | Member- ships | Develop- ment costs (*3) | Construction- in-progress (software) | Customer relation- ships | Tech- nology | Good- will (*3) | Others (*2) | Total |
|--|------------------------------------|-----------|------------------|--------------------------------|--|--------------------------------|-----------------|-----------------------|----------------|-------------|
| Acquisition cost as of January 1, 2012 | 523,873 | 407,832 | 50,078 | 392,473 | 10,819 | 24,011 | 11,074 | 23,912 | 13,090 | 1,457,162 |
| Accumulated amortization as of January 1, 2012 | (443,343) | (206,434) | | (248,262) | | (5,724) | (1,852) | | (10,859) | (916,474) |
| Accumulated impairment loss as of January 1, 2012 | | (1,039) | (4,535) | | | | | | | (5,574) |
| Book value as of January 1, 2012 | 80,530 | 200,359 | 45,543 | 144,211 | 10,819 | 18,287 | 9,222 | 23,912 | 2,231 | 535,114 |
| Additions-internally developed | | | | 198,225 | | | | | | 198,225 |
| Other additions | 19,079 | | 155 | | 63,219 | | | | | 82,453 |
| Amortization (*1) | (13,413) | (110,958) | | (143,079) | | (3,440) | (1,106) | | (929) | (272,925) |
| Disposals | | (610) | | | | | | | (94) | (704) |
| Impairment loss | | | (3,393) | (27,300) | | | | (9,319) | | (40,012) |
| Transfer from construction-in-progress | | 70,777 | | | (71,816) | | | | | (1,039) |
| Effect of movements in exchange rates | | (710) | | (2,881) | | | | | 81 | (3,510) |
| Book value as of December 31, 2012 | 86,196 | 158,858 | 42,305 | 169,176 | 2,222 | 14,847 | 8,116 | 14,593 | 1,289 | 497,602 |
| Acquisition cost as of December 31, 2012 | 542,952 | 470,074 | 50,233 | 529,349 | 2,222 | 24,011 | 11,074 | 23,912 | 13,077 | 1,666,904 |
| Accumulated amortization as of December 31, 2012 | (456,756) | (311,216) | | (332,873) | | (9,164) | (2,958) | | (11,788) | (1,124,755) |
| Accumulated impairment loss as of December 31, 2012 | | | (7,928) | (27,300) | | | | (9,319) | | (44,547) |
| Remaining amortization period (year) | 6.62 | 2.69 | | 0.58 | | 4.33 | 7.33 | | 2.17 | |

(*1) The Group has classified the amortization as manufacturing overhead costs, selling expenses, administrative expenses and research and development expenses.

(*2) Others mainly consist of rights to use of electricity and gas supply facilities.

(*3) During 2012, the Group recognized full impairment loss for the difference between the carrying amount and the recoverable amount (determined based on value in use) of goodwill and in-process research and development because the economic benefit from these assets are estimated to be less than previously expected.

Table of Contents12. Intangible Assets, Continued

Changes in intangible assets for the year ended December 31, 2011 are as follows:

| <i>(In millions of won)</i> | Intellectual property rights | Software | Member- ships | Develop- ment costs | Construction in-progress (software) | Customer relation- ships | Tech- nology | Good- will | Others (*2) | Total |
|---|------------------------------------|-----------|------------------|---------------------------|---|--------------------------------|-----------------|---------------|----------------|-----------|
| Acquisition cost as of January 1, 2011 | 507,862 | 317,807 | 47,147 | 265,092 | 11,463 | 24,011 | 11,074 | 23,912 | 13,084 | 1,221,452 |
| Accumulated amortization as of January 1, 2011 | (436,151) | (119,179) | | (113,395) | | (2,300) | (742) | | (9,784) | (681,551) |
| Book value as of January 1, 2011 | 71,711 | 198,628 | 47,147 | 151,697 | 11,463 | 21,711 | 10,332 | 23,912 | 3,300 | 539,901 |
| Additions-internally developed | | | | 127,381 | | | | | | 127,381 |
| Other additions | 21,890 | | 2,931 | | 87,346 | | | | 7 | 112,174 |
| Amortization (*1) | (11,501) | (86,021) | | (134,867) | | (3,424) | (1,110) | | (1,073) | (237,996) |
| Disposals | (1,588) | | | | | | | | | (1,588) |
| Impairment loss | | (1,039) | (4,535) | | | | | | | (5,574) |
| Transfer from construction-in-progress | | 87,990 | | | (87,990) | | | | | |
| Effect of movements in exchange rates | 18 | 801 | | | | | | | (3) | 816 |
| Book value as of December 31, 2011 | 80,530 | 200,359 | 45,543 | 144,211 | 10,819 | 18,287 | 9,222 | 23,912 | 2,231 | 535,114 |
| Acquisition cost as of December 31, 2011 | 523,873 | 407,832 | 50,078 | 392,473 | 10,819 | 24,011 | 11,074 | 23,912 | 13,090 | 1,457,162 |

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