

LG Display Co., Ltd.
Form 6-K
March 01, 2012
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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, 2012

LG Display Co., Ltd.

(Translation of Registrant's name into English)

LG Twin Towers(East Tower) 128, Yeoui-dearo, Youngdeungpo-gu, Seoul, 150-721, The 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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1. Name of external auditor : Samjong Accounting Corporation
 2. Date of receiving external audit report : February 29, 2012
 3. Auditor's opinion

| | | |
|--|------------------------|------------------------|
| Audit Report on Consolidated Financial Statements | FY 2011 Unqualified | FY 2010 Unqualified |
| 4. Financial Highlights of Non-consolidated Financial Statements | | |

(Unit: KRW, Korean GAAP, Consolidated)

| Items | FY 2011 | FY 2010 |
|--|---------------------|--------------------|
| Total Assets | 25,162,930,757,876 | 23,857,658,321,512 |
| Total Liabilities | 15,031,902,401,085 | 12,796,691,658,849 |
| Total Shareholders' Equity | 10,131,028,356,798 | 11,060,966,662,661 |
| Capital Stock | 1,789,078,500,000 | 1,789,078,500,000 |
| Revenues | 24,291,288,996,093 | 25,511,534,629,926 |
| Operating Income | (924,335,980,653) | 1,310,471,893,284 |
| Ordinary Income | (1,080,959,013,853) | 1,265,568,938,177 |
| Net Income | (787,895,111,055) | 1,159,233,981,836 |
| Total Shareholders' Equity / Capital Stock | 566.3% | 618.3% |

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

Consolidated Financial Statements

For the Years Ended December 31, 2011 and 2010

(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, 2011 and 2010 and the related consolidated statements of comprehensive income, 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, 2011 and 2010 and its financial performance and its consolidated cash flows for the years then ended, in accordance with Korean International Financial Reporting Standards.

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

As discussed in note 20 to the consolidated financial statements, LG Display Co., Ltd., along with its subsidiaries, has been under investigations by antitrust authorities in Korea and other countries with respect to possible anti-competitive activities in the LCD industry and named as defendants in a number of federal class actions in the United States and Canada and related individual lawsuits in connection with the alleged antitrust violations concerning the sale of LCD panels. The Group estimated and recognized losses related to these legal proceedings. 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.

KPMG Samjong Accounting Corp.

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

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For the years ended December 31, 2011 and 2010

Seoul, Korea

February 22, 2012

This report is effective as of February 22, 2012, 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, 2011 and 2010

| <i>(In millions of won)</i> | Note | December 31, 2011 | December 31, 2010 |
|---|---------------|-------------------------|-------------------|
| Assets | | | |
| Cash and cash equivalents | 6 | (Won) 1,517,977 | 1,631,009 |
| Deposits in banks | 6, 13 | 815,000 | 1,503,000 |
| Trade accounts and notes receivable, net | 7, 13, 19, 23 | 2,740,107 | 3,000,661 |
| Other accounts receivable, net | 7, 13 | 212,870 | 244,662 |
| Other current financial assets | 9, 13 | 3,297 | 35,370 |
| Inventories | 8 | 2,317,370 | 2,215,217 |
| Other current assets | 7 | 251,444 | 210,514 |
| Total current assets | | 7,858,065 | 8,840,433 |
| Investments in equity accounted investees | 10 | 385,145 | 325,532 |
| Other non-current financial assets | 9, 13 | 84,548 | 83,246 |
| Deferred tax assets | 30 | 1,424,005 | 1,074,853 |
| Property, plant and equipment, net | 11, 23 | 14,696,849 | 12,815,401 |
| Intangible assets, net | 12, 23 | 535,114 | 539,901 |
| Other non-current assets | 7, 13 | 179,205 | 178,292 |
| Total non-current assets | | 17,304,866 | 15,017,225 |
| Total assets | | (Won) 25,162,931 | 23,857,658 |
| Liabilities | | | |
| Trade accounts and notes payable | 22 | (Won) 3,782,627 | 2,961,995 |
| Current financial liabilities | 13, 14 | 894,972 | 2,100,979 |
| Other accounts payable | | 3,992,671 | 2,592,527 |
| Accrued expenses | | 267,595 | 373,717 |
| Income tax payable | | 58,259 | 153,890 |
| Provisions | | 279,403 | 634,815 |
| Advances received | | 616,351 | 44,879 |
| Other current liabilities | 18 | 19,556 | 19,027 |
| Total current liabilities | | 9,911,434 | 8,881,829 |
| Non-current financial liabilities | 13, 14 | 3,722,364 | 2,542,900 |
| Non-current provisions | | 5,400 | 8,773 |
| Deferred tax liabilities | 30 | 240 | 6,640 |
| Employee benefits | 17 | 146,638 | 78,715 |
| Long-term advances received | 19 | 668,914 | 945,287 |
| Other non-current liabilities | 18 | 576,913 | 332,547 |
| Total non-current liabilities | | 5,120,469 | 3,914,862 |
| Total liabilities | | 15,031,903 | 12,796,691 |
| Equity | | | |
| Share capital | 21 | 1,789,079 | 1,789,079 |

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| | | | |
|---|----|-------------------------|-------------------|
| Share premium | | 2,251,113 | 2,251,113 |
| Reserves | 21 | 12,181 | (35,298) |
| Retained earnings | | 6,063,359 | 7,031,163 |
| Total equity attributable to equity holders of the Company | | 10,115,732 | 11,036,057 |
| Non-controlling interests | | 15,296 | 24,910 |
| Total equity | | 10,131,028 | 11,060,967 |
| Total liabilities and equity | | (Won) 25,162,931 | 23,857,658 |

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, 2011 and 2010

| <i>(In millions of won, except earnings per share)</i> | Note | 2011 | 2010 |
|---|-------------|------------------|--------------|
| Revenue | 22, 23, 24 | (Won) 24,291,289 | 25,511,535 |
| Cost of sales | 8, 22 | (23,081,322) | (21,780,880) |
| Gross profit | | 1,209,967 | 3,730,655 |
| Other income | 25 | 1,223,545 | 1,483,443 |
| Selling expenses | 16 | (728,419) | (846,376) |
| Administrative expenses | 16 | (564,337) | (521,035) |
| Research and development expenses | | (681,228) | (674,684) |
| Other expenses | 25 | (1,383,864) | (1,861,531) |
| Results from operating activities | | (924,336) | 1,310,472 |
| Finance income | 28 | 207,266 | 240,988 |
| Finance costs | 28 | (363,309) | (288,472) |
| Other non-operating loss, net | | (16,627) | (15,611) |
| Equity income on investments, net | | 16,047 | 18,192 |
| Profit (loss) before income tax | | (1,080,959) | 1,265,569 |
| Income tax expense (benefit) | 29 | (293,064) | 106,335 |
| Profit (loss) for the year | | (787,895) | 1,159,234 |
| Other comprehensive income (loss) | | | |
| Net change in fair value of available-for-sale financial assets | 28, 29 | 2,700 | 12,063 |
| Defined benefit plan actuarial gains (losses) | 17, 29 | (23,732) | 4,480 |
| Cumulative translation differences | 28, 29 | 47,443 | 6,735 |
| Gain (loss) on sales of own shares of associate accounted for using the equity method | 29 | (214) | 810 |
| Income tax benefit (expense) on other comprehensive income (loss) items | 29 | 4,958 | (5,107) |
| Other comprehensive income for the year, net of income tax | | 31,155 | 18,981 |
| Total comprehensive income (loss) for the year | | (Won) (756,740) | 1,178,215 |
| Profit (loss) attributable to: | | | |
| Owners of the Company | | (771,223) | 1,156,343 |
| Non-controlling interests | | (16,672) | 2,891 |
| Profit (loss) for the year | | (Won) (787,895) | 1,159,234 |
| Total comprehensive income (loss) attributable to: | | | |
| Owners of the Company | | (741,417) | 1,175,216 |
| Non-controlling interests | | (15,323) | 2,999 |
| Total comprehensive income (loss) for the year | | (Won) (756,740) | 1,178,215 |

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Earnings (loss) per share

| | | | | |
|-----------------------------------|----|-------|---------|-------|
| Basic earnings (loss) per share | 31 | (Won) | (2,155) | 3,232 |
| Diluted earnings (loss) per share | 31 | (Won) | (2,155) | 3,152 |

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, 2011 and 2010

| <i>(In millions of won)</i> | Share capital | Share premium | Gain (loss) on sales of own shares of associates | Translation reserve | Fair value reserve | Retained earnings | Non-controlling interest | Total equity |
|--|------------------|------------------|---|------------------------|-----------------------|----------------------|-----------------------------|-----------------|
| Balances at January 1, 2010 | (Won) 1,789,079 | 2,251,113 | | (36,369) | (14,636) | 6,050,562 | | 10,039,749 |
| Total comprehensive income for the year | | | | | | | | |
| Profit for the year | | | | | | 1,156,343 | 2,891 | 1,159,234 |
| Other comprehensive income | | | | | | | | |
| Net change in fair value of available-for-sale financial assets, net of tax | | | | | 9,076 | | | 9,076 |
| Cumulative translation differences, net of tax | | | | 5,821 | | | 108 | 5,929 |
| Defined benefit plan actuarial gain, net of tax | | | | | | 3,166 | | 3,166 |
| Gain on sales of own shares of associates accounted for using the equity method, net of tax | | | 810 | | | | | 810 |
| Total other comprehensive income | | | 810 | 5,821 | 9,076 | 3,166 | 108 | 18,981 |
| Total comprehensive income for the year | (Won) | | 810 | 5,821 | 9,076 | 1,159,509 | 2,999 | 1,178,215 |
| Transaction with owners, recognized directly in equity | | | | | | | | |
| Dividends to equity holders | | | | | | (178,908) | | (178,908) |
| Changes in ownership interests in subsidiaries | | | | | | | 21,911 | 21,911 |
| Balances at December 31, 2010 | (Won) 1,789,079 | 2,251,113 | 810 | (30,548) | (5,560) | 7,031,163 | 24,910 | 11,060,967 |
| Balances at January 1, 2011 | (Won) 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) | | | | | | | | |

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| | | | | | | | |
|---|-------|-----------|-----------|----------|-----------|----------|------------|
| 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 | (Won) | (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 | (Won) | 1,789,079 | 2,251,113 | 596 | 15,441 | (3,856) | 6,063,359 |
| | | | | | | 15,296 | 10,131,028 |

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, 2011 and 2010

| <i>(In millions of won)</i> | Note | 2011 | 2010 |
|--|------|-----------------|-----------|
| Cash flows from operating activities: | | | |
| Profit (loss) for the year | | (Won) (787,895) | 1,159,234 |
| Adjustments for: | | | |
| Income tax expense (benefit) | 29 | (293,064) | 106,335 |
| Depreciation | 11 | 3,413,450 | 2,756,532 |
| Amortization of intangible assets | 12 | 237,996 | 168,846 |
| Gain on foreign currency translation | | (85,804) | (119,880) |
| Loss on foreign currency translation | | 132,295 | 85,263 |
| Gain on disposal of property, plant and equipment | | (740) | (1,387) |
| Loss on disposal of property, plant and equipment | | 862 | 415 |
| Impairment loss on property, plant and equipment | | 3,589 | |
| Loss on disposal of intangible assets | | 1,588 | |
| Impairment loss on intangible assets | | 5,574 | |
| Finance income | | (59,542) | (165,465) |
| Finance costs | | 238,737 | 167,843 |
| Equity in income of equity method accounted investees, net | | (16,047) | (18,192) |
| Other income | | (19,591) | (23,913) |
| Other expenses | | 323,971 | 708,718 |
| Other non-operating losses | | 7 | 275 |
| | | 3,095,386 | 4,824,624 |
| Change in trade accounts and notes receivable | | 296,691 | (81,196) |
| Change in other accounts receivable | | (90,398) | (13,442) |
| Change in other current assets | | 11,010 | (50,310) |
| Change in inventories | | (102,153) | (510,332) |
| Change in other non-current accounts receivable | | | 267 |
| Change in other non-current assets | | (39,796) | (54,146) |
| Change in trade accounts and notes payable | | 792,128 | 966,567 |
| Change in other accounts payable | | 97,686 | (30,419) |
| Change in accrued expenses | | (158,640) | 68,948 |
| Change in other current liabilities | | (5,384) | 11,654 |
| Change in long-term advance received | | 281,975 | 379,105 |
| Change in other non-current liabilities | | 13,770 | 10,231 |
| Change in provisions | | (208,390) | (290,536) |
| Change in defined benefit obligation | | (69,727) | (103,716) |
| Cash generated from operating activities | | 3,914,158 | 5,127,299 |
| Income taxes paid | | (162,266) | (242,389) |
| Interest received | | 65,600 | 110,812 |
| Interest paid | | (151,634) | (112,190) |
| Net cash from operating activities | | (Won) 3,665,858 | 4,883,532 |

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, 2011 and 2010

| <i>(In millions of won)</i> | 2011 | 2010 |
|---|------------------------|--------------------|
| Cash flows from investing activities: | | |
| Dividends received | (Won) 6,130 | 33,772 |
| Proceeds from withdrawal of deposits in banks | 2,401,500 | 5,400,000 |
| Increase in deposits in banks | (1,713,500) | (4,403,000) |
| Acquisition of investments in equity accounted investees | (53,226) | (72,316) |
| Proceeds from disposal of investments in equity accounted investees | 2,045 | 20,530 |
| Acquisition of property, plant and equipment | (4,063,070) | (4,942,360) |
| Proceeds from disposal of property, plant and equipment | 643 | 1,887 |
| Acquisition of intangible assets | (215,286) | (227,663) |
| Grant received | 1,605 | 46 |
| Receipt from (payment for) settlement of derivatives | 23,784 | (14,781) |
| Proceeds from short-term loans | 92 | 42 |
| Acquisition of other non-current financial assets | (59,444) | (52,205) |
| Proceeds from disposal of other non-current financial assets | 174,266 | 11,417 |
| Acquisition of businesses, net of cash acquired | | (270,536) |
| Net cash used in investing activities | (3,494,461) | (4,515,167) |
| Cash flows from financing activities: | | |
| Proceeds from short-term borrowings | 1,292,804 | 1,422,669 |
| Repayment of short-term borrowings | (2,483,997) | (1,007,485) |
| Issuance of debentures | 1,145,209 | 1,117,437 |
| Proceeds from long-term debt | 941,921 | 477,064 |
| Repayment of long-term debt | | (120,000) |
| Repayment of current portion of long-term debt | (1,000,987) | (1,324,562) |
| Increase in non-controlling interest | 5,709 | 21,911 |
| Payment of cash dividend | (178,908) | (178,908) |
| Net cash provided by (used in) financing activities | (278,249) | 408,126 |
| Net increase (decrease) in cash and cash equivalents | (106,852) | 776,491 |
| Cash and cash equivalents at January 1 | 1,631,009 | 817,982 |
| Effect of exchange rate fluctuations on cash held | (6,180) | 36,536 |
| Cash and cash equivalents at December 31 | (Won) 1,517,977 | 1,631,009 |

See accompanying notes to the consolidated financial statements.

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

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, to which the Controlling Company moved in December 2011. 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, 2011, LG Electronics Inc. owns 37.9% (135,625,000 shares) of the Controlling Company's common shares.

As of December 31, 2011, the Controlling Company has its TFT-LCD manufacturing plants, OLED manufacturing plant and LCD Research & Development Center in Paju and TFT-LCD manufacturing plants and OLED manufacturing plant in Gumi. The Controlling Company has overseas subsidiaries located in the United States of 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, 2011, 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, 2011, there are 20,924,578 ADSs outstanding.

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Notes to the Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

1. Reporting Entity, Continued(b) Consolidated Subsidiaries as of December 31, 2011*(In millions)*

| Subsidiaries | Percentage of ownership | Location | Date of incorporation | Business | Capital stocks |
|---|-------------------------|------------------------|-----------------------|---|----------------|
| LG Display America, Inc. (*1) | 100% | California, U.S.A. | September 24, 1999 | Sell TFT-LCD products | USD185 |
| LG Display Japan Co., Ltd. | 100% | Tokyo, Japan | October 12, 1999 | Sell TFT-LCD Products | JPY95 |
| LG Display Germany GmbH | 100% | Dusseldorf, Germany | November 5, 1999 | Sell TFT-LCD products | EUR1 |
| LG Display Taiwan Co., Ltd. | 100% | Taipei, Taiwan | April 12, 1999 | Sell TFT-LCD products | NTD116 |
| LG Display Nanjing Co., Ltd. (*2) | 100% | Nanjing, China | July 15, 2002 | Manufacture and sell TFT-LCD products | CNY2,552 |
| LG Display Shanghai Co., Ltd. | 100% | Shanghai, China | January 16, 2003 | Sell TFT-LCD products | CNY4 |
| LG Display Poland Sp. zo. o. (*3) | 80% | Wroclaw, Poland | September 6, 2005 | Manufacture and sell TFT-LCD products | PLN511 |
| LG Display Guangzhou Co., Ltd. (*4) | 90% | Guangzhou, China | June 30, 2006 | Manufacture and sell TFT-LCD products | CNY992 |
| LG Display Shenzhen Co., Ltd. | 100% | Shenzhen, China | August 28, 2007 | Sell TFT-LCD products | CNY4 |
| LG Display Singapore Pte. Ltd. | 100% | Singapore | January 12, 2009 | Sell TFT-LCD products | SGD1.4 |
| L&T Display Technology (Xiamen) Limited | 51% | Xiamen, China | January 5, 2010 | Manufacture LCD module and TV sets | CNY82 |
| L&T Display Technology (Fujian) Limited | 51% | Fujian, China | January 5, 2010 | Manufacture LCD Module and monitor sets | CNY116 |
| LG Display Yantai Co., Ltd. | 100% | Yantai, China | April 19, 2010 | Manufacture and sell TFT-LCD products | CNY 273 |

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| | | | | | |
|---|------|--------------------|-----------------------|---|---------|
| L&I Electronic Technology (Dongguan) Limited | 51% | Dongguan, China | September 26, 2010 | Manufacture and Sell e-Book devices | CNY 33 |
| Image&Materials, Inc. (*5) | 100% | Domestic | May 17, 2006 | Manufacture EPD materials | KRW 889 |
| LUCOM Display Technology (Kunshan) Limited (*6) | 51% | Kunshan, China | December 15, 2010 | Manufacture Notebook Borderless Hinge-up | CNY 99 |
| LG Display U.S.A Inc. (*7) | 100% | Texas, U.S.A. | October 26, 2011 | Manufacture TFT-LCD products | USD 11 |
| LG Display Reynosa S.A. de C.V. (*7) | 100% | Reynosa, Mexico | November 24, 2011 | Manufacture TFT-LCD products | MXN 112 |

(*1) In June 2011, the Controlling Company contributed W86,520 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.

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For the years ended December 31, 2011 and 2010

1. **Reporting Entity, Continued**

(b) **Consolidated Subsidiaries as of December 31, 2011, Continued**

- (*2) In January and June 2011, the Controlling Company contributed (Won)14,363 million and (Won)35,618 million, respectively, 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 these additional investments.
- (*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 that is based on LGDWR's equity shares. 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 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 option 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 the Group. Accordingly, LGDWR is consolidated as a wholly owned subsidiary in the consolidated financial statements.
- (*4) Skyworth TV Holdings Limited (Skyworth) acquired 16% of equity interest in LG Display Guangzhou Co., Ltd. (LGDGZ) in June 2008. With the acquisition of the 16% interest in June 2008 (which is reduced to 10% at December 31, 2009 with additional investment in LGDGZ by the Controlling Company), Skyworth and the Controlling Company entered into a derivative contract that is based on LGDGZ's equity interest. According to the contract, LGD 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 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 option is 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 long-term 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.
- (*5) In June and September 2011, the Controlling Company contributed (Won)3,000 million each, (Won)6,000 million in total, 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 these additional investments.
- (*6) In February and April 2011, the Controlling Company contributed (Won)3,417 million and (Won)2,525 million, respectively, in cash for the capital increase of LUCOM Display Technology (Kunshan) Limited (LUCOM). There were no changes in the Controlling Company's ownership percentage in LUCOM as a result of these additional investments.
- (*7) In October and November 2011, LG Display U.S.A Inc. (LGDUH) and L&T Display Reynosa S.A.de C.V (LGDRS) were incorporated in Texas, U.S.A and Reynosa, Mexico, respectively, for LCD module production. As of December 31, 2011, the Controlling Company indirectly controls LGDRS since LGDUH which is wholly owned by the Controlling Company has 99% equity of LGDRS. As of December 31, 2011, the capital stock of LGDUH and LGDRS amounts to (Won)12,353 million and

(Won)9,200 million, respectively.

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Notes to the Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

1. Reporting Entity. Continued

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

(In millions of won)

| Company | December 31, 2011 | | | | |
|--|-------------------|-------------------|---------------------------|------------|-------------------|
| | Total assets | Total liabilities | Total shareholders equity | Sales | Net income (loss) |
| LG Display America, Inc. | (Won) 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 | | |
| | (Won) 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.

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Notes to the Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

1. Reporting Entity. Continued*(In millions of won)*

| Company | December 31, 2010 | | | | |
|--|-------------------|-------------------|---------------------------|------------|-------------------|
| | Total assets | Total liabilities | Total shareholders equity | Sales | Net income (loss) |
| LG Display America, Inc. | (Won) 733,186 | 1,047,474 | (314,288) | 5,252,373 | 2,324 |
| LG Display Japan Co., Ltd. | 283,758 | 264,575 | 19,183 | 2,398,862 | 1,927 |
| LG Display Germany GmbH | 751,757 | 733,389 | 18,368 | 3,892,033 | 5,471 |
| LG Display Taiwan Co., Ltd. | 870,345 | 832,454 | 37,891 | 3,411,468 | 6,684 |
| LG Display Nanjing Co., Ltd. | 581,146 | 130,352 | 450,794 | 474,530 | 38,105 |
| LG Display Shanghai Co., Ltd. | 934,412 | 919,567 | 14,845 | 3,368,889 | 3,842 |
| LG Display Poland Sp. zo.o. | 329,113 | 151,425 | 177,688 | 147,020 | 13,295 |
| LG Display Guangzhou Co., Ltd. | 1,741,920 | 1,411,415 | 330,505 | 2,628,979 | 146,835 |
| LG Display Shenzhen Co., Ltd. | 239,617 | 232,332 | 7,285 | 1,691,223 | 1,991 |
| LG Display Singapore Pte. Ltd. | 521,681 | 514,892 | 6,789 | 1,601,579 | 2,302 |
| L&T Display Technology (Xiamen) Limited | 299,098 | 278,538 | 20,560 | 638,158 | 6,471 |
| L&T Display Technology (Fujian) Limited | 179,586 | 159,313 | 20,273 | 158,625 | 317 |
| LG Display Yantai Co., Ltd. | 283,416 | 237,856 | 45,560 | 213,735 | (1,521) |
| L&I Electronic Technology (Dongguan) Limited | 5,551 | 671 | 4,880 | | (865) |
| Image&Materials, Inc. | 7,780 | 1,380 | 6,400 | | (108) |
| LUCOM Display Technology (Kunshan) Limited | 8,007 | 2,884 | 5,123 | | (24) |
| | (Won) 7,770,373 | 6,918,517 | 851,856 | 25,877,474 | 227,046 |

Table of Contents**LG DISPLAY CO., LTD. AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

1. Reporting Entity, Continued(d) Associates and Jointly Controlled Entities (Equity Method Investees) as of December 31, 2011*(In millions of won)*
Associates and jointly

| controlled entities | Percentage of ownership | Date of incorporation | Business | Carrying amount |
|--|-------------------------|-----------------------|---|-----------------|
| Suzhou Raken Technology Ltd. | 51% | October 2008 | Manufacture and sell LCD modules and LCD TV set | (Won) 133,000 |
| Guangzhou New Vision Technology Research and Development Limited | 50% | July 2008 | R&D on design of LCD modules and LCD TV set | 3,814 |
| Global OLED Technology LLC | 33% | December 2009 | Managing and utilizing OLED patents | 44,147 |
| Paju Electric Glass Co., Ltd. | 40% | January 2005 | Manufacture electric glass for flat-panel displays | 69,395 |
| TLI Inc. | 12% | October 1998 | Manufacture and sell semiconductor parts | 16,410 |
| AVACO Co., Ltd. | 20% | January 2001 | Manufacture and sell equipment for flat-panel displays | 7,328 |
| New Optics LTD. | 42% | August 2005 | Manufacture back light parts for TFT-LCDs | 10,986 |
| LIG ADP Co., Ltd. | 13% | January 2001 | Develop and manufacture the equipment for flat-panel displays | 2,745 |
| WooRee LED Co., Ltd. | 30% | June 2008 | Manufacture LED back light unit packages | 15,080 |
| Dynamic Solar Design Co., Ltd. | 40% | April 2009 | Develop and manufacture equipment for solar battery and flat-panel displays | 1,538 |
| RPO, Inc. | 26% | November 2005 | Develop digital waveguide touch technology | |
| LB Gemini New Growth Fund No. 16 | 31% | December | | 13,658 |

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| | | | | |
|---|-----|---------------|--|--------|
| | | 2009 | Invest in small and middle sized companies and to benefit from M&A opportunities | |
| Can Yang Investments Limited | 12% | January | Develop and manufacture and sell TFT-OLEDs | 14,488 |
| | | 2010 | | |
| YAS Co., Ltd. | 19% | April | Develop and manufacture deposition equipment for OLEDs | 9,814 |
| | | 2002 | | |
| Eralite Optoelectronics (Jiangsu) Co., Ltd. | 20% | August | Manufacture LED Packages | 4,173 |
| | | 2010 | | |
| Narenanotech Corporation | 23% | December 1995 | Manufacture and sell equipment for flat-panel displays | 27,969 |
| | | 2000 | | |
| Avatec. Co., Ltd. | 20% | August | Manufacture and sell glass for flat-panel displays | 10,600 |

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

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-IFRSs).

The consolidated financial statements were authorized for issuance by the Board of Directors on January 26, 2012.

(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 statement of financial position:

derivative financial instruments measured at fair value,

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

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

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

liabilities for defined benefit plans recognized as the present value of defined benefit obligation 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.

(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.

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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))

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

2. **Basis of Presenting Financial Statements, Continued**

(d) **Use of Estimates and Judgments, Continued**

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 provision (note 3(j) and 20)

Measurement of defined benefit obligations (note 17)

Deferred tax assets and liabilities (note 30)

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 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

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unless the transaction provides evidence of an impairment of the asset transferred.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and events in similar circumstances.

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

3. Summary of Significant Accounting Policies. Continued

(a) Consolidation. Continued

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.

(b) Foreign Currency Transactions and Translation

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities 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 during the period or previous financial statements shall be recognized in profit or loss in the period in which they arise.

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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LG DISPLAY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

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.

(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: loans and receivables and available-for-sales 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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LG DISPLAY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

3. Summary of Significant Accounting Policies, Continued

(d) Financial Instruments, 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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LG DISPLAY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

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. As of December 31, 2011, financial liabilities at fair value through profit or loss of the Group consist of convertible bonds.

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, 2011, 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.

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

3. 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.

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

3. Summary of Significant Accounting Policies, Continued

(d) Financial Instruments, Continued

Embedded 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 shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item and recognized in other income and 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. The changes are accounted for as changes in accounting estimates.

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

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 shall be 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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LG DISPLAY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

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.

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Notes to the Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

3. 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 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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LG DISPLAY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

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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LG DISPLAY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

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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LG DISPLAY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

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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LG DISPLAY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

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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LG DISPLAY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

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.

Foreign exchange gains and losses arising from monetary assets and liabilities denominated in currencies other than functional currencies are presented separately when they are related to investing and financing activities.

(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.

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

3. 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.

An entity offsets deferred tax assets and deferred tax liabilities if, and only if the entity 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 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 will be effective for annual periods beginning after January 1, 2012 and have not been applied in preparing these financial statements.

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

3. Summary of Significant Accounting Policies. Continued

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

(i) K-IFRS No. 1107, Financial Instruments : Disclosures

The amendments require 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 not derecognized in their entirety. If the Group derecognizes transferred financial assets but still has their specific risks and rewards, the amendments require additional disclosures on their effect of the risks. The amendments will be applied prospectively for the Group's annual periods beginning on or after July 1, 2011.

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

The standard defines fair value and a single framework for fair value, and requires disclosures about fair value measurements. The standard will be applied prospectively for the Group's annual periods beginning on or after January 1, 2013.

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

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).

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

4. Determination of Fair Value. Continued

(d) Derivatives. Continued

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 entity 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.

(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.

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

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.

(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.

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

5. Risk Management, Continued

(a) Financial Risk Management, Continued

(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.

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.

Interest rate risk

Interest rate risk arises principally from the Group's debentures and borrowings. There are no interest rate swaps contract as of December 31, 2011 and 2010 to hedge interest rate risk at this time.

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Notes to the Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

5. 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, 2011 | December 31, 2010 |
|-----------------------------------|--------------------------|--------------------------|
| Total liabilities | (Won) 15,031,903 | 12,796,691 |
| Total equity | 10,131,028 | 11,060,967 |
| Cash and deposits in banks (*) | 2,332,977 | 3,134,009 |
| Borrowings | 4,610,367 | 4,642,923 |
| Total liabilities to equity ratio | 148% | 116% |
| Net borrowings to equity ratio | 22% | 14% |

(*) Cash and deposits in banks consists of cash and cash equivalents and deposit 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, 2011 | December 31, 2010 |
|----------------------------------|--------------------------|--------------------------|
| Current assets | | |
| Cash and cash equivalents | | |
| Demand deposits | (Won) 1,517,977 | 1,631,009 |
| Deposits in banks | | |
| Time deposits | (Won) 800,000 | 1,500,000 |
| Restricted cash | 15,000 | 3,000 |
| | (Won) 815,000 | 1,503,000 |

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Notes to the Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

7. 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, 2011 | December 31, 2010 |
|-----------------------------|--------------------------|--------------------------|
| Trade, net | (Won) 2,113,912 | 2,230,003 |
| Due from related parties | 626,195 | 770,658 |
| | (Won) 2,740,107 | 3,000,661 |

As of December 31, 2011 and 2010, trade accounts and notes receivable sold to financial institutions without recourse, but current and outstanding, amount to (Won)1,630,852 million (USD1,414 million) and (Won)1,290,234 million (USD1,133 million), respectively. For the years ended December 31, 2011 and 2010, the Group recognized loss on disposal of trade accounts and notes receivable of (Won)20,359 million and (Won)9,366 million, respectively.

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

| <i>(In millions of won)</i> | December 31, 2011 | December 31, 2010 |
|------------------------------------|------------------------------|------------------------------|
| Current assets | | |
| Non-trade accounts receivable, net | (Won) 197,300 | 220,477 |
| Accrued income | 15,570 | 24,093 |
| Short-term loans | | 92 |
| | (Won) 212,870 | 244,662 |

Due from related parties included in other accounts receivable, as of December 31, 2011 and 2010 are (Won)1,772 million and (Won)9,005 million, respectively.

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

| <i>(In millions of won)</i> | December 31, 2011 | December 31, 2010 |
|-----------------------------|------------------------------|------------------------------|
| Current assets | | |
| Advance payments | (Won) 12,115 | 10,947 |
| Prepaid expenses | 42,208 | 43,456 |
| Value added tax refundable | 188,599 | 144,727 |

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| | | |
|----------------------------|---------------|---------|
| Others | 8,522 | 11,384 |
| | (Won) 251,444 | 210,514 |
| Non-current assets | | |
| Long-term prepaid expenses | (Won) 157,344 | 166,958 |
| Others | 21,861 | 11,334 |
| | (Won) 179,205 | 178,292 |

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Notes to the Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

8. Inventories

Inventories at the reporting date are as follows:

(In millions of won)

| | December 31, 2011 | December 31, 2010 |
|-----------------|--------------------------|--------------------------|
| Finished goods | (Won) 921,936 | 978,386 |
| Work-in-process | 772,206 | 612,497 |
| Raw materials | 458,085 | 421,593 |
| Supplies | 165,143 | 202,741 |
| | (Won) 2,317,370 | 2,215,217 |

The amount of the inventories recognized as cost (cost of sales) and valuation loss (reversals) on inventories as cost of sales are as follows:

(In millions of won)

| | December 31, 2011 | December 31, 2010 |
|---|--------------------------|--------------------------|
| Inventories recognized as cost of sales | (Won) 23,081,322 | 21,780,880 |
| Including: (reversals of) inventory write-downs | (22,797) | 57,762 |

9. Other Financial Assets

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

(In millions of won)

| | December 31, 2011 | December 31, 2010 |
|---|--------------------------|--------------------------|
| Current assets | | |
| Deposits | (Won) 3,297 | 26,116 |
| Derivatives not used for hedging | | 9,254 |
| | (Won) 3,297 | 35,370 |
| Non-current assets | | |
| Guarantee deposits with banks | (Won) 95 | 13 |
| Financial assets at fair value through profit or loss | | 16,804 |
| Available-for-sale financial assets | 13,682 | 42,753 |
| Deposits | 70,171 | 23,676 |
| Long-term loans | 600 | |
| | (Won) 84,548 | 83,246 |

Table of Contents**LG DISPLAY CO., LTD. AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

9. Other Financial Assets, Continued

- (b) As of December 31, 2011, there are no financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss as of December 31, 2010 were as follow:

(In millions of won)

| | Acquisition cost | Fair value |
|--------------------------------|------------------|------------|
| Everlight Electronics Co. Ltd. | (Won) 14,404 | 16,804 |

The financial assets at fair value through profit or loss are debt securities with embedded derivatives that otherwise would have been classified as available-for-sale. For the year ended December 31, 2011, the Controlling Company has exercised the put option attached to the debt securities in full.

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

(In millions of won)

| | December 31, 2011 | December 31, 2010 |
|--|----------------------|----------------------|
| Non-current assets | | |
| Debt securities | | |
| Government bonds | (Won) 2,838 | 2,346 |
| Hydis Technologies Co., Ltd. | | 26,085 |
| Equity securities | | |
| E Ink Holdings, Inc. | | |
| (formerly, Prime View International Co., Ltd.) | (Won) 6,319 | 9,701 |
| Intellectual Discovery, Ltd. | 2,673 | |
| Formosa Epitaxy, Inc. (Formosa) | 1,735 | 4,509 |
| Other | 117 | 112 |
| | (Won) 13,682 | 42,753 |

Table of Contents**LG DISPLAY CO., LTD. AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

10. Investments in Equity Accounted Investees

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

(in millions of won)

| Company | Carrying value | |
|--|-------------------|-------------------|
| | December 31, 2011 | December 31, 2010 |
| Suzhou Raken Technology Ltd. | (Won) 133,000 | 114,402 |
| Guangzhou New Vision Technology Research and Development Limited | 3,814 | 3,540 |
| Global OLED Technology LLC | 44,147 | 47,594 |
| Paju Electric Glass Co., Ltd. | 69,395 | 45,947 |
| TLI Inc. (*1) | 16,410 | 16,614 |
| AVACO Co., Ltd. (*1) | 7,328 | 6,998 |
| New Optics Ltd. | 10,986 | 17,261 |
| LIG ADP Co., Ltd.(*1) | 2,745 | 4,037 |
| WooRee LED Co., Ltd. | 15,080 | 12,448 |
| Dynamic Solar Design Co., Ltd. | 1,538 | 5,776 |
| RPO, Inc. | | 11,268 |
| LB Gemini New Growth Fund No.16 | 13,658 | 7,949 |
| Can Yang Investments Limited | 14,488 | 16,999 |
| YAS Co., Ltd. | 9,814 | 10,124 |
| Eralite Optoelectronics (Jiangsu) Co., Ltd. | 4,173 | 4,575 |
| Narenanotech Corporation | 27,969 | |
| Avatec. Co., Ltd. | 10,600 | |
| | (Won) 385,145 | 325,532 |

(*1) Based on quoted market price at December 31, 2011, the fair values of the investments in TLI Inc., AVACO Co., Ltd. and LIG ADP Co., Ltd., which are listed companies on the Korea Exchange, are (Won)6,205 million, (Won)25,159 million and (Won)9,300 million, respectively.

The received dividends from equity accounted investees for the years ended December 31, 2011 and 2010 amounted to (Won)6,130 million and (Won)33,772 million, respectively.

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Notes to the Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

10. 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 (%) | Current assets | Non-current assets | Total assets | December 31, 2011 | | | Revenue | Expenses | Profit (loss) |
|--|---------------|----------------|--------------------|--------------|---------------------|-------------------------|-------------------|-----------|-----------|---------------|
| | | | | | Current liabilities | Non-current liabilities | Total liabilities | | | |
| Suzhou Raken Technology Ltd. (*1) | 51 | (Won) 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 (*2) | 33 | 12,566 | 122,823 | 135,389 | 505 | | 505 | 5,245 | 17,113 | (11,868) |

(In millions of won)

| Company | Ownership (%) | Current assets | Non-current assets | Total assets | December 31, 2010 | | | Revenue | Expenses | Profit (loss) |
|--|---------------|----------------|--------------------|--------------|---------------------|-------------------------|-------------------|-----------|-----------|---------------|
| | | | | | Current liabilities | Non-current liabilities | Total liabilities | | | |
| Suzhou Raken Technology Ltd. (*1) | 51 | (Won) 809,713 | 114,772 | 924,485 | 691,179 | | 691,179 | 2,101,073 | 2,063,414 | 37,659 |
| Guangzhou New Vision Technology Research and Development Limited | 50 | 6,659 | 422 | 7,081 | 2 | | 2 | 172 | 1,141 | (969) |
| Global OLED Technology LLC (*2) | 33 | 16,197 | 131,238 | 147,435 | 2,020 | | 2,020 | 5,373 | 16,866 | (11,493) |

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

10. Investments in Equity Accounted Investees. Continued

- (*1) 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.

- (*2) In December 2009, the Controlling Company entered into a joint venture agreement with its LG affiliates, accordingly, Global OLED Technology LLC was set up with the purpose of managing and utilizing OLED patents purchased from Eastman Kodak Company. At the time of establishment, the Controlling Company acquired a 49% equity interest in the joint venture and the Controlling Company's investment in this equity investee was (Won)72,250 million. In June 2010, the Controlling Company sold a part of its share interest in Global OLED Technology for (Won)20,530 million, accordingly, the percentage of the Controlling Company's ownership was reduced from 49% to 33%.

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Notes to the Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

10. 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 | Ownership (%) | December 31, 2011 | | | | | Net income (loss) |
|---|------------------|-------------------|----------------------|---------------------------------|---------|----------|-------------------------|
| | | Total assets | Total liabilities | Total shareholders equity | Sales | | |
| Paju Electric Glass Co., Ltd.(*1) | 40 | (Won) 384,421 | 202,609 | 181,812 | 885,492 | 53,459 | |
| TLI Inc. (*2) | 12 | 113,566 | 14,317 | 99,249 | 47,893 | 2,832 | |
| AVACO Co., Ltd. (*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. (*2) | 13 | 109,520 | 55,811 | 53,709 | 109,388 | 2,220 | |
| 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) | |
| RPO, Inc. (*4) | 26 | | | | | | |
| LB Gemini New Growth Fund No.16 (*5) | 31 | 45,072 | 502 | 44,570 | 4,545 | 2,544 | |
| Can Yang Investments Limited (*2, 6) | 12 | 334,224 | 209,233 | 124,991 | 18,707 | (17,424) | |
| YAS Co., Ltd.(*2, 7) | 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 (*8) | 23 | 103,894 | 36,596 | 67,298 | 43,946 | (3,711) | |
| Avatec. Co., Ltd. (*9) | 20 | 63,529 | 13,537 | 49,992 | 44,327 | 6,640 | |

(In millions of won)

| Company | Ownership (%) | December 31, 2010 | | | | | Net income (loss) |
|---|------------------|-------------------|----------------------|---------------------------------|---------|---------|-------------------------|
| | | Total assets | Total liabilities | Total shareholders equity | Sales | | |
| Paju Electric Glass Co., Ltd.(*1) | 40 | (Won) 289,865 | 173,753 | 116,112 | 763,750 | 10,178 | |
| TLI Inc. (*2) | 12 | 134,759 | 37,821 | 96,938 | 82,689 | 14,079 | |
| AVACO Co., Ltd. (*2) | 20 | 113,206 | 49,913 | 63,293 | 205,476 | 15,622 | |
| New Optics Ltd. | 42 | 211,303 | 174,725 | 36,578 | 718,001 | 8,114 | |
| LIG ADP Co., Ltd. (*2) | 13 | 92,071 | 37,143 | 54,928 | 197,245 | 18,392 | |
| WooRee LED Co., Ltd. (*3) | 30 | 121,330 | 98,152 | 23,178 | 73,001 | 1,046 | |
| Dynamic Solar Design Co., Ltd. (*4) | 40 | 6,344 | 348 | 5,996 | 626 | (469) | |
| RPO, Inc. (*4) | 26 | 11,853 | 2,968 | 8,885 | 376 | (9,345) | |
| LB Gemini New Growth Fund No.16 (*5) | 31 | 25,939 | | 25,939 | 1,020 | (1,081) | |
| Can Yang Investments Limited (*2, 6) | 15 | 111,912 | 5 | 111,907 | | (4,462) | |
| YAS Co., Ltd. (*2, 7) | 20 | 22,449 | 9,056 | 13,393 | 4,513 | 623 | |
| Eralite Optoelectronics (Jiangsu) Co., Ltd. | 20 | 22,927 | 52 | 22,875 | | (197) | |

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

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For the years ended December 31, 2011 and 2010

10. Investments in Equity Accounted Investees. Continued

- (*1) In April 2011, the Controlling Company acquired 440,000 common shares of Paju Electric Glass Co., Ltd. (PEG) at (Won)4,400 million in cash. There were no changes in the Controlling Company's ownership percentage in PEG as a result of this additional investment.
- (*2) Although the Controlling Company's share interests in TLI Inc., AVACO Co., Ltd., LIG ADP Co., Ltd., Can Yang Investments Limited and YAS 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.
- (*3) As of December 31, 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) In 2011, the entire carrying amount of the investment in RPO, Inc. amounting to (Won)10,866 million, which was acquired for research and development on Digital Waveguide Touch technology in 2009, has been fully impaired as the recovery of the investment is no longer probable. In addition, the Controlling Company recognized an impairment loss of (Won)3,378 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 to develop, manufacture and sell solar battery and flat-panel display in 2009.
- (*5) The Controlling Company is a member of limited partnership in the LB Gemini New Growth Fund No.16 (the Fund). The Controlling Company was paid (Won)1,356 million and (Won)689 million in February and June 2011, respectively, by the Fund and made an additional cash investment of (Won)8,226 million in the Fund during the year ended December 31, 2011. As of December 31, 2011, the Controlling Company has a 31% equity interest in the Fund and is committed to make investments of up to an aggregate of (Won)30,000 million.
- (*6) In 2011, the Controlling Company's ownership in Can Yang Investments Limited was reduced from 15% to 12% since the Controlling Company did not participate in Can Yang Investments Limited's capital increase.
- (*7) In 2011, the Controlling Company's ownership in YAS Co., Ltd. was reduced from 20% to 19% since the Controlling Company did not participate in YAS Co., Ltd.'s capital increase.
- (*8) In April 2011, the Controlling Company acquired 1,600,000 common shares of Narenanotech Corporation (NARENANOTECH), which manufactures and sells equipment for flat panel displays, for (Won)20,000 million in cash. In June 2011, the Controlling Company acquired an additional 800,000 common shares for (Won)10,000 million in cash. As of December 31, 2011, 23% of NARENANOTECH is owned by the Controlling Company and the Controlling Company has the right to assign a director in the board of directors of NARENANOTECH.

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- (*9) In December 2011, the Controlling Company acquired 2,650,000 common shares (20%) of Avatec. Co., Ltd., which manufactures and sells glass for flat panel displays, for (Won)10,600 million. The Controlling Company has the right to assign two directors in the board of directors of Avatec. Co., Ltd.

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For the years ended December 31, 2011 and 2010

10. Investments in Equity Accounted Investees. Continued

Changes in investments in equity accounted investees for the years ended December 31, 2011 and 2010 are as follows:

(In millions of won)

| Company | January 1 | Acquisition/ Disposal | Dividends received | 2011 | Other | Other gain (loss) | December 31 |
|---|---------------|--------------------------|-----------------------|---|-------------------------|----------------------|-------------|
| | | | | Equity profit (loss) on investments | comprehensive income | | |
| Suzhou Raken Technology Ltd. | (Won) 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. (*2) | 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 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. (*9) | | 10,600 | | | | | 10,600 |
| | (Won) 325,532 | 51,181 | (6,130) | 16,047 | 12,533 | (14,018) | 385,145 |

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Notes to the Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

10. Investments in Equity Accounted Investees. Continued*(In millions of won)*

| Company | January 1 | Acquisition/ Disposal | Dividends received | 2010 | | Other comprehensive income | Other gain (loss) | December 31 |
|---|---------------|--------------------------|-----------------------|---|--|----------------------------------|----------------------|-------------|
| | | | | Equity profit (loss) on investments | | | | |
| Suzhou Raken Technology Ltd. | (Won) 97,348 | 16,346 | (18,195) | 17,239 | | 1,664 | | 114,402 |
| Guangzhou New Vision Technology Research and Development Limited | 3,996 | | | (485) | | 29 | | 3,540 |
| Global OLED Technology LLC | 72,251 | (18,024) | | (4,739) | | (1,894) | | 47,594 |
| Paju Electric Glass Co., Ltd. | 35,895 | 14,848 | (14,849) | 5,929 | | 4,124 | | 45,947 |
| TLI Inc. | 14,984 | | (504) | 1,974 | | 1,014 | (854) | 16,614 |
| AVACO Co., Ltd. | 7,569 | | (224) | (427) | | 80 | | 6,998 |
| New Optics Ltd. | 11,736 | 2,500 | | 3,211 | | (186) | | 17,261 |
| LIG ADP Co., Ltd. | 4,273 | | | (623) | | 387 | | 4,037 |
| WooRee LED Co., Ltd. | 12,097 | | | 351 | | | | 12,448 |
| Dynamic Solar Design Co., Ltd. | 5,964 | | | (188) | | | | 5,776 |
| RPO, Inc. | 14,538 | | | (3,126) | | (144) | | 11,268 |
| LB Gemini New Growth Fund No. 16 | 1,800 | 6,480 | | (331) | | | | 7,949 |
| Can Yang Investments Limited | | 17,516 | | (678) | | 161 | | 16,999 |
| YAS Co., Ltd. | | 10,000 | | 124 | | | | 10,124 |
| Eralite Optoelectronics (Jiangsu) Co., Ltd. | | 4,626 | | (39) | | (12) | | 4,575 |
| | (Won) 282,451 | 54,292 | (33,772) | 18,192 | | 5,223 | (854) | 325,532 |

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Notes to the Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

11. Property, Plant and Equipment

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 | (Won) 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) | | (17,712) | (3,413,451) |
| 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 | 884 | 37,184 |
| Subsidy decrease (increase) | | (22) | (1,583) | | | | (1,605) |
| Book value as of December 31, 2011 | (Won) 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 | (Won) 444,252 | 4,170,768 | 28,028,986 | 720,716 | 3,494,778 | 261,526 | 37,121,025 |
| Accumulated depreciation as of December 31, 2011 | (Won) | (1,072,446) | (20,589,295) | (562,715) | | (196,131) | (22,420,587) |
| Accumulated impairment loss as of December 31, 2011 | (Won) | | (138) | (3,222) | | (229) | (3,589) |

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

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

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For the years ended December 31, 2011 and 2010

11. Property, Plant and Equipment, Continued

Changes in property, plant and equipment for the year ended December 31, 2010 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, 2010 | (Won) 394,804 | 3,591,774 | 19,887,450 | 562,956 | 1,581,435 | 223,523 | 26,241,942 |
| Accumulated depreciation as of January 1, 2010 | | (707,499) | (15,273,341) | (483,947) | | (180,068) | (16,644,855) |
| Accumulated impairment loss as of January 1, 2010 | | | (415) | (170) | | (5) | (590) |
| Book value as of January 1, 2010 | 394,804 | 2,884,275 | 4,613,694 | 78,839 | 1,581,435 | 43,450 | 9,596,497 |
| Additions | | | | | 5,870,253 | | 5,870,253 |
| Depreciation | | (175,871) | (2,514,211) | (47,086) | | (19,364) | (2,756,532) |
| Recovery of impairment | | | 415 | 170 | | 5 | 590 |
| Disposals | (128) | (327) | (1,496) | (217) | | (54) | (2,222) |
| Others (*2) | 46,958 | 267,010 | 4,291,826 | 113,584 | (4,746,762) | 27,384 | |
| Acquisition in the business combination | 640 | 45,678 | 103,570 | 27 | | 236 | 150,151 |
| Effect of movements in exchange rates | (656) | (18,225) | (22,083) | (2,112) | (1,066) | (2,262) | (46,404) |
| Subsidy decrease (increase) | 1,344 | 776 | 948 | | | | 3,068 |
| Book value as of December 31, 2010 | (Won) 442,962 | 3,003,316 | 6,472,663 | 143,205 | 2,703,860 | 49,395 | 12,815,401 |
| Acquisition cost as of December 31, 2010 | (Won) 442,962 | 3,879,677 | 24,099,414 | 672,508 | 2,703,860 | 242,687 | 32,041,108 |
| Accumulated depreciation as of December 31, 2010 | (Won) | (876,361) | (17,626,751) | (529,303) | | (193,292) | (19,225,707) |

(*1) As of December 31, 2010, construction-in-progress relates to construction of plants, and machinery and equipment.

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

The capitalized borrowing costs and capitalization rate for the years ended December 31, 2011 and 2010 are as follows:

(In millions of won)

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| | 2011 | 2010 |
|-----------------------------|--------------|--------|
| Capitalized borrowing costs | (Won) 23,139 | 21,412 |
| Capitalization rate | 3.65% | 3.97% |

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Notes to the Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

12. Intangible Assets

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

(In millions of won)

| | Intellectual property rights | Software | Memberships | Development costs | Construction- in-progress (software) | Customer relationships | Technology | Goodwill | Others (*2) | Total |
|---|------------------------------------|-----------|-------------|----------------------|--|---------------------------|------------|----------|----------------|-----------|
| Acquisition cost as of January 1, 2011 | (Won) 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 | (Won) 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 | (Won) 523,873 | 407,832 | 50,078 | 392,473 | 10,819 | 24,011 | 11,074 | 23,912 | 13,090 | 1,456,162 |
| Accumulated amortization as of December 31, 2011 | (Won) (443,343) | (206,434) | | (248,262) | | (5,724) | (1,852) | | (10,859) | (916,474) |
| Accumulated impairment loss as of December 31, 2011 | (Won) | (1,039) | (4,535) | | | | | | | (5,574) |
| Remaining amortization period (year) | 7.46 | 2.49 | N/A | 0.55 | N/A | 5.33 | 8.33 | N/A | 2.60 | |

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- (*1) The Group has classified the amortization as manufacturing overhead costs, selling expenses and administrative expenses.
- (*2) Others mainly consist of rights to use of electricity and gas supply facilities.

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12. Intangible Assets. Continued

Changes in intangible assets for the year ended December 31, 2010 are as follows:

(In millions of won)

| | Intellectual property rights | Software | Memberships | Development costs | Construction- in-progress (software) | Customer relationships | Technology | Goodwill | Others (*2) | Total |
|--|------------------------------------|-----------|-------------|----------------------|--|---------------------------|------------|----------|----------------|-----------|
| Acquisition cost as of January 1, 2010 | (Won) 488,682 | 198,367 | 44,994 | 100,672 | 18,967 | | | | 13,079 | 864,761 |
| Accumulated amortization as of January 1, 2010 | (426,084) | (57,357) | | (20,218) | | | | | (8,709) | (512,368) |
| Book value as of January 1, 2010 | 62,598 | 141,010 | 44,994 | 80,454 | 18,967 | | | | 4,370 | 352,393 |
| Additions-internally developed | | | | 135,347 | | | | | | 135,347 |
| Other additions | 19,168 | 16,810 | 2,153 | | 95,792 | | | | 4 | 133,927 |
| Acquisition in the business combination | 10 | 118 | | 29,073 | | 24,011 | 11,074 | 23,912 | | 88,198 |
| Amortization (*1) | (10,067) | (61,486) | | (93,177) | | (2,300) | (742) | | (1,074) | (168,846) |
| Transfer from construction-in-progress | | 102,337 | | | (102,337) | | | | | |
| Effect of movements in exchange rates | 2 | (161) | | | (959) | | | | | (1,118) |
| Book value as of December 31, 2010 | (Won) 71,711 | 198,628 | 47,147 | 151,697 | 11,463 | 21,711 | 10,332 | 23,912 | 3,300 | 539,901 |
| Acquisition cost as of December 31, 2010 | (Won) 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 December 31, 2010 | (Won) (436,151) | (119,179) | | (113,395) | | (2,300) | (742) | | (9,784) | (681,551) |
| Remaining amortization period (year) | 7.57 | 2.20 | N/A | 0.75 | N/A | 6.33 | 9.33 | N/A | 3.43 | |

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

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

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13. **Financial Instruments**

(a) Credit Risk

(i) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:

(In millions of won)

| | December 31, 2011 | December 31, 2010 |
|---|--------------------------|--------------------------|
| Cash and cash equivalents | (Won) 1,517,977 | 1,631,009 |
| Trade accounts and notes receivable, net | 2,740,107 | 3,000,661 |
| Other accounts receivable, net | 212,870 | 244,662 |
| Available-for-sale financial assets | 2,838 | 28,431 |
| Financial assets at fair value through profit or loss | | 16,804 |
| Deposits | 73,468 | 49,792 |
| Derivatives not used for hedging | | 9,254 |
| Deposits in banks | 815,000 | 1,503,000 |
| Guarantee deposits with banks | 695 | 13 |
| | (Won) 5,362,955 | 6,483,626 |

The maximum exposure to credit risk for trade accounts and notes receivable at the reporting date by geographic region was as follows:

(In millions of won)

| | December 31, 2011 | December 31, 2010 |
|---------------------|--------------------------|--------------------------|
| Domestic | (Won) 56,200 | 79,275 |
| Euro-zone countries | 478,650 | 456,145 |
| Japan | 60,598 | 265,732 |
| United States | 777,292 | 546,364 |
| China | 1,003,650 | 823,020 |
| Taiwan | 279,919 | 720,918 |
| Others | 83,798 | 109,207 |
| | (Won) 2,740,107 | 3,000,661 |

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For the years ended December 31, 2011 and 2010

13. Financial Instruments, Continued

(ii) Impairment loss

The aging of trade accounts and notes receivable at the reporting date was as follows:

(In millions of won)

| | December 31, 2011 | | December 31, 2010 | |
|----------------------------|-------------------|-----------------|-------------------|-----------------|
| | Book value | Impairment loss | Book value | Impairment loss |
| Not past due | (Won) 2,704,076 | (654) | 2,905,600 | (514) |
| Past due 1-15 days | 7,710 | (2) | 25,628 | (4) |
| Past due 16-30 days | 14,327 | (2) | 43,820 | (6) |
| Past due 31-60 days | 14,252 | (3) | 21,369 | (4) |
| Past due more than 60 days | 405 | (2) | 4,776 | (4) |
| | (Won) 2,740,770 | (663) | 3,001,193 | (532) |

The movement in the allowance for impairment in respect of receivables during the reporting period was as follows:

(In millions of won)

| | 2011 | 2010 |
|--------------------------------------|-----------|------|
| Balance at the beginning of the year | (Won) 532 | 365 |
| Bad debt expenses | 131 | 167 |
| Balance at the end of the year | (Won) 663 | 532 |

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13. Financial Instruments, Continued

(b) Liquidity Risk

- (i) The following are the contractual maturities of financial liabilities, including estimated interest payments, excluding the impact of netting agreements, as of December 31, 2011.

(In millions of won)

| | Carrying amount | Contractual cash flows | 6 months or less | 6-12 months | 1-2 years | 2-5 years | More than 5 years |
|--|--------------------|---------------------------|---------------------|----------------|--------------|--------------|----------------------|
| Non-derivative financial liabilities | | | | | | | |
| Secured bank loan | (Won) 57,665 | 60,730 | 681 | 681 | 30,195 | 29,173 | |
| Unsecured bank loans | 1,673,387 | 1,819,907 | 297,647 | 79,117 | 465,489 | 974,509 | 3,145 |
| Unsecured bond issues | 2,791,976 | 3,161,309 | 61,512 | 509,064 | 697,063 | 1,893,670 | |
| Financial liabilities at fair value | | | | | | | |
| through profit or loss | 87,339 | 88,883 | 88,883 | | | | |
| Trade accounts and notes payables | 3,782,627 | 3,782,627 | 3,782,627 | | | | |
| Other accounts payables | 3,905,496 | 3,905,496 | 3,905,496 | | | | |
| Other non-current payable | 53,457 | 56,551 | | 40,334 | 16,217 | | |
| Derivative financial liabilities | | | | | | | |
| Forward exchange contracts not used for hedging: | | | | | | | |
| Outflow | 6,969 | 185,423 | 185,423 | | | | |
| Inflow | | (178,400) | (178,400) | | | | |
| | (Won) 12,358,916 | 12,882,526 | 8,143,869 | 629,196 | 1,208,964 | 2,897,352 | 3,145 |

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

- (ii) As of December 31, 2011, there are no derivatives designated as cash flow hedges.

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For the years ended December 31, 2011 and 2010

13. Financial Instruments, Continued

(c) Currency Risk

(i) Exposure to currency risk

The Group's exposure to foreign currency risk based on notional amounts at the reporting date is as follows:

(In millions)

| | December 31, 2011 | | | | | | |
|--|-------------------|----------|---------|-------|------|------|-----|
| | USD | JPY | CNY | TWD | EUR | PLN | SGD |
| Cash and cash equivalents | 822 | 14,286 | 439 | 4,543 | 40 | 7 | |
| Trade accounts and notes receivable | 2,064 | 645 | 1,054 | | 42 | | |
| Other accounts receivable | 80 | 111 | 134 | 222 | 10 | | |
| Available-for-sale financial assets | 5 | | | 49 | | | |
| Other assets denominated in foreign currencies | 1 | 182 | 20 | 14 | | | 1 |
| Trade accounts payable | (1,921) | (39,932) | (1,629) | | (25) | | |
| Other accounts payable | (64) | (26,169) | (401) | (166) | (84) | (10) | |
| Other non-current accounts payable | (13) | | | | (26) | | |
| Debt | (1,044) | (6,000) | (142) | | (27) | | |
| Bonds | (347) | (9,987) | | | | | |
| Financial liabilities at fair value through profit or loss | (76) | | | | | | |
| Gross statement of financial position exposure | (493) | (66,864) | (525) | 4,662 | (70) | (3) | 1 |
| Forward exchange contracts | (160) | | | | | | |
| Net exposure | (653) | (66,864) | (525) | 4,662 | (70) | (3) | 1 |

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For the years ended December 31, 2011 and 2010

13. Financial Instruments, Continued*(In millions)*

| | December 31, 2010 | | | | | | |
|--|-------------------|-----------|-------|-------|------|------|-----|
| | USD | JPY | CNY | TWD | EUR | PLN | SGD |
| Cash and cash equivalents | 954 | 151 | 342 | 2 | 23 | 8 | |
| Trade accounts and notes receivable | 2,570 | 7 | 69 | | 14 | | |
| Other accounts receivable | 10 | 5 | 62 | 3,172 | | | |
| Available-for-sale financial assets | 9 | | | 118 | | | |
| Financial assets at fair value through profit or loss | | | | 430 | | | |
| Other assets denominated in foreign currencies | 1 | 196 | 13 | 12 | | 67 | 1 |
| Trade accounts payable | (1,638) | (15,683) | (90) | | (2) | | |
| Other accounts payable | (73) | (16,622) | (270) | (18) | (12) | (12) | |
| Other non-current accounts payable | (12) | | | | (25) | | |
| Debt | (1,192) | (71,889) | (412) | | (48) | | |
| Bonds | (345) | (9,965) | | | | | |
| Financial liabilities at fair value through profit or loss | (74) | | | | | | |
| Gross statement of financial position exposure | 210 | (113,800) | (286) | 3,716 | (50) | 63 | 1 |
| Forward exchange contracts | (420) | | | | | | |
| Net exposure | (210) | (113,800) | (286) | 3,716 | (50) | 63 | 1 |

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For the years ended December 31, 2011 and 2010

13. Financial Instruments, Continued

Significant exchange rates applied during the reporting periods are as follows:

| <i>(In won)</i> | Average rate | | Reporting date spot rate | |
|-----------------|----------------|----------|--------------------------|-------------------|
| | 2011 | 2010 | December 31, 2011 | December 31, 2010 |
| USD | (Won) 1,108.12 | 1,156.62 | (Won) 1,153.30 | 1,138.90 |
| JPY | 13.19 | 13.20 | 14.85 | 13.97 |
| CNY | 171.45 | 170.84 | 182.51 | 172.50 |
| TWD | 37.71 | 36.71 | 38.13 | 39.08 |
| EUR | 1,541.88 | 1,533.33 | 1,494.10 | 1,513.60 |
| PLN | 375.28 | 383.99 | 338.65 | 381.77 |
| SGD | 881.17 | 848.84 | 886.44 | 884.00 |

(ii) Sensitivity analysis

A weakening of the won, as indicated below, against the following currencies which comprise the Group's assets or liabilities denominated foreign currency as of December 31, 2011 and 2010, would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant. The changes in equity and profit (or loss) before tax are as follows:

| <i>(In millions of won)</i> | December 31, 2011 | | December 31, 2010 | |
|-----------------------------|-------------------|----------------|-------------------|----------------|
| | Equity | Profit or loss | Equity | Profit or loss |
| USD (5 percent weakening) | (Won) (29,623) | (28,032) | (9,119) | (29,823) |
| JPY (5 percent weakening) | (40,040) | (35,494) | (60,256) | (59,738) |
| CNY (5 percent weakening) | (4,830) | | (1,867) | |
| TWD (5 percent weakening) | 8,974 | 162 | 5,504 | 4,859 |
| EUR (5 percent weakening) | (4,900) | (1,957) | (2,923) | (3,666) |
| PLN (5 percent weakening) | (85) | 128 | 928 | 1,065 |
| SGD (5 percent weakening) | 4 | | 23 | |

A strengthening of the won against the above currencies as of December 31, 2011 and 2010 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

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13. Financial Instruments, Continued

(d) Interest Rate Risk

(i) Profile

The interest rate profile of the Group's interest-bearing financial instruments at the reporting date is as follows:

| <i>(In millions of won)</i> | December 31, 2011 | December 31, 2010 |
|----------------------------------|--------------------------|--------------------------|
| Fixed rate instruments | | |
| Financial assets | (Won) 2,335,815 | 3,268,887 |
| Financial liabilities | (2,685,175) | (1,584,533) |
| | (Won) (349,360) | 1,684,354 |
| Variable rate instruments | | |
| Financial assets | (Won) 600 | |
| Financial liabilities | (1,925,192) | (3,058,390) |
| | (Won) (1,924,592) | (3,058,390) |

(ii) Fair value sensitivity analysis for fixed rate instruments

The Group has recognized fixed rate convertible bonds as financial liabilities at fair value through profit or loss. As of December 31, 2011, the increase of the interest rate by 100 basis points would have decreased the Group's equity and profit or loss by W187 million and the decrease of the interest rate by 100 basis points would have increased the Group's equity and profit or loss by W189 million.

(iii) Cash flow sensitivity analysis for variable rate instruments

For the years ended December 31, 2011 and 2010, a change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss before tax by the amounts shown below for the respective following years. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

| <i>(In millions of won)</i> | Equity | | Profit or loss | |
|-----------------------------|-----------------|-----------------|-----------------------|-----------------|
| | 1% | 1% | 1% | 1% |
| | increase | decrease | increase | decrease |
| December 31, 2011 | | | | |

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| | | | | |
|---------------------------|----------------|--------|----------|--------|
| Variable rate instruments | (Won) (14,588) | 14,588 | (14,588) | 14,588 |
| December 31, 2010 | | | | |
| Variable rate instruments | (Won) (23,183) | 23,183 | (23,183) | 23,183 |

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13. **Financial Instruments, Continued**

(e) Fair Values

(i) Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

(In millions of won)

| | December 31, 2011 | | December 31, 2010 | |
|--|-------------------|-------------|-------------------|-------------|
| | Carrying amounts | Fair values | Carrying amounts | Fair values |
| Assets carried at fair value | | | | |
| Available-for-sale financial assets | (Won) 11,009 | 11,009 | 42,753 | 42,753 |
| Financial assets at fair value | | | | |
| through profit or loss | | | 16,804 | 16,804 |
| Derivatives | | | 9,254 | 9,254 |
| | (Won) 11,009 | 11,009 | 68,811 | 68,811 |
| Assets carried at amortized cost | | | | |
| Cash and cash equivalents | (Won) 1,517,977 | 1,517,977 | 1,631,009 | 1,631,009 |
| Trade accounts and notes receivable | 2,740,107 | 2,740,107 | 3,000,661 | 3,000,661 |
| Other accounts receivable | 212,870 | 212,870 | 244,662 | 244,662 |
| Deposits in banks | 815,000 | 815,000 | 1,503,000 | 1,503,000 |
| Deposits | 73,468 | 73,468 | 49,792 | 49,792 |
| Others | 695 | 695 | 13 | 13 |
| | (Won) 5,360,117 | 5,360,117 | 6,440,503 | 6,440,503 |
| Liabilities carried at fair value | | | | |
| Financial liabilities at fair value | | | | |
| through profit or loss | (Won) 87,339 | 87,339 | 84,338 | 84,338 |
| Derivatives | 6,969 | 6,969 | 956 | 956 |
| | (Won) 94,308 | 94,308 | 85,294 | 85,294 |
| Liabilities carried at amortized cost | | | | |
| Secured bank loans | (Won) 57,665 | 57,665 | 56,945 | 56,945 |
| Unsecured bank loans | 1,673,387 | 1,620,010 | 2,673,146 | 2,672,790 |
| Unsecured bond issues | 2,791,976 | 2,829,206 | 1,828,494 | 1,859,102 |
| Trade accounts and notes payable | 3,782,627 | 3,782,627 | 2,961,995 | 2,961,995 |

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| | | | | |
|-------------------------------|------------------|------------|------------|------------|
| Other accounts payable | 3,905,496 | 3,905,496 | 2,592,527 | 2,592,527 |
| Other non-current liabilities | 53,457 | 53,379 | 51,409 | 55,920 |
| | (Won) 12,264,608 | 12,248,383 | 10,164,516 | 10,199,279 |

The basis for determining fair values is disclosed in note 4.

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For the years ended December 31, 2011 and 2010

13. Financial Instruments, Continued

(e) Fair Values, Continued

(ii) Interest rates used for determining fair value

The significant interest rates applied for determination of the above fair value at the reporting date are as follows:

| | December 31, 2011 | December 31, 2010 |
|----------------------------------|-------------------|-------------------|
| Derivatives | 3.90% | 3.31% |
| Debentures, loans and borrowings | 4.19% | 3.58% |

(iii) Fair value hierarchy

The table below analyzes financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: inputs for the asset or liability that are not based on observable market data

(In millions of won)

| | Level 1 | Level 2 | Level 3 | Total |
|--|----------------|---------|---------|----------|
| December 31, 2011 | | | | |
| Available-for-sale financial assets | (Won) 11,009 | | | 11,009 |
| Financial liabilities at fair value through profit or loss | (Won) (87,339) | | | (87,339) |
| Derivative financial liabilities | | (6,969) | | (6,969) |
| | (Won) (87,339) | (6,969) | | (94,308) |

(In millions of won)

| | Level 1 | Level 2 | Level 3 | Total |
|--------------------------|---------|---------|---------|-------|
| December 31, 2010 | | | | |

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| | | | | |
|--|----------------|-------|--------|----------|
| Available-for-sale financial assets | (Won) 16,668 | | 26,085 | 42,753 |
| Financial assets at fair value through profit or loss | 16,804 | | | 16,804 |
| Derivative financial assets | | 9,254 | | 9,254 |
| | (Won) 33,472 | 9,254 | 26,085 | 68,811 |
| Financial liabilities at fair value through profit or loss | (Won) | (956) | | (956) |
| Derivative financial liabilities | (84,338) | | | (84,338) |
| | (Won) (84,338) | (956) | | (85,294) |

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13. Financial Instruments, Continued

(e) Fair Values, Continued

The derivative financial assets and liabilities are classified as Level 2 since all significant inputs to compute the fair value of the over-the-counter derivatives were observable.

Changes in Level 3 instruments for the years ended December 31, 2011 and 2010 are as follows:

(In millions of won)

| | January 1, 2011 | Purchases, disposal and others | Net realized/unrealized gains included in | | Transfer to other levels | December 31, 2011 |
|-------------------------------------|--------------------|---|--|----------------------------------|-----------------------------|----------------------|
| | | | Profit or loss | Other comprehensive income | | |
| December 31, 2011 | | | | | | |
| Available-for-sale financial assets | (Won) 26,085 | (34,257) | | 8,172 | | |

(In millions of won)

| | January 1, 2010 | Purchases, disposal and others | Net realized/unrealized gains included in | | Transfer to other levels | December 31, 2010 |
|---|--------------------|---|--|----------------------------------|-----------------------------------|----------------------|
| | | | Profit or loss | Other comprehensive income | | |
| December 31, 2010 | | | | | | |
| Available-for-sale financial assets | (Won) 91,394 | (56,548) | (380) | (8,381) | | 26,085 |
| Financial assets at fair value through profit or loss | 17,342 | | (538) | | (16,804) | |

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For the years ended December 31, 2011 and 2010

14. **Financial Liabilities**

(a) Financial liabilities at the reporting date are as follows:

(In millions of won)

| | December 31, 2011 | December 31, 2010 |
|--|-------------------|-------------------|
| Current | | |
| Short-term borrowings | (Won) 22,200 | 1,213,462 |
| Current portion of long-term debt | 778,464 | 886,561 |
| Current portion of financial liabilities at fair value through profits or loss | 87,339 | |
| Derivatives not used for hedging | 6,969 | 956 |
| | (Won) 894,972 | 2,100,979 |
| Non-current | | |
| Won denominated borrowings | (Won) 366,629 | 19,143 |
| Foreign currency denominated borrowings | 1,011,734 | 810,925 |
| Bonds | 2,344,001 | 1,628,494 |
| Financial liabilities at fair value through profits or loss | | 84,338 |
| | (Won) 3,722,364 | 2,542,900 |

Above financial liabilities, except for convertible bonds which are designated as financial liabilities at fair value through profit or loss and derivative liabilities, are measured at amortized cost.

(b) Short-term borrowings at the reporting date are as follows:

(In millions of won, USD, JPY and CNY)

| Lender | Annual interest rate | | |
|---------------------------------------|-----------------------|-------------------|-------------------|
| | as of | December 31, 2011 | December 31, 2010 |
| | December 31, 2011(*1) | | |
| Korea Development Bank and others(*2) | | (Won) | 12,139 |
| Bank of China and others | 3ML+2.35% ~ 2.6% | 21,489 | 162,115 |
| Mizuho Bank | | | 55,574 |
| Shinhan Bank and others | | | 643,215 |
| | CD+1.68% | 711 | 711 |
| Bank of Tokyo-Mitsubishi UFJ | | | 139,708 |
| Woori Bank | | | 200,000 |

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| | | |
|-----------------------------|--------------|------------|
| Foreign currency equivalent | USD 19 | USD 95 |
| | | JPY 63,889 |
| | | CNY 71 |
| | (Won) 22,200 | 1,213,462 |

(*1) ML and CD represent Month LIBOR (London Inter-Bank Offered Rates) and Certificate of Deposit, respectively.

(*2) The Controlling Company accounts for proceeds from sale of accounts receivables to this financial institutions as short term borrowings. As of December 31, 2011, no trade accounts and notes receivable, arising from export sales to the Controlling Company's subsidiaries, were sold to financial institutions. The Group recognized (Won)1,545 million as interest expense in relation to the short-term borrowings resulted from the sale of accounts receivable during 2011.

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For the years ended December 31, 2011 and 2010

14. Financial Liabilities, Continued

(c) Local currency long-term debt at the reporting date is as follows:

(In millions of won)

| Lender | Annual interest rate as of | December 31, | December 31, |
|---|--|---------------|--------------|
| | | 2011 | 2010 |
| | December 31, 2011 | | |
| Shinhan Bank | 3-year Korean Treasury Bond rate less 1.25% | (Won) 12,212 | 16,008 |
| Woori Bank | 3-year Korean Treasury Bond rate less 1.25% | 4,048 | 4,048 |
| | 2.75% | 4,557 | 2,883 |
| Kookmin Bank | 5.05% | 50,000 | |
| National Agricultural Cooperative Federation | 5.21% | 200,000 | |
| Korea Exchange Bank | 5.07% | 100,000 | |
| Hana Bank | CD+3% | 300 | 300 |
| Less current portion of long-term debt | | (4,488) | (4,096) |
| | | (Won) 366,629 | 19,143 |

(d) Foreign currency long-term debt at the reporting date is as follows:

(In millions of won, USD, JPY, CNY and EUR)

| Lender | Annual interest rate as of | December 31, | December 31, |
|-------------------------------------|---|--------------|--------------|
| | | 2011 | 2010 |
| | December 31, 2011 | | |
| | 6ML+1.99% | | |
| China Communication Bank and others | 3M EURIBOR+0.6%, 90%~95% of the Basic Rate published by the People's Bank of China | (Won) 72,259 | 145,917 |
| The Export-Import Bank of Korea | 6ML+0.69% | 40,366 | 51,251 |
| | | 57,665 | 56,945 |

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| | | | |
|--|------------------|-----------------|-----------|
| | 6ML+1.78% | | |
| Korea Development Bank | 3ML+0.66%~2.79% | 423,567 | 271,212 |
| | | | 683,340 |
| Kookmin Bank and others | | | |
| | 3ML+ 1.70%~1.90% | 455,553 | |
| Sumitomo Bank Ltd. | 3ML+1.80% | 288,325 | 284,725 |
| Foreign currency equivalent | | USD 1,025 | USD 1,097 |
| | | CNY 142 | CNY 341 |
| | | EUR 27 | EUR 48 |
| | | JPY 6,000 | JPY 8,000 |
| Less current portion of long-term debt | | (326,001) | (682,465) |
| | | (Won) 1,011,734 | 810,925 |

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14. **Financial Liabilities, Continued**

(e) Details of the Controlling Company's debentures issued and outstanding at the reporting date are as follows:

(In millions of won, USD and JPY)

| | Maturity | Annual interest rate as of December 31, 2011 | December 31, 2011 | December 31, 2010 |
|---|-----------------------------|--|-----------------------|-----------------------|
| Local currency debentures(*) | | | | |
| Publicly issued debentures | November 2012~ | | | |
| | October 2016 | 4.24%~5.89% | (Won) 2,250,000 | 1,100,000 |
| Privately issued debentures | | | | 200,000 |
| Less discount on debentures | | | (6,721) | (3,699) |
| Less current portion of debentures | | | (299,658) | (200,000) |
| | | | (Won) 1,943,621 | 1,096,301 |
| Foreign currency debentures(*) | | | | |
| Floating-rate bonds | | 3ML+1.80% | | |
| | August 2012 ~ April 2013 | ~2.40% | (Won) 552,171 | 538,323 |
| Foreign currency equivalent | | | USD 350 JPY 10,000 | USD 350 JPY 10,000 |
| Less discount on bonds | | | (3,474) | (6,130) |
| Less current portion of convertible bonds | | | (148,317) | |
| | | | (Won) 400,380 | 532,193 |
| Financial liabilities at fair value through profit or loss | | | | |
| Convertible bonds | April 2012 | Zero coupon | (Won) 87,339 | 84,338 |
| Foreign currency equivalent | | | USD76 | USD74 |
| Less current portion of convertible bonds | | | (87,339) | |
| | | | (Won) | 84,338 |

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14. **Financial Liabilities, Continued**

(*) Principal of the local and foreign currency debentures is to be repaid at maturity and interests are paid quarterly. The Controlling Company publicly issued the following debentures during the year ended December 31, 2011:

(In millions of won)

| Issue date | Maturity date | Interest rate | Face amount |
|-------------------|-------------------|---------------|---------------|
| February 28, 2011 | February 28, 2016 | 4.95% | (Won) 300,000 |
| April 12, 2011 | April 12, 2014 | 4.42% | 300,000 |
| August 25, 2011 | August 25, 2016 | 4.32% | 300,000 |
| October 14, 2011 | October 14, 2014 | 4.24% | 140,000 |
| October 14, 2011 | October 14, 2016 | 4.51% | 110,000 |

(f) Details of the convertible bonds are as follows:

| | Terms and Conditions |
|-------------------------------------|------------------------------|
| Issue date | April 18, 2007 |
| Maturity date | April 18, 2012 |
| Conversion period | April 19, 2008~April 3, 2012 |
| Coupon interest rate | 0% |
| Conversion price (in won) per share | (Won)47,892 |

The Group designated foreign currency denominated convertible bonds as financial liabilities at fair value through profits or loss and recognizes the convertible bonds at fair value with changes in fair value recognized in profit or loss.

The bonds will be repaid at 116.77% of the principal amount at maturity unless the bonds are converted. During the year ended December 31, 2010, put options attached to the convertible bonds amounting to USD484 million were exercised and the Group repaid USD531 million for the convertible bonds at 109.75% of the principal amount. Put options not exercised were expired.

The Group measured the convertible bonds at their fair value using the market quotes available at Bloomberg.

The Group is entitled to exercise a call option after three years from the date of issuance at the amount of the principal and interest, calculated at 3.125% of the annual yield to maturity, from the issue date to the repayment date. The call option can be exercised only when the market price of the common shares on each of 20 trading days in 30 consecutive trading days ending on the trading day immediately prior to the date upon which notice of such redemption is published exceeds at least 130% of the conversion price. In addition, in the event that at least 90% of the initial principal amount of the bonds has been redeemed, converted, or purchased and cancelled, the remaining bonds may also be redeemed, at the Group's option, at the amount of the principal and interest (3.125% per annum) from the date of issue to the repayment date prior to their maturity.

Based on the terms and conditions of the bond, the conversion price was decreased from (Won)48,075 to (Won)47,892 per share due to the Controlling Company's declaration of cash dividends of (Won)500 per share for the year ended December 31, 2010.

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14. Financial Liabilities, Continued

At the reporting date, the number of common shares to be issued if the outstanding convertible bonds are fully converted is as follows:

(In won and share)

| | December 31, 2011 | December 31, 2010 |
|----------------------------|--------------------------|--------------------------|
| Convertible bonds (*) | (Won) 61,617,600,000 | 61,617,600,000 |
| Conversion price | (Won) 47,892 | 48,075 |
| Common shares to be issued | 1,286,594 | 1,281,697 |

(*) The exchange rate for the conversion is fixed at (Won)933.6 to USD1. The face value of the convertible bonds amounted to USD66 million as of December 31, 2011 and 2010.

15. The Nature of Expenses and Others

The classification of expenses by nature for the years ended December 31, 2011 and 2010 are as follows:

(In millions of won)

| | 2011 | 2010 |
|--|------------------|-------------|
| Changes in inventories | (Won) (102,154) | (547,436) |
| Purchase of raw material and merchandise | 15,714,809 | 15,933,940 |
| Depreciation and amortization | 3,651,446 | 2,925,378 |
| Labor costs | 2,192,328 | 1,911,925 |
| Supplies and others | 1,027,734 | 1,062,504 |
| Outsourcing fee | 138,638 | 103,424 |
| Shipping costs | 313,658 | 414,563 |
| Utility expense | 576,085 | 480,605 |
| Fees and commissions | 424,545 | 372,096 |
| After-sale service expenses | 72,350 | 203,450 |
| Others | 1,209,588 | 1,273,148 |
| | (Won) 25,219,027 | 24,133,597 |

Total expenses consist of cost of sales, selling, administrative, research and development expenses and others, excluding foreign exchange difference.

For the year ended December 31, 2011, other income and other expenses contained exchange differences amounting to (Won)1,190,793 million and (Won)1,220,143 million, respectively (for the year ended December 31, 2010 : (Won)1,465,830 million and (Won)1,550,909 million, respectively).

The expenses for the year ended December 31, 2010 were reclassified to conform to the criteria of classification for the year ended December 31, 2011.

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16. Selling and Administrative Expenses

Details of selling and administrative expenses for the years ended December 31, 2011 and 2010 are as follows:

(In millions of won)

| | 2011 | 2010 |
|--|-----------------|-------------|
| Salaries | (Won) 202,750 | 206,768 |
| Expenses related to defined benefit plan | 20,197 | 14,268 |
| Other employee benefits | 63,314 | 54,564 |
| Shipping costs | 262,247 | 332,046 |
| Fees and commissions | 173,918 | 163,251 |
| Depreciation | 194,008 | 142,963 |
| Taxes and dues | 31,987 | 24,267 |
| Advertising | 136,062 | 87,945 |
| After-sale service expenses | 72,350 | 203,450 |
| Others | 135,923 | 137,889 |
| | (Won) 1,292,756 | 1,367,411 |

The expenses for the year ended December 31, 2010 were reclassified to conform to the criteria of classification for the year ended December 31, 2011.

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17. Employee Benefits

The Group's primary defined benefit plan provides a lump-sum payment to an employee based on final salary rates and length of service at the time the employee leaves the Controlling Company. The Controlling Company's defined benefit plan, if legal requirements are satisfied, allows interim settlement upon the employee's election. Subsequent to the interim settlement, service terms used in severance payment calculations for the defined benefit plan are remeasured from the settlement date.

- (a) Recognized liabilities for defined benefit obligations at the reporting date are as follows:

(In millions of won)

| | December 31, 2011 | December 31, 2010 |
|---|-------------------|-------------------|
| Present value of partially funded defined benefit obligations | (Won) 486,891 | 360,540 |
| Fair value of plan assets | (340,253) | (281,825) |
| | (Won) 146,638 | 78,715 |

- (b) Changes in the present value of the defined benefit obligations for the years ended December 31, 2011 and 2010 are as follows:

(In millions of won)

| | 2011 | 2010 |
|---|---------------|----------|
| Opening defined benefit obligations | (Won) 360,540 | 260,166 |
| Current service cost | 107,338 | 87,928 |
| Interest cost | 18,985 | 14,711 |
| Actuarial losses (gains) on plan liabilities (before tax) | 24,984 | (2,983) |
| Benefit payment | (24,429) | (13,866) |
| Transfers from related parties | (527) | 1,806 |
| Past service cost | | 12,778 |
| Closing defined benefit obligations | (Won) 486,891 | 360,540 |

Defined benefit obligations are discounted using the interest rates of high quality corporate bonds.

- (c) Changes in fair value of plan assets for the years ended December 31, 2011 and 2010 are as follows:

(In millions of won)

| | 2011 | 2010 |
|-----------------------------------|---------------|---------|
| Opening fair value of plan assets | (Won) 281,825 | 175,869 |

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| | | |
|---|---------------|----------|
| Expected return on plan assets | 12,353 | 12,946 |
| Actuarial gains on plan assets (before tax) | 1,256 | 1,497 |
| Contributions by employer directly to plan assets | 60,000 | 100,000 |
| Contributions directly from employer cash flow | 9,009 | 5,379 |
| Benefit payment | (24,190) | (13,866) |
| Closing fair value of scheme assets | (Won) 340,253 | 281,825 |

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For the years ended December 31, 2011 and 2010

17. Employee Benefits. Continued

(d) Plan assets at the reporting date are as follows:

(In millions of won)

| | December 31, 2011 | December 31, 2010 |
|-------------------------------------|--------------------------|--------------------------|
| Deposits with financial institution | (Won) 340,253 | 281,825 |

As of December 31, 2011, plan assets mainly consist of deposits in banks and others, which guarantee the payment of their principal and interest.

(e) Expenses recognized in profit or loss for the years ended December 31, 2011 and 2010 are as follows:

(In millions of won)

| | 2011 | 2010 |
|--------------------------------|---------------|-------------|
| Current service cost | (Won) 107,338 | 87,928 |
| Interest cost | 18,985 | 14,711 |
| Expected return on plan assets | (12,353) | (12,946) |
| Past service cost | | 12,778 |
| | (Won) 113,970 | 102,471 |

The expense is recognized in the following line items in the statement of comprehensive income:

(In millions of won)

| | 2011 | 2010 |
|-----------------------------------|---------------|-------------|
| Cost of sales | (Won) 87,044 | 81,225 |
| Selling expenses | 8,333 | 6,268 |
| Administrative expenses | 10,123 | 7,531 |
| Research and development expenses | 8,470 | 7,447 |
| | (Won) 113,970 | 102,471 |

(f) Cumulative amount of actuarial loss recognized in other comprehensive income for the years ended December 31, 2011 and 2010 is as follows:

(In millions of won)

| | 2011 | 2010 |
|--------------------------------|----------------|-------------|
| Cumulative amount at January 1 | (Won) (11,277) | (14,443) |

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| | | |
|----------------------------------|----------------|----------|
| Recognized during the period | (17,673) | 3,166 |
| Cumulative amount at December 31 | (Won) (28,950) | (11,277) |

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17. Employee Benefits, Continued

(g) Principal actuarial assumptions for the reporting period (expressed as weighted averages) are as follows:

| | December 31, 2011 | December 31, 2010 |
|---|-------------------|-------------------|
| Expected rate of salary increase | 5.6% | 5.6% |
| Discount rate for defined benefit obligations | 4.9% | 5.5% |
| Expected long-term rate of return on assets | 4.3% | 4.4% |

Assumptions regarding future mortality are based on published statistics and mortality tables. The current mortality underlying the values of the liabilities in the defined benefit plans are as follows:

| | | December 31, 2011 | December 31, 2010 |
|----------|---------|-------------------|-------------------|
| Twenties | Males | 0.02% | 0.02% |
| | Females | 0.01% | 0.01% |
| Thirties | Males | 0.02% | 0.02% |
| | Females | 0.01% | 0.01% |
| Forties | Males | 0.04% | 0.04% |
| | Females | 0.02% | 0.02% |
| Fifties | Males | 0.09% | 0.09% |
| | Females | 0.05% | 0.05% |

The overall expected long-term rate of return on assets is 4.3 percent. The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories.

18. Other Liabilities

Other liabilities at the reporting date are as follows:

| <i>(In millions of won)</i> | | December 31, 2011 | December 31, 2010 |
|-----------------------------------|-------|-------------------|-------------------|
| Current liabilities | | | |
| Withholdings | (Won) | 14,808 | 18,554 |
| Share-based payment liabilities | | 4 | 473 |
| Unearned revenues | | 4,744 | |
| | (Won) | 19,556 | 19,027 |
| Non-current liabilities | | | |
| Long-term accrued expenses | (Won) | 333,459 | 10,041 |
| Other long-term employee benefits | | | 16,031 |
| Long-term unearned revenues | | 16,958 | |

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| | | |
|----------------------------------|---------------|---------|
| Long-term other accounts payable | 226,496 | 306,475 |
| | (Won) 576,913 | 332,547 |

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19. Commitments**Factoring and securitization of accounts receivable**

The Controlling Company has agreements with Korea Development Bank and several other banks for accounts receivable sales negotiating facilities of up to an aggregate of USD1,231 million ((Won)1,420,104 million) in connection with its export sales transactions. As of December 31, 2011, no accounts and notes receivable were sold but are not past due.

In October 2006, LG Display America, Inc., LG Display Germany GmbH, LG Display Shanghai Co., Ltd. and others entered into a five-year accounts receivable selling program with Standard Chartered Bank on a revolving basis, of up to USD600 million ((Won)691,980 million). The Controlling Company joined this program in April 2007 and this program was expired in October 2011. For the year ended December 31, 2011, no accounts and notes receivable were sold under this program.

In June 2009 and January 2011, LG Display Singapore Pte. Ltd., the Controlling Company's subsidiary, entered into agreements with Standard Chartered Bank and Citibank for accounts receivable sales negotiating facilities of up to an aggregate of USD250 million ((Won)288,325 million) and USD100 million ((Won)115,330 million), respectively, and as of December 31, 2011, accounts and notes receivable amounting to USD110 million ((Won)127,561 million) and USD100 million ((Won)115,325 million) were sold, with none of the underlying accounts and notes receivable being past due, respectively. In June 2009, June 2011 and July 2011, LG Display Taiwan Co., Ltd. entered into agreements with Taishin International Bank, BNP Paribas and Chinatrust Commercial Bank for accounts receivable sales negotiating facilities of up to an aggregate of USD1,093 million ((Won)1,243,257 million), USD65 million ((Won)74,965 million) and USD78 million ((Won)89,957 million), respectively, and, as of December 31, 2011, accounts and notes receivable amounting to USD387 million ((Won)446,341 million), USD47 million ((Won)55,009 million) were sold, with none of the underlying accounts and notes receivable being past due under the agreements with Taishin International Bank and Chinatrust Commercial Bank, respectively. In addition, in December 2010, LG Display Taiwan Co., Ltd. entered into agreements with Citibank and Standard Chartered Bank for accounts receivable sales negotiating facilities of up to an aggregate of USD112 million ((Won)129,170 million) and USD200 million ((Won)230,660 million), respectively, and, as of December 31, 2011, accounts and notes receivable amounting to USD50 million ((Won)57,948 million) and USD150 million ((Won)172,995 million) were sold to Citibank, with none of the underlying accounts and notes receivable being past due. In December 2010, LG Display Shanghai Co., Ltd. entered into an agreement with BNP Paribas for accounts receivable sales negotiating facilities of up to an aggregate of USD130 million ((Won)149,929 million), and, as of December 31, 2011, accounts and notes receivable amounting to USD4 million ((Won)4,511 million) were sold, with none of the underlying accounts and notes receivable being past due. In July 2009, LG Display Shenzhen Co., Ltd. and LG Display Shanghai Co., Ltd. entered into agreements with Bank of China Limited, and, as of December 31, 2011, accounts and notes receivable amounting to USD154 million ((Won)177,588 million) were sold, with none of the underlying accounts and notes receivable being past due. In June 2010, LG Display Germany GmbH entered into an agreement with Citibank for accounts receivable sales negotiating facilities of up to an aggregate of USD307 million ((Won)354,063 million), and, as of December 31, 2011, accounts and notes receivable amounting to USD236 million ((Won)271,959 million) were sold, with none of the underlying accounts and notes receivable being past due. In addition, LG Display Germany GmbH started forfaiting and accounts and notes receivable amounting to USD27 million ((Won)31,486 million) were sold, with none of the underlying accounts and notes receivable being past due. In March 2011, LG Display America, Inc. entered into agreements with Australia and New Zealand Banking Group Limited and Standard Chartered Bank for accounts receivable sales negotiating facilities of up to an aggregate of USD80 million ((Won)92,264 million) and USD50 million ((Won)57,665 million), respectively, and, as of December 31, 2011, the amount of accounts and notes receivable amounting to USD61 million ((Won)69,822 million) and USD17 million ((Won)20,038 million) were sold but not past due, respectively. In addition, in June 2011, LG Display America, Inc. has entered into an agreement with Citibank for accounts receivable sales negotiating facilities of up to an aggregate of USD300 million ((Won)345,990 million) and as of December 31, 2011, no accounts and notes receivable were sold, with none of the underlying accounts and notes receivable being past due. In August 2011, LG

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19. Commitments, Continued

Display Japan Co., Ltd. entered into an agreement with Sumitomo Mitsui Bank for accounts receivable sales negotiating facilities of up to an aggregate of USD90 million ((Won)103,797 million) and, as of December 31, 2011, the amount of accounts and notes receivable amounting to USD8 million ((Won)8,729 million) were sold, with none of the underlying accounts and notes receivable being past due.

The Controlling Company has a credit facility agreement with Shinhan Bank pursuant to which the Controlling Company could sell its accounts receivables up to an aggregate of (Won)50,000 million in connection with its domestic sales transactions and as of December 31, 2011, accounts and notes receivable amounting to USD24 million ((Won)28,084 million) were sold, with none of the underlying accounts and notes receivable being past due. In addition, in April 2011, the Controlling Company has an agreement with Standard Chartered Bank for accounts receivable sales negotiating facilities of up to USD50 million ((Won)57,665 million) and as of December 31, 2011, accounts and notes receivable amounting to USD38 million ((Won)43,459 million) were sold to Standard Chartered Bank, with none of the underlying accounts and notes receivable being past due. In connection with all of the contracts in this paragraph, the Group has sold its accounts receivable without recourse.

Letters of credit

As of December 31, 2011, the Controlling Company has agreements with Korea Exchange Bank in relation to the opening of letters of credit up to USD70 million ((Won)80,731 million), USD20 million ((Won)23,066 million) with China Construction Bank, USD80 million ((Won)92,264 million) with Shinhan Bank, JPY2,000 million ((Won)29,703 million) with Woori Bank, USD70 million ((Won)80,731 million) with Bank of China, USD20 million ((Won)23,066 million) with Hana Bank and JPY25,000 million ((Won)371,290 million) and USD60 million ((Won)69,198 million) with Sumitomo Mitsui Banking Corporation.

Payment guarantees

The Controlling Company obtained payment guarantees amounting to USD8.5 million ((Won)9,803 million) and EUR215 million ((Won)321,232 million) from Royal Bank of Scotland and other various banks for a number of occasions including value added tax payments in Poland. As of December 31, 2011, the Controlling Company is providing a payment guarantee to a syndicate of banks including Kookmin Bank and Societe Generale in connection with a EUR27 million ((Won)40,226 million) term loan credit facility of LG Display Poland Sp. zo.o. In addition, the Controlling Company provides a payment guarantee in connection with LG Display America Inc.'s term loan credit facilities with an aggregate amount of USD7 million ((Won)8,073 million) for principals and related interests. The Controlling Company provides payment guarantees on the accounts payable of L&T Display Technology (Xiamen) Limited up to the amount of USD2 million ((Won)2,307 million).

LG Display Japan Co., Ltd. and other subsidiaries have entered into short-term credit facility agreements of up to USD96 million ((Won)110,140 million), JPY8,000 million ((Won)118,813 million), and CNY500 million ((Won)91,255 million), respectively, with Mizuho Corporate Bank and other various banks. LG Display Japan Co., Ltd. and other subsidiaries are provided with payment guarantees from the Bank of Tokyo-Mitsubishi UFJ and other various banks amounting to USD5 million ((Won)5,767 million), JPY1,300 million ((Won)19,307 million), CNY1,200 million ((Won)219,012 million) and PLN0.2 million ((Won)68 million) respectively, for their local tax payments.

License agreements

As of December 31, 2011, in relation to its TFT-LCD business, the Controlling Company has technical license agreements with Hitachi Display, Ltd. and others and has a trademark license agreement with LG Corp.

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19. Commitments, Continued**Long-term supply agreement**

In connection with long-term supply agreements, as of December 31, 2011, the Controlling Company's advances received from customer amount to USD1,080 million ((Won)1,245,564 million) in aggregate. The advances received will offset against outstanding accounts receivable balance after a given period of time, as well as those arising from the supply of products thereafter. The Controlling Company received a payment guarantee amounting to USD200 million ((Won)230,660 million) from Industrial Bank of Korea relating to advances received.

Pledged Assets

Regarding the line of credit up to USD50 million ((Won)57,665 million), the Controlling Company provided part of its OLED machinery as pledged assets to the Export-Import Bank of Korea.

20. Contingencies**Patent infringement lawsuit against Chimei Innolux Corp. and others**

On December 1, 2006, the Group filed a complaint in the United States District Court for the District of Delaware against Chimei Innolux Corp. (formerly, Chi Mei Optoelectronics Corp.) and AU Optronics Corp. claiming infringement of patents related to liquid crystal displays and the manufacturing processes for TFT-LCDs. Both AU Optronics Corp. and Chimei Innolux Corp. filed counter-claims against the Group claiming infringement of the patents. The Court bifurcated the Group's trial against AU Optronics Corp., from the trial against Chimei Innolux Corp., holding the first trial against AU Optronics Corp. on June 2, 2009. On February 16, 2010, the Court found that four AU Optronics Corp. patents were valid and were infringed by the Group, and on April 30, 2010, the Court further found that the Group's four patents were valid but were not infringed by AU Optronics Corp. However, the final judgment has not been rendered. In October and November 2010, the Group filed motions for reconsideration as to the Court's findings. In September 2011, the Group and AU Optronics Corp. filed a stipulation for dismissal of the Delaware case and amicably settled the claims and counterclaims between the two parties. As of December 31, 2011, the stay of the Chimei Innolux case is still in place. The Group is unable to predict the ultimate outcome of the Chimei Innolux case.

Anvik Corporation's lawsuit for infringement of patent

On February 2, 2007, Anvik Corporation filed a patent infringement case against the Group, along with other LCD manufacturing companies in the United States District Court for the Southern District of New York, in connection with the usage of photo-masking equipment manufactured by Nikon Corporation. While there is no significant progress on this case in 2011, the Group is unable to predict the ultimate outcome of this case.

Antitrust investigations and litigations

In December 2006, the Controlling Company received notices of investigation by the Korea Fair Trade Commission, the Japan Fair Trade Commission, the U.S. Department of Justice, and the European Commission with respect to possible anti-competitive activities in the TFT-LCD industry. The Controlling Company subsequently received similar notices from the Canadian Bureau of Competition Policy, the Federal Competition Commission of Mexico, the Secretariat of Economic Law of Brazil and the Taiwan Fair Trade Commission.

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20. **Contingencies, Continued**

In November 2008, the Controlling Company executed an agreement with the U.S. Department of Justice (DOJ) whereby the Controlling Company and its U.S. subsidiary, LG Display America, Inc. (LGDUS), pleaded guilty to a Sherman Antitrust Act violation and agreed to pay a single total fine of USD400 million. In December 2008, the U.S. District Court for the Northern District of California accepted the terms of the plea agreement and entered a judgment against the Controlling Company and LGDUS and ordered the payment of USD400 million. The agreement resolved all federal criminal charges against the Controlling Company and LGDUS in the United States in connection with this matter.

On December 8, 2010, the European Commission (the EC) issued a decision finding that the Controlling Company engaged in anti-competitive activities in the LCD industry in violation of European competition laws and imposed a fine of EUR215 million. On February 23, 2011, the Controlling Company filed with the European Union General Court an application for partial annulment and reduction of the fine imposed by the EC. The European Union General Court has not ruled on the Controlling Company's application. In November 2011, the Controlling Company received an additional Request for Information from the EC relating to the alleged anti-competitive activities in the LCD industry and is responding to the request.

In November 2009, the Taiwan Fair Trade Commission terminated its investigation without any finding of violations or levying of fines. Also, on February 21, 2012, the Competition Bureau of Canada terminated its investigation against the Controlling Company without any finding of violations or levying of fines.

On August 8, 2011, the Korea Fair Trade Commission issued an Examination Report finding that the Controlling Company engaged in anti-competitive activities in violation of Korean fair trade laws and a hearing was held on October 26, 2011. On December 2, 2011, the Korea Fair Trade Commission imposed a fine on the Controlling Company and certain of its subsidiaries of approximately (Won)31,378 million, and the Controlling Company filed an appeal of the decision with the Seoul Appellate Court on December 30, 2011.

Investigations by the Federal Competition Commission of Mexico and the Secretariat of Economic Law of Brazil are ongoing.

Subsequent to the commencement of the DOJ investigation, a number of class action complaints were filed against the Controlling Company and other TFT-LCD panel manufacturers in the U.S. and Canada alleging violation of respective antitrust laws and related laws. The class action lawsuits in the U.S. were transferred to the Northern District of California for pretrial proceedings (MDL Proceedings). On March 28, 2010, the court certified the class action complaints filed by direct purchasers and indirect purchasers. 78 entities (including groups of affiliated entities) submitted requests for exclusion from the direct purchaser class. The time period for submitting requests for exclusion from the indirect purchaser class is set to expire on April 13, 2012. In June 2011, the Controlling Company reached a settlement with the direct purchaser class, and the court issued preliminary approval of the settlement in October 2011. Trial against the indirect purchaser plaintiff class is set to begin in April 2012.

Similar claims were filed separately by ATS. Claim, LLC, (assignee of Ricoh Electronics, Inc.), AT&T Corp. and its affiliates, Motorola, Inc., Electrograph Technologies Corp. and their respective related entities, all of which have been transferred to the MDL Proceedings. In November 2010, ATS Claim, LLC dismissed its action as to the Controlling Company pursuant to a settlement agreement. In addition, in 2010, Trac Fone Wireless Inc., Best Buy Co., Inc. and its affiliates, Target Corp., Sears, Roebuck and Co., Kmart Corp., Old Comp Inc., Good Guys, Inc., RadioShack Corp., Newegg Inc., Costco Wholesale Corp., Sony Electronics, Inc. and its affiliates, SB Liquidation Trust, and the trustee of the Circuit City Stores, Inc. Liquidation Trust, filed claims in the United States. In addition, in 2011, Office Depot, Inc. and T-Mobile U.S.A., Inc., Interbond Corp. of America (Brandmart), Jaco Electronics, Inc., P.C. Richard & Son Long Island Corp., MARTA Cooperative of America, Inc., ABC Appliance (ABC Warehouse), Schultze Agency Services, LLC (Tweeter), Tech Data Corp. and its affiliate, and AASI Creditor Liquidating Trust for All American Semiconductor Inc., and CompuCom Systems, Inc. filed similar claims. In 2012, ViewSonic Corp. filed similar claims. To the extent these claims were not filed in the MDL Proceedings, they have been transferred to the MDL Proceedings or motions have been made to transfer them to the MDL Proceedings.

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20. **Contingencies, Continued**

In addition, since 2010, the attorneys general of Arkansas, California, Florida, Illinois, Michigan, Mississippi, Missouri, New York, Oregon, South Carolina, Washington, West Virginia, Wisconsin and Oklahoma filed similar complaints against the Controlling Company and other LCD producers.

In Canada, the Ontario Superior Court of Justice certified the class action complaints filed by the direct and indirect purchasers in May 2011. The Controlling Company is pursuing an appeal of the decision as well as defending the on-going class actions in Quebec and British Columbia.

In February 2007, the Controlling Company and certain of its current and former officers and directors were named as defendants in a purported shareholder class action filed in the U.S. District Court for the Southern District of New York, alleging violation of the U.S. Securities Exchange Act of 1934. In May 2010, the Controlling Company reached an agreement in principle with the class plaintiffs to settle the action and the District Court granted final approval of the settlement on March 17, 2011.

While the Group continues its vigorous defense of the various pending proceedings described above, there is a possibility that one or more proceedings may result in an unfavorable outcome to the Group. The Group has established provisions with respect to certain of the contingencies. However, actual liability may be materially different from the provisions estimated by the Group. Some of the information usually required by K-IFRS No. 1037, *Provision, Contingent Liabilities and Contingent Assets*, is not disclosed on the grounds that it can be expected to prejudice seriously the outcome of the litigation.

21. **Capital and Reserves**

(a) Share capital

The Controlling Company is authorized to issue 500,000,000 shares of capital stock (par value (Won)5,000), and as of December 31, 2011, the number of issued common shares is 357,815,700.

There have been no changes in the capital stock from January 1, 2010 to December 31, 2011.

(b) Reserves

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognized or impaired.

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22. **Related Parties**

(a) Key management personnel compensation

Compensation costs of key management for the years ended December 31, 2011 and 2010 are as follows:

(In millions of won)

| | 2011 | 2010 |
|--|-------------|-------------|
| Short-term benefits | (Won) 1,529 | 2,183 |
| Expenses related to defined benefit plan | 396 | 360 |
| Other long-term benefits | | 606 |
| | (Won) 1,925 | 3,149 |

Key management refers to the registered directors who have significant control and responsibilities over the Controlling Company's operations and business.

(b) Significant transactions with related companies

Significant transactions which occurred in the normal course of business with related parties for the years ended December 31, 2011 and 2010 are as follows:

(In millions of won)

| | Sales and others | | Purchases and others | |
|-----------------------|-------------------------|-------------|-----------------------------|-------------|
| | 2011 | 2010 | 2011 | 2010 |
| Joint ventures | (Won) 755,643 | 1,163,265 | 1,174 | 27,605 |
| Associates | 6,158 | 7 | 1,812,826 | 1,550,269 |
| LG Electronics | 4,819,737 | 5,845,037 | 345,919 | 555,569 |
| Other related parties | 41 | 174,521 | 37,633 | 317,837 |
| | (Won) 5,581,579 | 7,182,830 | 2,197,552 | 2,451,280 |

Account balances with related parties at the reporting date are as follows:

(In millions of won)

| Trade accounts and notes receivable and others | | Trade accounts and notes payable and others | |
|---|------------------------------|--|------------------------------|
| December 31, 2011 | December 31, 2010 | December 31, 2011 | December 31, 2010 |
| | | | |

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| | | | | |
|-----------------------|---------------|---------|-----------|---------|
| Joint ventures | (Won) 130,217 | 145,093 | 340,073 | 478,009 |
| Associates | 3 | | 697,539 | 243,357 |
| LG Electronics | 497,747 | 634,570 | 98,487 | 138,484 |
| Other related parties | | | 3,632 | 3,870 |
| | (Won) 627,967 | 779,663 | 1,139,731 | 863,720 |

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23. Geographic and Other Information

The Group manufactures and sells TFT-LCD and AM-OLED products. Sales of AM-OLED products are insignificant to total sales. Export sales represent approximately 91.9% of total sales for the year ended December 31, 2011.

The following is a summary of sales by region based on the location of the customers for the years ended December 31, 2011 and 2010.

(a) Revenue by geography

(In millions of won)

| Region | 2011 | 2010 |
|------------------------|------------------|-------------|
| Domestic | (Won) 1,963,501 | 1,705,130 |
| Foreign | | |
| China | 14,292,700 | 14,076,853 |
| Asia (excluding China) | 2,291,916 | 2,752,117 |
| United States | 2,216,695 | 2,852,204 |
| Europe | 3,526,477 | 4,125,231 |
| | (Won) 24,291,289 | 25,511,535 |

Sales to LG Electronics constituted 20% of total revenue for the year ended December 31, 2011 (the year ended December 31, 2010: 23%). The Group's top ten end-brand customers together accounted for 71% of sales for the year ended December 31, 2011 (the year ended December 31, 2010: 76%)

(b) Non-current assets by geography

(In millions of won)

| Region | December 31, 2011 | |
|---------------|--------------------------------------|--------------------------|
| | Property, plant and equipment | Intangible assets |
| Domestic | (Won) 13,528,286 | 520,023 |
| Foreign | | |
| China | 1,009,959 | 15,045 |
| Others | 158,604 | 46 |
| Sub total | (Won) 1,168,563 | 15,091 |
| Total | (Won) 14,696,849 | 535,114 |

*(In millions of won)***December 31, 2010**

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| | Property, plant and equipment | Intangible assets |
|------------------|--|--------------------------|
| Domestic | (Won) 11,690,716 | 520,152 |
| Foreign | | |
| China | 945,864 | 19,105 |
| Others | 178,821 | 644 |
| Sub total | (Won) 1,124,685 | 19,749 |
| Total | (Won) 12,815,401 | 539,901 |

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23. Geographic and Other Information, Continued

(c) Revenue by product

(In millions of won)

| Product | 2011 | 2010 |
|---------------------|------------------|-------------|
| Panels for: | | |
| Notebook computers | (Won) 5,120,421 | 4,424,440 |
| Desktop monitors | 4,975,379 | 5,389,736 |
| TFT-LCD televisions | 11,579,129 | 14,078,665 |
| Mobile and others | 2,616,360 | 1,618,694 |
| | (Won) 24,291,289 | 25,511,535 |

24. Revenue

Details of revenue for the years ended December 31, 2011 and 2010 are as follows:

(In millions of won)

| | 2011 | 2010 |
|----------------|------------------|-------------|
| Sales of goods | (Won) 24,214,709 | 25,467,963 |
| Royalties | 60,594 | 22,552 |
| Others | 15,986 | 21,020 |
| | (Won) 24,291,289 | 25,511,535 |

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25. Other Income and Other Expenses

(a) Details of other income for the years ended December 31, 2011 and 2010 are as follows:

(In millions of won)

| | 2011 | 2010 |
|---|-----------------|-------------|
| Rental income | (Won) 6,325 | 4,305 |
| Foreign currency gain | 1,190,793 | 1,465,830 |
| Gain on disposal of property, plant and equipment | 740 | 1,387 |
| Reversal of stock compensation cost | 469 | |
| Commission earned | 8,630 | 5,555 |
| Others | 16,588 | 6,366 |
| | (Won) 1,223,545 | 1,483,443 |

(b) Details of other expenses for the years ended December 31, 2011 and 2010 are as follows:

(In millions of won)

| | 2011 | 2010 |
|---|-----------------|-------------|
| Other bad debt expenses | (Won) 849 | 65 |
| Foreign currency loss | 1,220,143 | 1,550,909 |
| Loss on disposal of property, plant and equipment | 862 | 415 |
| Impairment loss on property, plant, and equipment | 3,589 | |
| Loss on disposal of intangible assets | 1,588 | |
| Impairment loss on intangible assets | 5,574 | |
| Anti-trust related expenses and others | 151,259 | 310,142 |
| | (Won) 1,383,864 | 1,861,531 |

26. Personnel Expenses

Details of personnel expenses for the years ended December 31, 2011 and 2010 are as follows:

(In millions of won)

| | 2011 | 2010 |
|--|-----------------|-------------|
| Salaries and wages | (Won) 1,719,035 | 1,569,137 |
| Other employee benefits | 383,197 | 297,366 |
| Contributions to National Pension plan | 54,118 | 40,553 |

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| | | |
|--|-----------------|-----------|
| Expenses related to defined benefit plan | 113,970 | 102,471 |
| Stock compensation cost | (469) | 157 |
| | (Won) 2,269,851 | 2,009,684 |

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27. Share-based Payment

(a) The terms and conditions of share-based payment arrangements as of December 31, 2011 are as follows:

| | Descriptions |
|--------------------------------------|--|
| Settlement method | Cash settlement |
| Type of arrangement | Stock appreciation rights (granted to senior executives) |
| Date of grant | April 7, 2005 |
| Weighted-average exercise price (*1) | (Won)44,050 |
| Number of rights granted | 450,000 |
| Number of rights forfeited (*2) | 230,000 |
| Number of rights cancelled (*3) | 110,000 |
| Number of rights outstanding | 110,000 |
| Exercise period | From April 8, 2008 to April 7, 2012 |
| Remaining contractual life | 0.25 years |
| Vesting conditions | Two years of service from the date of grant |

(*1) The exercise price at the grant date was (Won)44,260 per stock appreciation right (SARs). However, the exercise price was subsequently adjusted to (Won)44,050 due to additional issuance of common shares in 2005.

(*2) SARs were forfeited in connection with senior executives who left the Group before meeting the vesting requirement.

(*3) If the appreciation of the Controlling Company's share price is equal to or less than that of the Korea Composite Stock Price Index (KOSPI) over the three-year period following the grant date, only 50% of the outstanding SARs are exercisable. As the actual increase rate of the Controlling Company's share price for the three-year period ending April 7, 2008 was less than that of the KOSPI for the same three-year period, 50% of then outstanding SARs were cancelled in 2008.

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27. Share-based Payment, Continued

- (b) The changes in the number of SARs outstanding for the years ended December 31, 2011 and 2010 are as follows:

(In number of shares)

| | 2011 | 2010 |
|------------------------------|-------------|-------------|
| Balance at beginning of year | 110,000 | 110,000 |
| Forfeited or cancelled | | |
| Outstanding at end of year | 110,000 | 110,000 |
| Exercisable at end of year | 110,000 | 110,000 |

- (c) The Group accounted for SARs at their fair value. The fair value of SARs was estimated using the Black-Scholes option-pricing model with the following assumptions:

| | December 31, 2011 | December 31, 2010 |
|---|------------------------------|------------------------------|
| Risk free rate (*1) | 3.40% | 2.89% |
| Expected term (*2) | 0.25 year | 1.0 year |
| Expected volatility | 48.37% | 35.20% |
| Expected dividends (*3) | 0% | 0% |
| Fair value per share | (Won)29 | (Won)4,296 |
| Total carrying amount of liabilities (*4) | (Won)3,242,249 | (Won)472,527,182 |

(*1) Risk-free rates are interest rates of Korean government bonds with maturity of one year.

(*2) As of December 31, 2011, the remaining contractual life is 3 months and the expected term is determined as 0.25 year.

(*3) The Controlling Company expected dividend used is 0%.

(*4) As of December 31, 2011, the market price of the stock does not exceed the exercise price and accordingly, the intrinsic value of the share-based payments is zero.

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28. **Finance Income and Finance Costs**

(a) Finance income and costs recognized in profit or loss for the years ended December 31, 2011 and 2010 are as follows:

(In millions of won)

| | 2011 | 2010 |
|---|---------------|---------|
| Finance income | | |
| Interest income | (Won) 58,430 | 91,203 |
| Dividend income | 131 | 48 |
| Foreign currency gain | 148,144 | 146,563 |
| Gain on disposal of investments in equity accounted investees | 551 | 2,506 |
| Gain on valuation of financial assets at fair value through profit or loss | 10 | 668 |
| | (Won) 207,266 | 240,988 |
| Finance costs | | |
| Interest expense | (Won) 144,927 | 99,659 |
| Foreign currency loss | 180,395 | 170,307 |
| Loss on disposal of available-for-sale securities | 354 | 854 |
| Loss on disposal of financial assets at fair value through profit or loss | 774 | |
| Loss on redemption of debentures | | 4,138 |
| Loss on valuation of financial assets at fair value through profit or loss | | 1,729 |
| Loss on valuation of financial liabilities as fair value through profit or loss | 1,935 | 2,419 |
| Loss on sale of trade accounts and notes receivable | 20,359 | 9,366 |
| Loss on disposal of investments in equity accounted investees | 321 | |
| Loss on impairment of investments in equity accounted investees | 14,244 | |
| | (Won) 363,309 | 288,472 |

(b) Finance income and costs recognized in other comprehensive income or loss for the years ended December 31, 2011 and 2010 are as follows:

(In millions of won)

| | 2011 | 2010 |
|---|--------------|---------|
| Cumulative translation differences | (Won) 47,443 | 6,735 |
| Net change in fair value of available-for-sale financial assets | 2,700 | 12,063 |
| Tax effect | (1,101) | (3,793) |
| | (Won) 49,042 | 15,005 |

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For the years ended December 31, 2011 and 2010

29. **Income Taxes**

(a) Details of income tax expense (benefit) for the years ended December 31, 2011 and 2010 are as follows:

(In millions of won)

| | 2011 | 2010 |
|-------------------------------------|------------------------|----------------|
| Current tax expense | (Won) 57,530 | 253,436 |
| Deferred tax benefit | (350,594) | (147,101) |
| Income tax expense (benefit) | (Won) (293,064) | 106,335 |

(b) Income taxes recognized directly in other comprehensive income for the years ended December 31, 2011 and 2010 is as follows:

(In millions of won)

| | Before tax | 2011 Tax (expense) benefit | Net of tax |
|---|---------------------|---|-------------------|
| Gain on valuation of available-for-sale securities | (Won) 2,700 | (996) | 1,704 |
| Defined benefit plan actuarial loss | (23,732) | 6,059 | (17,673) |
| Cumulative translation differences | 47,443 | (105) | 47,338 |
| Loss on sales of own shares of associated accounted for using the equity method | (214) | | (214) |
| | (Won) 26,197 | 4,958 | 31,155 |

(In millions of won)

| | Before tax | 2010 Tax (expense) benefit | Net of tax |
|---|---------------------|---|-------------------|
| Gain on valuation of available-for-sale securities | (Won) 12,063 | (2,987) | 9,076 |
| Defined benefit plan actuarial gain | 4,480 | (1,314) | 3,166 |
| Cumulative translation differences | 6,735 | (806) | 5,929 |
| Gain on sales of own shares of associated accounted for using the equity method | 810 | | 810 |
| | (Won) 24,088 | (5,107) | 18,981 |

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29. Income Taxes, Continued

(c) Reconciliation of effective tax rate at the reporting date is as follows:

| <i>(In millions of won)</i> | 2011 | | 2010 | |
|--|-------------|------------------------|-------------|------------------|
| Profit (loss) for the period | (Won) | (787,895) | | 1,159,234 |
| Income tax expense (benefit) | | (293,064) | | 106,335 |
| Profit (loss) excluding income tax | | (1,080,959) | | 1,265,569 |
| Income tax using the Controlling Company's domestic tax rate | 24.20% | (261,592) | 24.20% | 306,268 |
| Effect of tax rates in foreign jurisdictions | (0.30%) | 3,259 | 1.24% | 15,732 |
| Non-deductible expenses | (2.18%) | 23,560 | 7.69% | 97,268 |
| Tax credits | 22.97% | (248,331) | (24.33%) | (307,911) |
| Change in unrecognized deferred tax assets | (17.41%) | 188,190 | | |
| Change in tax rates | 0.71% | (7,689) | (0.85%) | (10,798) |
| Others | (0.88%) | 9,539 | 0.45% | 5,776 |
| Income tax expense (benefit) | | (Won) (293,064) | | 106,335 |
| Effective tax rate | | 27.11% | | 8.4% |

30. Deferred Tax Assets and Liabilities

(a) Unrecognized deferred tax liabilities

As of December 31, 2011, in relation to the temporary differences on investments in subsidiaries amounting to (Won)221,073 million, the Controlling Company did not recognize deferred tax liabilities since the Controlling Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

(b) Unrecognized deferred tax assets

The Controlling Company did not recognize deferred income taxes on temporary differences related to the cumulative loss of subsidiary, as the possibility of recovering the deferred tax assets amounting to (Won)434,526 million, through events such as disposal of the related investments in the foreseeable future, is remote.

(c) Unused tax credit carryforwards for which no deferred tax asset is recognized

Realization of deferred tax assets related to tax credit carryforwards is dependent on whether sufficient taxable income will be generated prior to their expiration. As of December 31, 2011, the Controlling Company recognized deferred tax assets of (Won)829,048 million, in relation to tax

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credit carryforwards, to the extent that management believes the realization is probable. The amount of unused tax credit carryforwards for which no deferred tax asset is recognized and their expiration dates are as follows:

(In millions of won)

| | 2012 | December 31 | | 2015~ |
|--------------------------|--------------|-------------|---------|--------|
| | | 2013 | 2014 | |
| Tax credit carryforwards | (Won) 21,579 | | 146,394 | 41,118 |

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30. Deferred Tax Assets and Liabilities. Continued

(d) Deferred tax assets and liabilities are attributable to the following:

(In millions of won)

| | Assets | | Liabilities | | Total | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | December 31, 2011 | December 31, 2010 | December 31, 2011 | December 31, 2010 | December 31, 2011 | December 31, 2010 |
| Other accounts receivable, net | (Won) | | (3,738) | (5,919) | (3,738) | (5,919) |
| Inventories, net | 15,915 | 17,942 | | | 15,915 | 17,942 |
| Available-for-sale financial assets | 1,259 | 2,199 | | (6,983) | 1,259 | (4,784) |
| Defined benefit obligation | 21,877 | 3,829 | | | 21,877 | 3,829 |
| Investments in equity accounted investees | 4,307 | 12,041 | | | 4,307 | 12,041 |
| Derivative instruments | | | | (2,008) | | (2,008) |
| Accrued expenses | 72,965 | 78,396 | | | 72,965 | 78,396 |
| Property, plant and equipment | 133,720 | 112,286 | | | 133,720 | 112,286 |
| Intangible assets | 1,105 | | | | 1,105 | |
| Provisions | 11,618 | 17,962 | | | 11,618 | 17,962 |
| Gain or loss on foreign currency translation, net | 13,616 | 81,075 | (31,313) | (61,031) | (17,697) | 20,044 |
| Debentures | 6,059 | 5,049 | | | 6,059 | 5,049 |
| Others | 18,974 | 24,134 | (715) | (6,006) | 18,259 | 18,128 |
| Tax losses | 329,068 | | | | 329,068 | |
| Tax credit carryforwards | 829,048 | 795,247 | | | 829,048 | 795,247 |
| Deferred tax assets (liabilities) | (Won) 1,459,531 | 1,150,160 | (35,766) | (81,947) | 1,423,765 | 1,068,213 |

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30. Deferred Tax Assets and Liabilities. Continued

(e) Changes in deferred tax assets and liabilities for the years ended December 31, 2011 and 2010 are as follows:

(In millions of won)

| | January 1, 2010 | Profit or loss | Other comprehensive income | December 31, 2010 | Profit or loss | Other comprehensive income | December 31, 2011 |
|---|--------------------|-------------------|----------------------------------|----------------------|-------------------|----------------------------------|----------------------|
| Other accounts receivable, net | (Won) (11,512) | 5,593 | | (5,919) | 2,181 | | (3,738) |
| Inventories, net | 19,765 | (1,823) | | 17,942 | (2,027) | | 15,915 |
| Available-for-sale financial assets | 698 | (2,495) | (2,987) | (4,784) | 7,039 | (996) | 1,259 |
| Defined benefit obligation | 5,052 | 91 | (1,314) | 3,829 | 11,989 | 6,059 | 21,877 |
| Investments in equity accounted investees | 11,660 | 381 | | 12,041 | (7,734) | | 4,307 |
| Derivative instruments | (647) | (1,361) | | (2,008) | 2,008 | | |
| Accrued expenses | 60,575 | 17,821 | | 78,396 | (5,431) | | 72,965 |
| Property, plant and equipment | 108,334 | 3,952 | | 112,286 | 21,434 | | 133,720 |
| Intangible assets | (19,470) | 19,470 | | | 1,105 | | 1,105 |
| Provisions | 16,806 | 1,156 | | 17,962 | (6,344) | | 11,618 |
| Gain or loss on foreign currency translation, net | 7,414 | 12,630 | | 20,044 | (37,741) | | (17,697) |
| Debentures | 45,874 | (40,825) | | 5,049 | 1,010 | | 6,059 |
| Others | 17,498 | 1,436 | (806) | 18,128 | 236 | (105) | 18,259 |
| Tax losses | | | | | 329,068 | | 329,068 |
| Tax credit carryforwards | 664,172 | 131,075 | | 795,247 | 33,801 | | 829,048 |
| Deferred tax assets (liabilities) | (Won) 926,219 | 147,101 | (5,107) | 1,068,213 | 350,594 | 4,958 | 1,423,765 |

Statutory tax rate applicable to the Controlling Company is 24.2% for the year ended December 31, 2011.

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31. Earnings (loss) per Share

(a) Basic earnings (loss) per share for the years ended December 31, 2011 and 2010 are as follows:

| <i>(In won and No. of shares)</i> | 2011 | 2010 |
|--|-------------------------|-------------------|
| Profit (loss) attributable to owners of the Controlling Company | (Won) (771,222,702,492) | 1,156,343,357,418 |
| Weighted-average number of common shares outstanding | 357,815,700 | 357,815,700 |
| Earnings (loss) per share | (Won) (2,155) | 3,232 |

There were no events or transactions that resulted in changes in the number of common shares used for calculating earnings (loss) per share from January 1, 2010 to December 31, 2011.

(b) There is no effect of dilutive potential ordinary shares due to the Controlling Company's net loss for the year ended December 31, 2011. Diluted earnings per share for the year ended December 31, 2010 were as follows:

| <i>(In won and No. of shares)</i> | 2010 |
|--|-------------------------|
| Profit for the period | (Won) 1,156,343,357,418 |
| Interest on convertible bond, net of tax | (18,345,174,214) |
| Adjusted income | 1,137,998,183,204 |
| Weighted-average number of common shares outstanding and common equivalent shares(*) | 361,080,224 |
| Diluted earnings per share | (Won) 3,152 |

(*) Weighted-average number of common shares outstanding to calculate dilutive potential ordinary shares for the year ended December 31, 2010 is calculated as follows:

| <i>(In No. of shares)</i> | 2010 |
|---|-------------|
| Weighted-average number of common shares (basic) | 357,815,700 |
| Effect of conversion of convertible bonds | 3,264,524 |
| Weighted-average number of common shares at the reporting date | 361,080,224 |

Table of Contents**LG DISPLAY CO., LTD. AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

31. Earnings per Share, Continued

- (c) The number of dilutive potential ordinary shares outstanding for the years ended December 31, 2011 and 2010 is calculated as follows:

| | 2011 | 2010 | |
|---|--------------------------|--------------------------|-------------------|
| | Convertible bonds | Convertible bonds | |
| Common shares to be issued | 1,286,594 | 1,281,697 | 9,399,113 |
| Period | January 1, 2011~ | January 1, 2010~ | January 1, 2010~ |
| | December 31, 2011 | December 31, 2010 | March 19, 2010 |
| Weight | 365 days /365 days | 365 days /365 days | 77 days /365 days |
| Weighted-average number of common shares to be issued | 1,286,594 | 1,281,697 | 1,982,827 |

32. Supplemental Cash Flow Information

Supplemental cash flow information for the years ended December 31, 2011 and 2010 is as follows:

(In millions of won)

| | 2011 | 2010 |
|--|-----------------|-------------|
| Non-cash investing and financing activities: | | |
| Changes in other accounts payable arising from the purchase of property, plant and equipment | (Won) 1,177,809 | 906,481 |

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

LG Display Co., Ltd.
(Registrant)

Date: March 1, 2012

By: /s/ Heeyeon Kim
(Signature)
Name: Heeyeon Kim
Title: Head of IR / IR Division