

LG Display Co., Ltd.  
Form 6-K  
February 25, 2015  
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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 February, 2015**

**LG Display Co., Ltd.**

**(Translation of Registrant's name into English)**

**LG Twin Towers, 128, Yeoui-daero, Youngdungpo-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 (KPMG)
2. Date of receiving external audit report: February 25, 2015
3. Auditor's opinion

|   |             |             |
|---|-------------|-------------|
| -   | FY 2014     | FY 2013     |
| Audit Report on Consolidated Financial Statements | Unqualified | Unqualified |

4. Financial Highlights of Consolidated Financial Statements

| Items                                      | FY 2014            | FY 2013            |
|--|--------------------|--------------------|
| Total Assets                               | 22,967,023,114,809 | 21,715,284,280,303 |
| Total Liabilities                          | 11,183,613,517,482 | 10,917,864,108,133 |
| Total Shareholders' Equity                 | 11,783,409,597,325 | 10,797,420,172,170 |
| Capital Stock                              | 1,789,078,500,000  | 1,789,078,500,000  |
| Revenues                                   | 26,455,529,417,365 | 27,033,035,359,626 |
| Operating Income                           | 1,357,254,860,433  | 1,163,314,395,279  |
| Ordinary Income                            | 1,241,957,392,702  | 830,305,253,506    |
| Net Income                                 | 917,403,742,427    | 418,973,183,815    |
| Total Shareholders' Equity / Capital Stock | 658.6%             | 603.5%             |

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

Consolidated Financial Statements

**For the Years Ended December 31, 2014 and  
2013**

(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 financial statements of LG Display Co., Ltd. and its subsidiaries (the Group ) which comprise the consolidated statements of financial position of the Group as of December 31, 2014 and 2013, the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

***Management s Responsibility for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Korean International Financial Reporting Standards ( K-IFRS ), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

***Auditors Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Korean Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2014 and 2013, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with K-IFRS.

***Emphasis of Matter***

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

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

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***Other Matters***

The accompanying consolidated financial statements of the Group as of December 31, 2013 and for the year then ended were audited by us in accordance with the previous auditing standards generally accepted in the Republic of Korea.

The procedures and practices utilized in the Republic of Korea to audit such consolidated financial statements may differ from those generally accepted and applied in other countries.

KPMG Samjong Accounting Corp.

Seoul, Korea

February 17, 2015

This report is effective as of February 17, 2015, 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, 2014 and 2013

| <i>(In millions of won)</i>               | Note          | December 31, 2014 | December 31, 2013 |
|---|---------------|-------------------|-------------------|
| <b>Assets</b>                             |               |                   |                   |
| Cash and cash equivalents                 | 6, 13         | 889,839           | 1,021,870         |
| Deposits in banks                         | 6, 13         | 1,526,482         | 1,301,539         |
| Trade accounts and notes receivable, net  | 7, 13, 19, 22 | 3,444,477         | 3,128,626         |
| Other accounts receivable, net            | 7, 13         | 119,478           | 89,545            |
| Other current financial assets            | 9, 13         | 3,250             | 919               |
| Inventories                               | 8             | 2,754,098         | 1,933,241         |
| Prepaid income taxes                      |               | 6,340             | 4,066             |
| Other current assets                      | 7             | 496,665           | 251,982           |
| <b>Total current assets</b>               |               | <b>9,240,629</b>  | <b>7,731,788</b>  |
| Deposits in banks                         | 6,13          | 8,427             | 13                |
| Investments in equity accounted investees | 10            | 407,644           | 406,536           |
| Other non-current financial assets        | 9,13          | 33,611            | 46,246            |
| Property, plant and equipment, net        | 11,23         | 11,402,866        | 11,808,334        |
| Intangible assets, net                    | 12,23         | 576,670           | 468,185           |
| Deferred tax assets                       | 29            | 1,036,507         | 1,037,000         |
| Other non-current assets                  | 7             | 260,669           | 217,182           |
| <b>Total non-current assets</b>           |               | <b>13,726,394</b> | <b>13,983,496</b> |
| <b>Total assets</b>                       |               | <b>22,967,023</b> | <b>21,715,284</b> |
| <b>Liabilities</b>                        |               |                   |                   |
| Trade accounts and notes payable          | 13, 22        | 3,391,635         | 2,999,522         |
| Current financial liabilities             | 13, 14        | 967,909           | 907,942           |
| Other accounts payable                    | 13            | 1,508,158         | 1,454,339         |
| Accrued expenses                          |               | 740,492           | 491,236           |
| Income tax payable                        |               | 227,714           | 46,777            |
| Provisions                                | 18            | 193,884           | 200,731           |
| Advances received                         | 19            | 488,379           | 656,775           |
| Other current liabilities                 | 18            | 31,385            | 31,597            |
| <b>Total current liabilities</b>          |               | <b>7,549,556</b>  | <b>6,788,919</b>  |
| Non-current financial liabilities         | 13, 14        | 3,279,477         | 2,994,837         |
| Non-current provisions                    | 18            | 8,014             | 5,005             |
| Defined benefit liabilities, net          | 17            | 324,180           | 319,087           |

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|   |    |            |            |
|---|----|------------|------------|
| Long-term advances received   | 19 |            | 427,397    |
| Deferred tax liabilities  | 29 | 245        | 119        |
| Other non-current liabilities   | 18 | 22,141     | 382,500    |
| <b>Total non-current liabilities</b>                                  |    | 3,634,057  | 4,128,945  |
| <b>Total liabilities</b>  |    | 11,183,613 | 10,917,864 |
| <b>Equity</b>   |    |            |            |
| Share capital   | 21 | 1,789,079  | 1,789,079  |
| Share premium   |    | 2,251,113  | 2,251,113  |
| Reserves  | 21 | (63,843)   | (91,674)   |
| Retained earnings   |    | 7,455,063  | 6,662,655  |
| <b>Total equity attributable to owners of the Controlling Company</b> |    | 11,431,412 | 10,611,173 |
| <b>Non-controlling interests</b>                                      |    | 351,998    | 186,247    |
| <b>Total equity</b>   |    | 11,783,410 | 10,797,420 |
| <b>Total liabilities and equity</b>                                   |    | 22,967,023 | 21,715,284 |

*See accompanying notes to the consolidated financial statements.*

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## LG DISPLAY CO., LTD. AND SUBSIDIARIES

**Consolidated Statements of Comprehensive Income**

For the years ended December 31, 2014 and 2013

*(In millions of won, except earnings per share)*

|   | <b>Note</b> | <b>2014</b>      | <b>2013</b>      |
|---|-------------|------------------|------------------|
| Revenue   | 22, 23, 24  | 26,455,529       | 27,033,035       |
| Cost of sales   | 8, 22       | (22,667,134)     | (23,524,851)     |
| <b>Gross profit</b>   |             | <b>3,788,395</b> | <b>3,508,184</b> |
| Selling expenses  | 16          | (746,686)        | (731,521)        |
| Administrative expenses   | 16          | (520,160)        | (517,622)        |
| Research and development expenses                               |             | (1,164,294)      | (1,095,727)      |
| <b>Operating profit</b>   |             | <b>1,357,255</b> | <b>1,163,314</b> |
| Finance income  | 27          | 105,443          | 185,011          |
| Finance costs   | 27          | (215,536)        | (381,851)        |
| Other non-operating income                                      | 25          | 1,071,903        | 1,108,754        |
| Other non-operating expenses                                    | 25          | (1,095,071)      | (1,268,588)      |
| Equity in income of equity accounted investees, net             |             | 17,963           | 23,665           |
| <b>Profit before income tax</b>                                 |             | <b>1,241,957</b> | <b>830,305</b>   |
| Income tax expense  | 28          | (324,553)        | (411,332)        |
| <b>Profit for the year</b>                                      |             | <b>917,404</b>   | <b>418,973</b>   |
| <b>Other comprehensive income (loss)</b>                        |             |                  |                  |
| <b>Items that will never be reclassified to profit or loss</b>  |             |                  |                  |
| Remeasurements of net defined benefit liabilities               | 17,28       | (147,633)        | 998              |
| Related income tax  | 17,28       | 35,773           | (334)            |
|   |             | (111,860)        | 664              |
| <b>Items that are or may be reclassified to profit or loss</b>  |             |                  |                  |
| Net change in fair value of available-for-sale financial assets | 27,28       | 982              | 826              |
| Foreign currency translation differences for foreign operations | 27,28       | 37,739           | (22,100)         |
| Share of loss from sale of treasury stocks by associates        | 28          | (1,360)          | (802)            |
| Related income tax  | 28          | (119)            | (225)            |
|   |             | 37,242           | (22,301)         |
| <b>Other comprehensive loss for the year, net of income tax</b> |             | <b>(74,618)</b>  | <b>(21,637)</b>  |

|   |    |         |         |
|---|----|---------|---------|
| <b>Total comprehensive income for the year</b>            |    | 842,786 | 397,336 |
| <b>Profit (loss) attributable to:</b>                     |    |         |         |
| Owners of the Controlling Company                         |    | 904,268 | 426,118 |
| Non-controlling interests                                 |    | 13,136  | (7,145) |
| <b>Profit for the year</b>                                |    | 917,404 | 418,973 |
| <b>Total comprehensive income (loss) attributable to:</b> |    |         |         |
| Owners of the Controlling Company                         |    | 820,239 | 404,478 |
| Non-controlling interests                                 |    | 22,547  | (7,142) |
| <b>Total comprehensive income for the year</b>            |    | 842,786 | 397,336 |
| <b>Earnings per share (In won)</b>                        |    |         |         |
| Basic earnings per share                                  | 30 | 2,527   | 1,191   |
| Diluted earnings per share                                | 30 | 2,527   | 1,191   |

*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, 2014 and 2013

| <i>(In millions of won)</i>   | Attributable to owners of the Controlling Company |               |                     |                    |                     |                   |                           | Total equity |
|---|---|---------------|---------------------|--------------------|---------------------|-------------------|---------------------------|--------------|
|   | Share capital                                     | Share premium | Share by associates | Fair value reserve | Translation reserve | Retained earnings | Non-controlling interests |              |
| <b>Balances at January 1, 2013</b>  | 1,789,079   | 2,251,113     | 548                 | (66)               | (69,852)            | 6,238,989         | 30,369                    | 10,240,180   |
| <b>Total comprehensive income (loss) for the year</b>                       |   |               |                     |                    |                     |                   |                           |              |
| Profit (loss) for the year  |   |               |                     |                    |                     | 426,118           | (7,145)                   | 418,973      |
| <b>Other comprehensive income (loss)</b>                                    |   |               |                     |                    |                     |                   |                           |              |
| Net change in fair value of available-for-sale financial assets, net of tax |   |               |                     | 638                |                     |                   |                           | 638          |
| Foreign currency translation differences for foreign operations, net of tax |   |               |                     |                    | (22,140)            |                   | 3                         | (22,137)     |
| Remeasurements of net defined benefit liabilities, net of tax               |   |               |                     |                    |                     | 664               |                           | 664          |
| Share of loss from sale of treasury stocks by associates, net of tax        |   |               | (802)               |                    |                     |                   |                           | (802)        |
| <b>Total other comprehensive income (loss)</b>                              |   |               | (802)               | 638                | (22,140)            | 664               | 3                         | (21,637)     |
|   |   |               | (802)               | 638                | (22,140)            | 426,782           | (7,142)                   | 397,336      |

Total comprehensive  
income (loss) for the  
year

**Transaction with  
owners, recognized  
directly in equity**

Capital contribution  
from non-controlling  
interests, and others

(3,116) 163,020 159,904

**Balances at**

**December 31, 2013**

1,789,079 2,251,113 (254) 572 (91,992) 6,662,655 186,247 10,797,420

**Balances at**

**January 1, 2014**

1,789,079 2,251,113 (254) 572 (91,992) 6,662,655 186,247 10,797,420

**Total comprehensive  
income (loss) for the  
year**

Profit for the year

904,268 13,136 917,404

**Other  
comprehensive  
income (loss)**

Net change in fair  
value of  
available-for-sale  
financial assets, net of  
tax

796 796

Foreign currency  
translation differences  
for foreign operations,  
net of tax

28,395 9,411 37,806

Remeasurements of  
net defined benefit  
liabilities, net of tax

(111,860) (111,860)

Share of loss from sale  
of treasury stocks by  
associates, net of tax

(1,360) (1,360)

Total other  
comprehensive  
income (loss)

(1,360) 796 28,395 (111,860) 9,411 (74,618)

**Total comprehensive  
income (loss) for the  
year**

(1,360) 796 28,395 792,408 22,547 842,786

**Transaction with  
owners, recognized**

**directly in equity**

|   |  |  |  |  |  |  |         |         |
|---|--|--|--|--|--|--|---------|---------|
| Decrease of share interest in non-controlling interests |  |  |  |  |  |  | (2,955) | (2,955) |
| Capital contribution from non-controlling interests     |  |  |  |  |  |  | 146,159 | 146,159 |

**Balances at**

|                          |           |           |         |       |          |           |         |            |
|--------------------------|-----------|-----------|---------|-------|----------|-----------|---------|------------|
| <b>December 31, 2014</b> | 1,789,079 | 2,251,113 | (1,614) | 1,368 | (63,597) | 7,455,063 | 351,998 | 11,783,410 |
|--------------------------|-----------|-----------|---------|-------|----------|-----------|---------|------------|

*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, 2014 and 2013

| <i>(In millions of won)</i>                                | <b>Note</b> | <b>2014</b> | <b>2013</b> |
|--|-------------|-------------|-------------|
| <b>Cash flows from operating activities:</b>               |             |             |             |
| Profit for the year  |             | 917,404     | 418,973     |
| <b>Adjustments for:</b>                                    |             |             |             |
| Income tax expense   | 28          | 324,553     | 411,332     |
| Depreciation   | 11, 15      | 3,222,085   | 3,598,472   |
| Amortization of intangible assets                          | 12, 15      | 270,226     | 236,046     |
| Gain on foreign currency translation                       |             | (63,626)    | (76,111)    |
| Loss on foreign currency translation                       |             | 89,453      | 55,870      |
| Expenses related to defined benefit plans                  | 17, 26      | 196,756     | 159,453     |
| Gain on disposal of property, plant and equipment          |             | (8,989)     | (9,620)     |
| Loss on disposal of property, plant and equipment          |             | 2,173       | 1,639       |
| Impairment loss on property, plant and equipment           |             | 8,097       | 853         |
| Loss on disposal of intangible assets                      |             | 672         | 452         |
| Impairment loss on intangible assets                       |             | 492         | 1,661       |
| Reversal of impairment loss on intangible assets           |             |             | (296)       |
| Finance income   |             | (55,655)    | (52,862)    |
| Finance costs  |             | 148,129     | 163,183     |
| Equity in income of equity method accounted investees, net | 10          | (17,963)    | (23,665)    |
| Other income   |             | (14,508)    | (412)       |
| Other expenses   |             | 277,128     | 351,953     |
|  |             | 4,379,023   | 4,817,948   |
| Change in trade accounts and notes receivable              |             | (921,433)   | (251,752)   |
| Change in other accounts receivable                        |             | (14,195)    | 133,734     |
| Change in other current assets                             |             | (219,599)   | 89,456      |
| Change in inventories                                      |             | (823,497)   | 456,766     |
| Change in other non-current assets                         |             | (93,987)    | (120,054)   |
| Change in trade accounts and notes payable                 |             | 390,046     | (1,110,098) |
| Change in other accounts payable                           |             | (229,679)   | (289,441)   |
| Change in accrued expenses                                 |             | 245,373     | 68,162      |
| Change in other current liabilities                        |             | (18,242)    | (7,846)     |
| Change in other non-current liabilities                    |             | 18,248      | 9,808       |
| Change in provisions                                       |             | (187,021)   | (315,266)   |
| Change in defined benefit liabilities, net                 |             | (339,482)   | (19,627)    |
|  |             | (2,193,468) | (1,356,158) |
| Cash generated from operating activities                   |             | 3,102,959   | 3,880,763   |



|  |                  |                  |
|--|------------------|------------------|
| Income taxes paid                                | (110,720)        | (159,286)        |
| Interests received                               | 39,452           | 36,686           |
| Interests paid                                   | (167,170)        | (173,390)        |
| <b>Net cash provided by operating activities</b> | <b>2,864,521</b> | <b>3,584,773</b> |

*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, 2014 and 2013

| <i>(In millions of won)</i>  | <b>Note</b> | <b>2014</b>        | <b>2013</b>        |
|--|-------------|--------------------|--------------------|
| <b>Cash flows from investing activities:</b>                           |             |                    |                    |
| Dividends received   |             | 1,340              | 14,582             |
| Proceeds from withdrawal of deposits in banks                          |             | 1,651,176          | 1,657,082          |
| Increase in deposits in banks  |             | (1,884,533)        | (2,644,204)        |
| Acquisition of investments in equity accounted investees               |             | (324)              | (18,744)           |
| Proceeds from disposal of investments in equity accounted investees    |             | 8,832              | 5,023              |
| Acquisition of property, plant and equipment                           |             | (2,982,549)        | (3,473,059)        |
| Proceeds from disposal of property, plant and equipment                |             | 39,647             | 39,838             |
| Acquisition of intangible assets                                       |             | (353,298)          | (184,754)          |
| Proceeds from disposal of intangible assets                            |             |                    | 1,902              |
| Government grants received   |             | 49,424             | 59,629             |
| Proceeds from collection of short-term loans                           |             | 8                  | 2                  |
| Proceeds from disposal of other financial assets                       |             | 82                 |                    |
| Acquisition of other non-current financial assets                      |             | (5,129)            | (5,410)            |
| Proceeds from disposal of other non-current financial assets           |             | 15,500             | 43,792             |
| Net cash inflow from disposal of subsidiaries, net of cash transferred |             | 8,545              |                    |
| <b>Net cash used in investing activities</b>                           |             | <b>(3,451,279)</b> | <b>(4,504,321)</b> |
| <b>Cash flows from financing activities:</b>                           |             |                    |                    |
| Proceeds from short-term borrowings                                    |             | 219,839            | 1,430,041          |
| Repayments of short-term borrowings                                    |             | (14,747)           | (1,444,717)        |
| Proceeds from issuance of debentures                                   |             | 597,563            | 587,603            |
| Proceeds from long-term debt   |             | 846,759            | 372,785            |
| Repayments of long-term debt   |             | (503,618)          | (301,229)          |
| Repayments of current portion of long-term debt and debentures         |             | (887,296)          | (1,195,340)        |
| Capital contribution from non-controlling interests                    |             | 146,159            | 159,873            |
| <b>Net cash provided by (used in) financing activities</b>             |             | <b>404,659</b>     | <b>(390,984)</b>   |
| <b>Net decrease in cash and cash equivalents</b>                       |             | <b>(182,099)</b>   | <b>(1,310,532)</b> |
| Cash and cash equivalents at January 1                                 |             | 1,021,870          | 2,338,661          |
| Effect of exchange rate fluctuations on cash held                      |             | 50,068             | (6,259)            |
| <b>Cash and cash equivalents at December 31</b>                        |             | <b>889,839</b>     | <b>1,021,870</b>   |

*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, 2014 and 2013

1. **Reporting Entity**

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

LG Display Co., Ltd. (the Controlling Company) was incorporated in February 1985 under its original name of LG Soft, Ltd. as a wholly owned subsidiary of LG Electronics Inc. In 1998, LG Electronics Inc. and LG Semicon Co., Ltd. transferred their respective Thin Film Transistor Liquid Crystal Display ( TFT-LCD ) related business to the Controlling Company. The main business of the Controlling Company and its subsidiaries is to manufacture and sell TFT-LCD panels. The Controlling Company is a stock company ( Jusikhoesa ) domiciled in the Republic of Korea with its address at 128, Yeouidae-ro, Yeongdeungpo-gu, Seoul, the Republic of Korea. In July 1999, LG Electronics Inc. and Koninklijke Philips Electronics N.V. ( Philips ) entered into a joint venture agreement. Pursuant to the agreement, the Controlling Company changed its name to LG.Philips LCD Co., Ltd. However, in February 2008, the Controlling Company changed its name to LG Display Co., Ltd. considering the decrease of Philips' s share interest in the Controlling Company and the possibility of its business expansion to other display products including Organic Light Emitting Diode ( OLED ) and Flexible Display products. As of December 31, 2014, LG Electronics Inc. owns 37.9% (135,625,000 shares) of the Controlling Company' s common stock.

As of December 31, 2014, the Controlling Company has TFT-LCD manufacturing plants, an OLED manufacturing plant and a Research & Development Center in Paju and TFT-LCD manufacturing plants in Gumi. The Controlling Company has overseas subsidiaries located in North America, Europe and Asia.

The Controlling Company' s common stock is listed on the Korea Exchange under the identifying code 034220. As of December 31, 2014, 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, 2014, there are 22,485,216 ADSs outstanding.

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For the years ended December 31, 2014 and 2013

1. Reporting Entity, Continued(b) Consolidated Subsidiaries as of December 31, 2014*(In millions)*

| <b>Subsidiaries</b>                 | <b>Location of ownership</b> | <b>Percentage of ownership</b> | <b>Fiscal year end</b> | <b>Date of incorporation</b> | <b>Business</b>                       | <b>Capital stocks</b> |       |
|-------------------------------------|------------------------------|--------------------------------|------------------------|------------------------------|---------------------------------------|-----------------------|-------|
| LG Display America, Inc. (*1)       | San Jose,<br>U.S.A.          | 100%                           | December 31            | September 24,<br>1999        | Sell TFT-LCD products                 | USD                   | 411   |
| LG Display Japan Co., Ltd.          | Tokyo,<br>Japan              | 100%                           | December 31            | October 12,<br>1999          | Sell TFT-LCD Products                 | JPY                   | 95    |
| LG Display Germany GmbH             | Ratingen,<br>Germany         | 100%                           | December 31            | November 5,<br>1999          | Sell TFT-LCD products                 | EUR                   | 1     |
| LG Display Taiwan Co., Ltd.         | Taipei,<br>Taiwan            | 100%                           | December 31            | April 12,<br>1999            | Sell TFT-LCD products                 | NTD                   | 116   |
| LG Display Nanjing Co., Ltd. (*2)   | Nanjing,<br>China            | 100%                           | December 31            | July 15,<br>2002             | Manufacture and sell TFT-LCD products | CNY                   | 2,937 |
| LG Display Shanghai Co., Ltd.       | Shanghai,<br>China           | 100%                           | December 31            | January 16,<br>2003          | Sell TFT-LCD products                 | CNY                   | 4     |
| LG Display Poland Sp. z o.o. (*3)   | Wroclaw,<br>Poland           | 100%                           | December 31            | September 6,<br>2005         | Manufacture and sell TFT-LCD products | PLN                   | 511   |
| LG Display Guangzhou Co., Ltd. (*4) | Guangzhou,<br>China          | 100%                           | December 31            | June 30,<br>2006             | Manufacture and sell TFT-LCD products | CNY                   | 1,655 |
| LG Display Shenzhen Co., Ltd.       | Shenzhen,<br>China           | 100%                           | December 31            | August 28,<br>2007           | Sell TFT-LCD products                 | CNY                   | 4     |

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|   |               |      |             |                  |   |     |     |
|---|---------------|------|-------------|------------------|---|-----|-----|
| LG Display Singapore Pte. Ltd.          | Singapore     | 100% | December 31 | January 12, 2009 | Sell TFT-LCD products                   | SGD | 1.4 |
| L&T Display Technology (Xiamen) Limited | Xiamen, China | 51%  | December 31 | January 5, 2010  | Manufacture LCD module and TV sets      | CNY | 82  |
| L&T Display Technology (Fujian) Limited | Fujian, China | 51%  | December 31 | January 5, 2010  | Manufacture LCD module and monitor sets | CNY | 116 |
| LG Display Yantai Co., Ltd. (*5)        | Yantai, China | 100% | December 31 | April 19, 2010   | Manufacture and sell TFT-LCD products   | CNY | 956 |

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1. Reporting Entity, Continued(b) Consolidated Subsidiaries as of December 31, 2014, Continued*(In millions)*

| <b>Subsidiaries</b>                     | <b>Location of ownership</b> | <b>Percentage of ownership</b> | <b>Fiscal year end</b> | <b>Date of incorporation</b> | <b>Business</b>                       | <b>Capital stocks</b> |
|---|------------------------------|--------------------------------|------------------------|------------------------------|---------------------------------------|-----------------------|
| LG Display U.S.A., Inc.                 | McAllen, U.S.A.              | 100%                           | December 31            | October 26, 2011             | Manufacture and sell TFT-LCD products | USD 11                |
| Nanumnuri Co., Ltd.                     | Gumi, South Korea            | 100%                           | December 31            | March 21, 2012               | Janitorial services                   | KRW 800               |
| LG Display China Co., Ltd. (*6)         | Guangzhou, China             | 70%                            | December 31            | December 10, 2012            | Manufacture and sell TFT-LCD products | CNY 6,103             |
| Unified Innovative Technology, LLC (*7) | Wilmington, U.S.A            | 100%                           | December 31            | March 12, 2014               | Manage intellectual property          | USD 9                 |
| Money Market Trust                      | Seoul, South Korea           | 100%                           | December 31            |                              | Money market trust                    | KRW 18,100            |

(\*1) In June 2014, the Controlling Company invested 36,815 million in cash for the capital increase of LG Display America, Inc. ( LGDUS ). There was no change in the Controlling Company's ownership percentage in LGDUS as a result of this additional investment.

(\*2) In December 2014, the Controlling Company invested 18,112 million in cash for the capital increase of LG Display Nanjing Co., Ltd. ( LGDNJ ). There was no change in the Controlling Company's ownership percentage in LGDNJ as a result of this additional investment.

(\*3) Toshiba Corporation ( Toshiba ) acquired 20% of LG Display Poland Sp. z o.o. ( LGDWR ) in December 2007 through a stock purchase agreement. With the acquisition of the 20% interest, Toshiba and the Controlling Company and LGDWR entered into a derivative contract with LGDWR's equity shares as its underlying assets. According to the contract, the Controlling Company or LGDWR has a call option to buy Toshiba's 20% interest in LGDWR and Toshiba has a put option to sell its 20% interest in LGDWR to the Controlling Company or LGDWR under the same terms: the exercise price of the call is equal to the price of the put option which is the

total amount of Toshiba's investment at cost. Toshiba's investment in LGDWR had been regarded as financing due to the options and recorded as other accounts payable in the consolidated statement of financial position of LG Display Co., Ltd. and its subsidiaries (the Group). Accordingly, LGDWR had been consolidated as a wholly owned subsidiary in the consolidated financial statements prior to the exercise of the options. In November 2014, Toshiba exercised its put option in whole at 37,128 million.

- (\*4) In December 2014, the Controlling Company invested 119,400 million in cash for the capital increase of LG Display Guangzhou Co., Ltd. ( LGDGZ ). There was no change in the Controlling Company's ownership percentage in LGDGZ as a result of this additional investment.
- (\*5) In June 2014, the Controlling Company invested in 71,281 million in cash for the capital increase of LG Display Yantai Co., Ltd. ( LGDYT ). There was no change in the Controlling Company's ownership percentage in LGDYT as a result of this additional investment.



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**1. Reporting Entity, Continued****(b) Consolidated Subsidiaries as of December 31, 2014, Continued**

(\*6) In May 2014, the Controlling Company invested 220,740 million in cash for the capital increase of LG Display (China) Co., Ltd. ( LGDCA ). In addition, in January, April and September 2014, LG Display Guangzhou Co., Ltd. ( LGDGZ ), a subsidiary of the Controlling Company, invested an aggregate of 105,297 million in cash for the capital increase of LGDCA. In 2014, the Controlling Company's ownership percentage in LGDCA decreased from 64% to 56% and LGDGZ's ownership percentage in LGDCA increased from 6% to 14%.

(\*7) In March 2014, the Controlling Company established Unified Innovative Technology, LLC ( UNIT ), a wholly owned subsidiary of the Controlling Company, for the management of intellectual property, with an investment of 4,283 million. In April 2014, the Controlling Company invested 5,206 million in cash for the capital increase of UNIT.

In June 2014, the Controlling Company disposed of the entire investments in LUCOM Display Technology (Kunshan) Limited at 3,383 million and recognized 276 million for the difference between the disposal amount and the carrying amount as finance income. In December 2014, the Controlling Company disposed of the entire investments in LG Display Reynosa S.A. de C.V. at 6,484 million and recognized 4,157 million for the difference between the disposal amount and the carrying amount as finance cost.

Dividends received from consolidated subsidiaries for the years ended December 31, 2014 and 2013 amounted to 430,534 million and zero, respectively.

**(c) Cash flows from loss of control of the subsidiaries and carrying amount of assets and liabilities of the subsidiaries upon disposal****(i) LUCOM Display Technology (Kunshan) Limited**

| <i>(In millions of won)</i>                                  | <b>Amount</b> |
|--|---------------|
| Total consideration received                                 | 3,383         |
| Cash and cash equivalents held by the subsidiary at disposal | (974)         |
| <b>Net cash flow</b>   | <b>2,409</b>  |
| <b>Assets of the disposed subsidiary:</b>                    |               |
| Trade accounts and notes receivable, net                     | 24,105        |

|  |        |
|--|--------|
| Inventories                                    | 2,640  |
| Property, plant and equipment, net             | 4,101  |
| Intangible assets, net                         | 514    |
| Other assets                                   | 1,000  |
| <b>Liabilities of the disposed subsidiary:</b> |        |
| Trade accounts and notes payable               | 23,874 |
| Borrowings                                     | 2,719  |
| Other liabilities                              | 649    |

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1. Reporting Entity, Continued(c) Cash flows from loss of control of the subsidiary and carrying amount of assets and liabilities of the subsidiary upon disposal, Continued(ii) LG Display Reynosa S.A. de C.V.

| <i>(In millions of won)</i>                                  | <b>Amount</b> |
|--|---------------|
| Total consideration received                                 | 6,484         |
| Cash and cash equivalents held by the subsidiary at disposal | (348)         |
| <b>Net cash flow</b>   | <b>6,136</b>  |
| <b>Assets of the disposed subsidiary:</b>                    |               |
| Trade accounts and notes receivable, net                     | 5,559         |
| Property, plant and equipment, net                           | 2,414         |
| Other assets   | 2,719         |
| <b>Liabilities of the disposed subsidiary:</b>               |               |
| Other liabilities  | 399           |

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

| <i>(In millions of won)</i>   | <b>December 31, 2014</b> |                          |  | <b>2014</b>  |                          |
|-------------------------------|--------------------------|--------------------------|--|--------------|--------------------------|
| <b>Subsidiaries</b>           | <b>Total assets</b>      | <b>Total liabilities</b> | <b>Total shareholders equity (deficit)</b> | <b>Sales</b> | <b>Net income (loss)</b> |
| LG Display America, Inc.      | 1,867,934                | 1,823,178                | 44,756                                     | 9,019,130    | 3,142                    |
| LG Display Japan Co., Ltd.    | 171,716                  | 153,741                  | 17,975                                     | 1,608,510    | 1,675                    |
| LG Display Germany GmbH       | 448,851                  | 443,062                  | 5,789                                      | 2,955,383    | 1,770                    |
| LG Display Taiwan Co., Ltd.   | 399,524                  | 389,753                  | 9,771                                      | 2,195,670    | 2,374                    |
| LG Display Nanjing Co., Ltd.  | 709,192                  | 82,789                   | 626,403                                    | 396,246      | 32,917                   |
| LG Display Shanghai Co., Ltd. | 553,749                  | 514,407                  | 39,342                                     | 2,372,405    | 5,873                    |
| LG Display Poland Sp. z o.o.  | 199,585                  | 11,308                   | 188,277                                    | 76,023       | 30,293                   |

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|   |            |           |           |            |         |
|---|------------|-----------|-----------|------------|---------|
| LG Display Guangzhou Co., Ltd.          | 1,959,569  | 1,092,161 | 867,408   | 2,277,400  | 164,663 |
| LG Display Shenzhen Co., Ltd.           | 306,757    | 291,645   | 15,112    | 2,056,861  | 1,481   |
| LG Display Singapore Pte. Ltd.          | 251,422    | 250,199   | 1,223     | 1,209,181  | 1,947   |
| L&T Display Technology (Xiamen) Limited | 6,531      | 24,617    | (18,086)  |            | (335)   |
| L&T Display Technology (Fujian) Limited | 314,948    | 251,941   | 63,007    | 1,187,511  | 17,446  |
| LG Display Yantai Co., Ltd.             | 1,346,589  | 1,032,278 | 314,311   | 1,049,993  | 76,860  |
| LG Display U.S.A., Inc.                 | 23,191     | 10,117    | 13,074    | 131,622    | (3,672) |
| Nanumnuri Co., Ltd.                     | 2,567      | 1,305     | 1,262     | 9,538      | 406     |
| LG Display China Co., Ltd.              | 2,208,485  | 1,123,609 | 1,084,876 | 689,102    | 16,511  |
| Unified Innovative Technology, LLC      | 9,118      | 19        | 9,099     |            | (762)   |
|   | 10,779,728 | 7,496,129 | 3,283,599 | 27,234,575 | 352,589 |

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For the years ended December 31, 2014 and 2013

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

|   | December 31, 2013 |                      |  | 2013       |                         |
|---|-------------------|----------------------|--|------------|-------------------------|
|   | Total<br>assets   | Total<br>liabilities | Total<br>shareholders<br>equity<br>(deficit) | Sales      | Net<br>income<br>(loss) |
| <b>Subsidiaries</b>                           |                   |                      |  |            |                         |
| LG Display America, Inc.                      | 1,272,929         | 1,272,334            | 595  | 8,030,701  | 8,710                   |
| LG Display Japan Co., Ltd.                    | 151,181           | 133,310              | 17,871                                       | 2,004,733  | 1,374                   |
| LG Display Germany GmbH                       | 388,814           | 359,765              | 29,049                                       | 3,612,780  | 3,019                   |
| LG Display Taiwan Co., Ltd.                   | 452,776           | 408,623              | 44,153                                       | 2,085,437  | 6,605                   |
| LG Display Nanjing Co., Ltd.                  | 639,429           | 55,164               | 584,265                                      | 449,192    | 32,819                  |
| LG Display Shanghai Co., Ltd.                 | 831,345           | 798,556              | 32,789                                       | 2,799,815  | 3,790                   |
| LG Display Poland Sp. z o.o.                  | 246,709           | 63,895               | 182,814                                      | 85,602     | 2,855                   |
| LG Display Guangzhou Co., Ltd.                | 1,936,297         | 1,066,976            | 869,321                                      | 2,307,006  | 225,690                 |
| LG Display Shenzhen Co., Ltd.                 | 359,703           | 346,335              | 13,368                                       | 2,262,882  | 1,593                   |
| LG Display Singapore Pte. Ltd.                | 276,481           | 264,601              | 11,880                                       | 1,412,794  | 5,269                   |
| L&T Display Technology (Xiamen)<br>Limited    | 23,375            | 40,850               | (17,475)                                     |            | (12,163)                |
| L&T Display Technology (Fujian) Limited       | 307,933           | 263,776              | 44,157                                       | 1,196,005  | 6,593                   |
| LG Display Yantai Co., Ltd.                   | 555,966           | 398,520              | 157,446                                      | 550,482    | 29,762                  |
| LUCOM Display Technology (Kunshan)<br>Limited | 26,531            | 19,633               | 6,898  | 66,491     | (3,134)                 |
| LG Display U.S.A., Inc. (*)                   | 32,932            | 16,444               | 16,488                                       | 138,052    | 3,318                   |
| Nanumnuri Co., Ltd.                           | 1,852             | 997                  | 855  | 6,034      | 257                     |
| LG Display China Co., Ltd.                    | 804,561           | 238,666              | 565,895                                      |            | (9,441)                 |
|   | 8,308,814         | 5,748,445            | 2,560,369                                    | 27,008,006 | 306,916                 |

(\*) 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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**1. Reporting Entity, Continued**

(e) Associates and Joint ventures (Equity Method Investees) as of December 31, 2014

*(In millions of won)*

| Associates and joint ventures          | Location              | Percentage of ownership |      | Fiscal year end | Date of incorporation | Business   | Carrying amount |
|--|-----------------------|-------------------------|------|-----------------|-----------------------|--|-----------------|
|  |                       | 2014                    | 2013 |                 |                       |  |                 |
| Suzhou Raken Technology Co., Ltd. (*1) | Suzhou, China         | 51%                     | 51%  | December 31     | October 2008          | Manufacture and sell LCD modules and LCD TV sets | 138,912         |
| Global OLED Technology LLC             | Herndon, U.S.A        | 33%                     | 33%  | December 31     | December 2009         | Managing and licensing OLED patents              | 28,733          |
| Paju Electric Glass Co., Ltd.          | Paju, South Korea     | 40%                     | 40%  | December 31     | January 2005          | Manufacture electric glass for FPDs              | 77,162          |
| TLI Inc. (*2)                          | Seongnam, South Korea | 10%                     | 10%  | December 31     | October 1998          | Manufacture and sell semiconductor parts         | 5,400           |
| AVACO Co., Ltd. (*2)                   | Daegu, South Korea    | 16%                     | 16%  | December 31     | January 2001          | Manufacture and sell equipment for FPDs          | 11,680          |
| New Optics Ltd.                        | Yangju, South Korea   | 46%                     | 46%  | December 31     | August 2005           | Manufacture back light parts for TFT-LCDs        | 41,199          |
| LIG ADP Co., Ltd. (*2)                 | Seongnam, South Korea | 13%                     | 13%  | December 31     | January 2001          | Develop and manufacture equipment for FPDs       | 2,094           |
| WooRee E&L Co., Ltd.                   | Ansan, South Korea    | 21%                     | 21%  | December 31     | June 2008             | Manufacture LED back light unit packages         | 23,111          |

|  |                       |     |     |             |                  |   |        |
|--|-----------------------|-----|-----|-------------|------------------|---|--------|
| LB Gemini New Growth Fund<br>No. 16 (*3) | Seoul,<br>South Korea | 31% | 31% | December 31 | December<br>2009 | Invest in small<br>and middle<br>sized<br>companies and<br>benefit from<br>M&A<br>opportunities | 14,396 |
| Can Yang Investments Limited<br>(*2)     | Hong Kong             | 9%  | 9%  | December 31 | January<br>2010  | Develop,<br>manufacture<br>and sell LED<br>parts  | 9,467  |

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

| Associates and joint ventures | Location of ownership  | Percentage of ownership |      | Fiscal year end | Date of incorporation | Business   | Carrying amount |
|-------------------------------|------------------------|-------------------------|------|-----------------|-----------------------|--|-----------------|
|                               |                        | 2014                    | 2013 |                 |                       |  |                 |
| YAS Co., Ltd. (*2)            | Paju,<br>South Korea   | 19%                     | 19%  | December 31     | April<br>2002         | Develop and manufacture deposition equipment for OLEDs | 11,019          |
| Narenanotech Corporation      | Yongin,<br>South Korea | 23%                     | 23%  | December 31     | December<br>1995      | Manufacture and sell FPD manufacturing equipment       | 25,503          |
| AVATEC Co., Ltd. (*2)         | Daegu,<br>South Korea  | 16%                     | 16%  | December 31     | August<br>2000        | Process and sell glass for FPDs                        | 18,773          |
| Glonix Co., Ltd.              | Gimhae,<br>South Korea | 20%                     | 20%  | December 31     | October<br>2006       | Manufacture and sell LCD                               | 195             |
|                               |                        |                         |      |                 |                       |  | 407,644         |

(\*1) Despite its 51% ownership, management concluded that the Controlling Company does not have control of Suzhou Raken Technology Co., 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 Co., Ltd. was accounted as an equity method investment.

(\*2) Although the Controlling Company's share interests in TLI Inc., AVACO Co., Ltd., LIG ADP Co., Ltd., Can Yang Investments Limited, YAS Co., Ltd., and AVATEC Co., Ltd. are below 20%, the Controlling Company is able to exercise significant influence through its right to appoint a director to the board of directors of each investee and the transactions between the Controlling Company and the investees are significant. Accordingly, the investments in these investees have been accounted for using the equity method.

(\*3)



The Controlling Company is a member of limited partnership in the LB Gemini New Growth Fund No.16 ( the Fund ). In January, March, September and December 2014, the Controlling Company received 1,035 million, 921 million, 1,596 million and 3,646 million, respectively, from the Fund as capital distribution and made an additional cash investment of 324 million in the Fund in March 2014. There was no change in the Controlling Company s ownership percentage in the Fund and the Controlling Company is committed to making future investments of up to an aggregate of 30,000 million.

In March 2014, the Controlling Company disposed of the entire investments in Eralite Optoelectronics (Jiangsu) Co., Ltd., acquired for manufacturing LED Package, for 1,634 million and recognized 156 million for the difference between the disposal amount and the carrying amount as finance cost.

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**LG DISPLAY CO., LTD. AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

2. **Basis of Presenting Financial Statements**

(a) **Statement of Compliance**

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

The consolidated financial statements were authorized for issuance by the Board of Directors on January 27, 2015, which will be submitted for approval to the shareholders meeting to be held on March 13, 2015.

(b) **Basis of Measurement**

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

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

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

(c) **Functional and Presentation Currency**

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

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

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

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

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

Classification of financial instruments (note 3.(d))

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

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

Recognition and measurement of provisions (note 3.(j), 18 and 20)

Net realizable value of inventories (note 8)

Measurement of defined benefit obligations (note 17)

Deferred tax assets and liabilities (note 29)

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**LG DISPLAY CO., LTD. AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

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

(e) **Changes in accounting policies**

Except for the changes below, the Group has consistently applied the accounting policies set out in Note 3 to all periods presented in the consolidated financial statements.

The following amendments to standards and an interpretation were adopted with a date of initial application of January 1, 2014 are as follows.

Amendments to K-IFRS No. 1032, *Financial Instruments: Presentation*

Amendments to K-IFRS No. 1036, *Impairment of Assets*, and

K-IFRS No. 2121, *Levies*

The nature and effects of the changes are explained below.

**(i) Presentation of financial instruments**

The Group has adopted amendments to K-IFRS No.1032, *Financial Instruments: Presentation*, since January 1, 2014. The amendments clarify the meaning of currently has a legally enforceable right of set-off. According to the amendments, the right to set off should not be contingent on a future event, and legally enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy of the entity and all of the counterparties. The amendments also state that some gross settlement systems would be considered equivalent to net settlement if they eliminate or result in insignificant credit and liquidity risk and process receivables and payables in a single settlement process or cycle. There is no impact of applying this amendment on the consolidated financial statements.

**(ii) Disclosure of the recoverable amount**

The Group has adopted amendments to K-IFRS No. 1036, *Impairment of Assets*, since January 1, 2014. The amendments require the disclosure of information about the recoverable amount of impaired assets, if that amount is based on fair value less costs of disposal. They also require the disclosure of additional information about that fair value measurement. In addition, if the recoverable amount of impaired assets based on fair value less costs of disposal was measured using a present value technique, the amendments also require the disclosure of the discount rates that have been used in the current and previous measurements. There is no significant impact of applying this amendment

on the consolidated financial statements.

(iii) Levies

The Group has adopted K-IFRS No. 2121, *Levies*, since January 1, 2014. K-IFRS No. 2121 is an Interpretation of K-IFRS No. 1037, *Provisions, Contingent Liabilities and Contingent Assets*, on the accounting for levies imposed by governments. K-IFRS No. 1037 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (or obligating event ). K-IFRS No. 2121 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The interpretation does not provide guidance on the accounting for the costs arising from recognizing the liability to pay a levy. Other K-IFRSs should be applied to determine whether the recognition of a liability to pay a levy gives rise to an asset or an expense. There is no impact of applying this interpretation on the consolidated financial statements.

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For the years ended December 31, 2014 and 2013

**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 entities controlled by the Group. The Group controls an entity when it is exposed, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(ii) Non-controlling interests

Non-controlling interests ( NCI ) are measured at their proportionate share of the acquiree s identifiable net assets at the acquisition date.

Changes in the Group s interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions.

(iii) Loss of Control

If the Controlling Company loses control of subsidiaries, the Controlling Company derecognizes the assets and liabilities of the former subsidiaries from the consolidated statement of financial position and recognizes the gain or loss associated with the loss of control attributable to the former controlling interest. Meanwhile, the Controlling Company recognizes any investment retained in the former subsidiaries at its fair value when control is lost.

(iv) Associates and joint ventures (equity method investees)

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investments in associates and joint ventures are initially recognized at cost and subsequently accounted for using the equity method of accounting. The carrying amount of investments in associates and joint ventures 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.

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

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

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For the years ended December 31, 2014 and 2013

3. Summary of Significant Accounting Policies, Continued

(a) Consolidation, Continued

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, including income and expenses and any unrealized income and expenses and balance of trade accounts and notes receivable and payable arising from intra-group transactions, are eliminated. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(b) Foreign Currency Transactions and Translation

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

If the presentation currency of the Group is different from a foreign operation's functional currency, the financial position and financial performance of the foreign operation are translated into the presentation currency using the following methods. The assets and liabilities of foreign operations, whose functional currency is not the currency of a hyperinflationary economy, including goodwill and fair value adjustments arising on acquisition, are translated to the Group's functional currency at exchange rates at the reporting date. The income and expenses of foreign operations are translated to the Group's functional currency at exchange rates at the dates of the transactions. Foreign currency



differences are recognized in other comprehensive income. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

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For the years ended December 31, 2014 and 2013

3. Summary of Significant Accounting Policies, Continued

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.

(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. 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. 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.

(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 ( FVTPL ), are recognized in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

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

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

net basis or to realize the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets: financial assets at FVTPL, loans and receivables and available-for-sale financial assets.

*Financial assets at fair value through profit or loss*

A financial asset is classified at FVTPL 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 FVTPL 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 FVTPL are measured at fair value, and changes therein are recognized in profit or loss.

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**LG DISPLAY CO., LTD. AND SUBSIDIARIES**

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For the years ended December 31, 2014 and 2013

3. Summary of Significant Accounting Policies, Continued

(d) Financial Instruments, Continued

(i) Non-derivative financial assets, Continued

Cash and cash equivalents

Cash and cash equivalents include all cash balances and short-term highly liquid investments with an original maturity of three months or less that are readily convertible into known amounts of cash.

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 FVTPL, 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 in available-for-sale financial assets 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**

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For the years ended December 31, 2014 and 2013

3. Summary of Significant Accounting Policies, Continued

(d) Financial Instruments, Continued

(ii) Non-derivative financial liabilities

The Group classifies financial liabilities into two categories, financial liabilities at FVTPL and other financial liabilities, in accordance with the substance of the contractual arrangement and the definitions of financial liabilities, and recognizes them in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

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

Non-derivative financial liabilities other than financial liabilities classified as FVTPL are classified as other financial liabilities and measured initially at fair value minus transaction costs that are directly attributable to the issuance of financial liabilities. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. As of December 31, 2014, 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) Share Capital

The Group only issued common stocks and they are classified as equity. Incremental costs directly attributable to the issuance of common stocks 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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3. Summary of Significant Accounting Policies, Continued

(d) Financial Instruments, Continued

(iv) Derivative financial instruments, including hedge accounting

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.

If necessary, 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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For the years ended December 31, 2014 and 2013

3. Summary of Significant Accounting Policies, Continued

(d) Financial Instruments, Continued

(iv) Derivative financial instruments, including hedge accounting, 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 FVTPL. Changes in the fair value of separable embedded derivatives are recognized immediately in profit or loss.

(e) Property, Plant and Equipment

(i) Recognition and measurement

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

Estimated useful lives of the assets are as follows:

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

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

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For the years ended December 31, 2014 and 2013

3. Summary of Significant Accounting Policies, Continued

(f) Borrowing Costs

The Group capitalizes borrowing costs, which includes interests and 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 and cash related to grant received is presented in investing activities in the statement of cash flows.

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

A government grant that compensates the Group for expenses incurred is recognized in profit or loss as a deduction from relevant expenses on a systematic basis in the periods in which the expenses are recognized.

(iii) Other government grants

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

(h) Intangible Assets

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

(i) Goodwill

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

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**LG DISPLAY CO., LTD. AND SUBSIDIARIES**

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For the years ended December 31, 2014 and 2013

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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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.

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

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

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

(i) Impairment(i) Financial assets

A financial asset not carried at FVTPL 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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For the years ended December 31, 2014 and 2013

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, 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**

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For the years ended December 31, 2014 and 2013

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 determined as 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.

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 accumulated 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**

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3. Summary of Significant Accounting Policies, Continued

(j) Provisions

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

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

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

The Group recognizes a liability for warranty obligations based on the estimated costs expected to be incurred under its basic limited warranty. This warranty covers defective products and is normally applicable for eighteen months from the date of purchase. These liabilities are accrued when product revenues are recognized. 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. Warranty costs primarily include raw materials and labor costs. 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.

(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 and others are recognized when the Group has a present legal or constructive obligation to make payments as a result of past events and a reliable estimate of the obligation can be made.

(ii) Other long-term employee benefits

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

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3. Summary of Significant Accounting Policies, Continued

(k) Employee Benefits, Continued

(iii) Defined contribution plan

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

(iv) Defined benefit plan

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

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

The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Consequently, the net interest on the net defined benefit liability (asset) now comprises: interest cost on the defined benefit obligation, interest income on plan assets, and interest on the effect on the asset ceiling.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(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, 2014 and 2013

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 FVTPL, 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 FVTPL, impairment losses recognized on financial assets, and losses on hedging instruments that are recognized in profit or loss. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset.

(o) Income Tax

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

(i) Current tax

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



and non-taxable or non-deductible items from the accounting profit.

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**LG DISPLAY CO., LTD. AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

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 joint ventures will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

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

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

(p) Earnings Per Share

The Group presents basic and diluted earnings per share ( EPS ) data for its common stocks. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Controlling Company by the weighted average number of common stocks outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of common stocks outstanding, adjusted for the

effects of all dilutive potential common stocks, which comprise convertible bonds.

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4. **Determination of Fair Value**

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

(a) **Current Assets and Liabilities**

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

(b) **Trade Receivables and Other Receivables**

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

(c) **Investments in Equity and Debt Securities**

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

(d) **Non-derivative Financial Liabilities**

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.

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 believes that 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.

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**LG DISPLAY CO., LTD. AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

5. **Risk Management, Continued**

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 or 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.

**(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.

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Notes to the Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

**5. Risk Management, Continued****(a) Financial Risk Management, Continued****i) 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, JPY, etc.

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 and USD.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group adopts policies to ensure 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.

**ii) Interest rate risk**

Interest rate risk arises principally from the Group's debentures and borrowings. The Group establishes and applies its policy to reduce uncertainty arising from fluctuations in the interest rate and to minimize finance cost and manages interest rate risk by monitoring of trends of fluctuations in interest rate and establishing plan for countermeasures.

**(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 return on capital as well as 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)*

|                   | <b>December 31, 2014</b> | <b>December 31, 2013</b> |
|-------------------|--------------------------|--------------------------|
| Total liabilities | 11,183,613               | 10,917,864               |
| Total equity      | 11,783,410               | 10,797,420               |

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|                                     |           |           |
|-------------------------------------|-----------|-----------|
| Cash and deposits in banks (*1)     | 2,416,321 | 2,323,409 |
| Borrowings (including bonds)        | 4,247,386 | 3,902,779 |
| Total liabilities to equity ratio   | 95%       | 101%      |
| Net borrowings to equity ratio (*2) | 16%       | 15%       |

(\*1) Cash and deposits in banks consist of cash and cash equivalents and current deposit in banks.

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



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For the years ended December 31, 2014 and 2013

**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, 2014 | December 31, 2013 |
|----------------------------------|-------------------|-------------------|
| <b>Current assets</b>            |                   |                   |
| <b>Cash and cash equivalents</b> |                   |                   |
| Demand deposits                  | 889,839           | 1,021,870         |
| <b>Deposits in banks</b>         |                   |                   |
| Time deposits                    | 1,453,677         | 1,231,539         |
| Restricted cash (*)              | 72,805            | 70,000            |
|                                  | 1,526,482         | 1,301,539         |
| <b>Non-current assets</b>        |                   |                   |
| <b>Deposits in banks</b>         |                   |                   |
| Restricted cash (*)              | 8,427             | 13                |
|                                  | 2,424,748         | 2,323,422         |

(\*) Restricted cash includes mutual growth fund to aid LG Group's second and third-tier suppliers, and others.

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For the years ended December 31, 2014 and 2013

**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> | <b>December 31, 2014</b> | <b>December 31, 2013</b> |
|-----------------------------|--------------------------|--------------------------|
| Trade, net                  | 2,572,880                | 2,441,087                |
| Due from related parties    | 871,597                  | 687,539                  |
|                             | <b>3,444,477</b>         | <b>3,128,626</b>         |

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

| <i>(In millions of won)</i>        | <b>December 31, 2014</b> | <b>December 31, 2013</b> |
|------------------------------------|--------------------------|--------------------------|
| <b>Current assets</b>              |                          |                          |
| Non-trade accounts receivable, net | 101,027                  | 79,055                   |
| Accrued income                     | 18,451                   | 10,482                   |
| Short-term loans                   |                          | 8                        |
|                                    | <b>119,478</b>           | <b>89,545</b>            |

Due from related parties included in other accounts receivable, as of December 31, 2014 and 2013 are 13,694 million and 5,005 million, respectively.

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

| <i>(In millions of won)</i> | <b>December 31, 2014</b> | <b>December 31, 2013</b> |
|-----------------------------|--------------------------|--------------------------|
| <b>Current assets</b>       |                          |                          |
| Advance payments            | 11,960                   | 10,854                   |
| Prepaid expenses            | 48,858                   | 50,234                   |
| Value added tax refundable  | 435,847                  | 187,337                  |
| Others                      |                          | 3,557                    |

|                            |         |         |
|----------------------------|---------|---------|
|                            | 496,665 | 251,982 |
| <b>Non-current assets</b>  |         |         |
| Long-term prepaid expenses | 257,769 | 213,682 |
| Others                     | 2,900   | 3,500   |
|                            | 260,669 | 217,182 |

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For the years ended December 31, 2014 and 2013

**8. Inventories**

Inventories at the reporting date are as follows:

| <i>(In millions of won)</i> | <b>December 31, 2014</b> | <b>December 31, 2013</b> |
|-----------------------------|--------------------------|--------------------------|
| Finished goods              | 1,200,592                | 733,987                  |
| Work-in-process             | 745,614                  | 605,718                  |
| Raw materials               | 426,380                  | 261,947                  |
| Supplies                    | 381,512                  | 331,589                  |
|                             | <b>2,754,098</b>         | <b>1,933,241</b>         |

For the years ended December 31, 2014 and 2013, the amount of inventories recognized as cost of sales, inventory write-downs and reversal and usage of inventory write-downs included in cost of sales is as follows:

| <i>(In millions of won)</i>                            | <b>2014</b> | <b>2013</b> |
|--|-------------|-------------|
| Inventories recognized as cost of sales                | 22,667,134  | 23,524,851  |
| Including: inventory write-downs                       | 332,699     | 211,363     |
| Including: reversal and usage of inventory write-downs | (211,363)   | (135,720)   |

There were no significant reversals of inventory write-downs recognized during 2014 and 2013.

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For the years ended December 31, 2014 and 2013

**9. Other Financial Assets**

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

| <i>(In millions of won)</i>         | <b>December 31, 2014</b> | <b>December 31, 2013</b> |
|-------------------------------------|--------------------------|--------------------------|
| <b>Current assets</b>               |                          |                          |
| Deposits                            | 681                      | 919                      |
| Available-for-sale financial assets | 2,569                    |                          |
|                                     | 3,250                    | 919                      |
| <b>Non-current assets</b>           |                          |                          |
| Available-for-sale financial assets | 6,831                    | 16,908                   |
| Deposits                            | 18,921                   | 20,520                   |
| Long-term other accounts receivable | 7,859                    | 8,818                    |
|                                     | 33,611                   | 46,246                   |

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

| <i>(In millions of won)</i>  | <b>December 31, 2014</b> | <b>December 31, 2013</b> |
|------------------------------|--------------------------|--------------------------|
| <b>Current assets</b>        |                          |                          |
| <b>Debt securities</b>       |                          |                          |
| Government bonds             | 2,569                    |                          |
| <b>Non-current assets</b>    |                          |                          |
| <b>Debt securities</b>       |                          |                          |
| Government bonds             | 668                      | 2,838                    |
| <b>Equity securities</b>     |                          |                          |
| Intellectual Discovery, Ltd. | 2,673                    | 2,673                    |
| Siliconworks Co., Ltd.       |                          | 11,281                   |
| Henghao Technology Co., Ltd. | 3,372                    |                          |
| Other                        | 118                      | 116                      |
|                              | 6,163                    | 14,070                   |

|  |       |        |
|--|-------|--------|
|  | 9,400 | 16,908 |
|--|-------|--------|

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For the years ended December 31, 2014 and 2013

**10. Investments in Equity Accounted Investees**

(a) Investments in equity accounted investees consist of the following:

*(in millions of won)*

| <b>Company</b>                              | <b>Carrying value</b>    |                          |
|---|--------------------------|--------------------------|
|   | <b>December 31, 2014</b> | <b>December 31, 2013</b> |
| Suzhou Raken Technology Co., Ltd.           | 138,912                  | 134,508                  |
| Global OLED Technology LLC                  | 28,733                   | 31,162                   |
| Paju Electric Glass Co., Ltd.               | 77,162                   | 79,417                   |
| TLI Inc. (*)                                | 5,400                    | 5,596                    |
| AVACO Co., Ltd. (*)                         | 11,680                   | 8,892                    |
| New Optics Ltd.                             | 41,199                   | 34,095                   |
| LIG ADP Co., Ltd. (*)                       | 2,094                    | 1,523                    |
| WooRee E&L Co. Ltd (*)                      | 23,111                   | 27,273                   |
| LB Gemini New Growth Fund No.16             | 14,396                   | 19,483                   |
| Can Yang Investments Limited                | 9,467                    | 11,754                   |
| YAS Co., Ltd.                               | 11,019                   | 9,826                    |
| Eralite Optoelectronics (Jiangsu) Co., Ltd. |                          | 1,830                    |
| Narenanotech Corporation                    | 25,503                   | 25,497                   |
| AVATEC Co., Ltd. (*)                        | 18,773                   | 15,680                   |
| Glonix Co., Ltd.                            | 195                      |                          |
|   | 407,644                  | 406,536                  |

(\*) Based on quoted market prices at December 31, 2014, the fair values of the investments in TLI Inc., AVACO Co., Ltd., LIG ADP Co., Ltd., WooRee E&L Co.Ltd., and AVATEC Co., Ltd., which are listed companies on the Korea Exchange, are 6,891 million, 10,437 million, 12,630 million, 14,688 million and 31,270 million, respectively.

Dividends received from equity accounted investees for the years ended December 31, 2014 and 2013 amounted to 1,058 million and 14,276 million, respectively.

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For the years ended December 31, 2014 and 2013

**10. Investments in Equity Accounted Investees, Continued**

(b) Summary of financial information as of and for the years ended December 31, 2013 and 2014 of significant joint venture are as follows.

**(i) Summary of financial information**

Suzhou Raken Technology Co., Ltd.

| <i>(In millions of won)</i> | <b>December 31, 2014</b> | <b>December 31, 2013</b> |
|-----------------------------|--------------------------|--------------------------|
| <b>Total assets</b>         | 473,486                  | 624,546                  |
| Current assets              | 373,640                  | 513,044                  |
| Non-current assets          | 99,846                   | 111,502                  |
| <b>Total liabilities</b>    | 199,313                  | 360,146                  |
| Current liabilities         | 199,313                  | 360,146                  |

| <i>(In millions of won)</i> | <b>2014</b> | <b>2013</b> |
|-----------------------------|-------------|-------------|
| Revenue                     | 1,177,261   | 1,789,364   |
| Profit for the year         | 5,452       | 8,077       |
| Other comprehensive income  | 4,321       | 3,024       |
| Total comprehensive income  | 9,773       | 11,101      |

**(ii) Additional financial information**

Suzhou Raken Technology Co., Ltd.

| <i>(In millions of won)</i> | <b>December 31, 2014</b> | <b>December 31, 2013</b> |
|-----------------------------|--------------------------|--------------------------|
| Cash and cash equivalents   | 18,648                   | 28,165                   |

| <i>(In millions of won)</i> | <b>2014</b> | <b>2013</b> |
|-----------------------------|-------------|-------------|
| Depreciation                | 9,611       | 11,607      |
| Amortization                | 531         | 619         |
| Interest income             | 4,043       | 2,323       |
| Interest expense            | 17          | 307         |
| Income tax expense          | 2,704       | 2,070       |





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**10. Investments in Equity Accounted Investees, Continued**

(c) Reconciliation from financial information of significant joint ventures to their carrying value in the consolidated financial statements as of December 31, 2014 and 2013 are as follows:

(i) As of December 31, 2014

*(In millions of won)*

| <b>Company</b>                    | <b>Net asset</b> | <b>Ownership interest</b> | <b>Net asset (applying ownership interest)</b> | <b>Intra-group transaction</b> | <b>Book value</b> |
|-----------------------------------|------------------|---------------------------|--|--------------------------------|-------------------|
| Suzhou Raken Technology Co., Ltd. | 274,173          | 51%                       | 139,828  | (916)                          | 138,912           |

(ii) As of December 31, 2013

*(In millions of won)*

| <b>Company</b>                    | <b>Net asset</b> | <b>Ownership interest</b> | <b>Net asset (applying ownership interest)</b> | <b>Intra-group transaction</b> | <b>Book value</b> |
|-----------------------------------|------------------|---------------------------|--|--------------------------------|-------------------|
| Suzhou Raken Technology Co., Ltd. | 264,400          | 51%                       | 134,844  | (336)                          | 134,508           |

(d) Book value of individually non-significant joint ventures and associates in aggregate is as follows:

(i) As of December 31, 2014

*(In millions of won)*

|  | <b>Net profit (loss) of joint ventures and associates (applying ownership interest)</b> |  |  |         |
|--|---|--|--|---------|
|  |   | <b>Other comprehensive income (loss)</b> | <b>Total comprehensive income (loss)</b> |         |
|  | <b>Book value</b>   | <b>Profit (loss) for the year</b>        |  |         |
|  | 28,733  | (3,461)                                  | 1,032                                    | (2,429) |

|  |         |        |          |       |
|--|---------|--------|----------|-------|
| Individually non-significant joint venture |         |        |          |       |
| Individually non-significant associates    | 239,999 | 19,224 | (10,369) | 8,855 |

(ii) As of December 31, 2013

*(In millions of won)*

|  |            | Net profit (loss) of joint ventures and associates<br>(applying ownership interest) |                                |   |
|--|------------|---|--------------------------------|---|
|  | Book value | Profit<br>(loss)<br>for the year  | Other<br>comprehensive<br>loss | Total<br>comprehensive<br>income (loss) |
| Individually non-significant joint venture | 31,162     | (4,388)   | (554)                          | (4,942)                                 |
| Individually non-significant associates    | 240,866    | 22,952  | (20,773)                       | 2,179                                   |

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For the years ended December 31, 2014 and 2013

**10. Investments in Equity Accounted Investees, Continued**

- (e) Changes in investments in equity accounted investees for the years ended December 31, 2014 and 2013 are as follows:

(In millions  
of won)

| Company       |  | 2014      |                          |                       |   |  | December 31 |
|---------------|--|-----------|--------------------------|-----------------------|---|--|-------------|
|               |  | January 1 | Acquisition/<br>Disposal | Dividends<br>received | Equity income<br>(loss) on<br>investments | Other<br>comprehensive<br>income<br>(loss) |             |
| Joint venture | Suzhou Raken<br>Technology<br>Co., Ltd.              | 134,508   |                          |                       | 2,200                                     | 2,204                                      | 138,912     |
| Associates    | Individually<br>non-<br>significant<br>joint venture | 31,162    |                          |                       | (3,461)                                   | 1,032                                      | 28,733      |
|               | Individually<br>non-<br>significant<br>associates    | 240,866   | (8,664)                  | (1,058)               | 19,224                                    | (10,369)                                   | 239,999     |
|               |  | 406,536   | (8,664)                  | (1,058)               | 17,963                                    | (7,133)                                    | 407,644     |

(In millions  
of won)

| Company       |   | 2013      |                          |                       |   |  | December 31 |
|---------------|---|-----------|--------------------------|-----------------------|---|--|-------------|
|               |   | January 1 | Acquisition/<br>Disposal | Dividends<br>received | Equity income<br>(loss) on<br>investments | Other<br>comprehensive<br>income<br>(loss) |             |
| Joint venture | Suzhou Raken<br>Technology<br>Co., Ltd. | 128,751   | 11,918                   | (12,804)              | 5,101                                     | 1,542                                      | 134,508     |
| Associates    |   | 39,760    | (3,656)                  |                       | (4,388)                                   | (554)                                      | 31,162      |

Individually  
non-  
significant  
joint venture

Individually  
non-  
significant  
associates

|         |        |          |        |          |       |         |
|---------|--------|----------|--------|----------|-------|---------|
| 233,647 | 5,381  | (1,472)  | 22,952 | (20,773) | 1,131 | 240,866 |
| 402,158 | 13,643 | (14,276) | 23,665 | (19,785) | 1,131 | 406,536 |

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For the years ended December 31, 2014 and 2013

**11. Property, Plant and Equipment**

Changes in property, plant and equipment for the year ended December 31, 2014 are as follows:

*(In millions of won)*

|   | <b>Land</b> | <b>Buildings and structures</b> | <b>Machinery and equipment</b> | <b>Furniture and fixtures</b> | <b>Construction-in-progress (*1)</b> | <b>Others</b> | <b>Total</b> |
|---|-------------|---------------------------------|--------------------------------|-------------------------------|--------------------------------------|---------------|--------------|
| Acquisition cost as of January 1, 2014            | 438,375     | 5,620,915                       | 31,533,365                     | 785,971                       | 2,745,587                            | 269,320       | 41,393,533   |
| Accumulated depreciation as of January 1, 2014    |             | (1,570,196)                     | (27,108,971)                   | (686,312)                     |                                      | (218,867)     | (29,584,346) |
| Accumulated impairment loss as of January 1, 2014 |             |                                 | (839)                          | (1)                           |                                      | (13)          | (853)        |
| Book value as of January 1, 2014                  | 438,375     | 4,050,719                       | 4,423,555                      | 99,658                        | 2,745,587                            | 50,440        | 11,808,334   |
| Additions   |             |                                 |                                |                               | 2,868,331                            |               | 2,868,331    |
| Depreciation                                      |             | (269,049)                       | (2,878,246)                    | (55,090)                      |                                      | (19,700)      | (3,222,085)  |
| Impairment loss                                   |             |                                 | (8,097)                        |                               |                                      |               | (8,097)      |
| Disposals   | (3,778)     | (9,507)                         | (14,786)                       | (124)                         | (4,414)                              | (222)         | (32,831)     |
| Change due to disposal of a subsidiary            |             |                                 | (3,280)                        | (2,453)                       |                                      | (782)         | (6,515)      |
| Others (*2)                                       | 4           | 336,522                         | 4,052,158                      | 66,809                        | (4,477,903)                          | 22,410        |              |
| Effect of movements in exchange rates             |             | 5,814                           | 47,454                         | 317                           | (8,852)                              | 420           | 45,153       |
| Subsidy received                                  |             |                                 | (49,424)                       |                               |                                      |               | (49,424)     |
| Book value as of December 31, 2014                | 434,601     | 4,114,499                       | 5,569,334                      | 109,117                       | 1,122,749                            | 52,566        | 11,402,866   |
|   | 434,601     | 5,952,542                       | 35,359,577                     | 833,458                       | 1,122,749                            | 236,323       | 43,939,250   |

Acquisition cost  
as of  
December 31,  
2014

|   |             |              |           |           |              |
|---|-------------|--------------|-----------|-----------|--------------|
| Accumulated<br>depreciation as of<br>December 31,<br>2014 | (1,838,043) | (29,782,076) | (724,340) | (183,744) | (32,528,203) |
|---|-------------|--------------|-----------|-----------|--------------|

|  |  |         |     |      |         |
|--|--|---------|-----|------|---------|
| Accumulated<br>impairment loss as<br>of December 31,<br>2014 |  | (8,167) | (1) | (13) | (8,181) |
|--|--|---------|-----|------|---------|

(\*1) As of December 31, 2014, construction-in-progress relates to construction of manufacturing facilities.

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

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**11. Property, Plant and Equipment, Continued**

Changes in property, plant and equipment for the year ended December 31, 2013 are as follows:

*(In millions of won)*

|   | <b>Land</b> | <b>Buildings and structures</b> | <b>Machinery and equipment</b> | <b>Furniture and fixtures</b> | <b>Construction-in-progress (*1)</b> | <b>Others</b> | <b>Total</b> |
|---|-------------|---------------------------------|--------------------------------|-------------------------------|--------------------------------------|---------------|--------------|
| Acquisition cost as of January 1, 2013            | 440,992     | 5,546,497                       | 31,490,302                     | 755,948                       | 966,902                              | 256,806       | 39,457,447   |
| Accumulated depreciation as of January 1, 2013    |             | (1,299,436)                     | (24,228,377)                   | (624,950)                     |                                      | (197,173)     | (26,349,936) |
| Accumulated impairment loss as of January 1, 2013 |             |                                 |                                |                               |                                      |               |              |
| Book value as of January 1, 2013                  | 440,992     | 4,247,061                       | 7,261,925                      | 130,998                       | 966,902                              | 59,633        | 13,107,511   |
| Additions   |             |                                 |                                |                               | 2,390,259                            |               | 2,390,259    |
| Depreciation                                      |             | (268,494)                       | (3,244,953)                    | (65,210)                      |                                      | (19,815)      | (3,598,472)  |
| Impairment loss                                   |             |                                 | (839)                          | (1)                           |                                      | (13)          | (853)        |
| Disposals   | (3,579)     | (8,521)                         | (18,873)                       | (478)                         |                                      | (406)         | (31,857)     |
| Others (*2)                                       | 962         | 82,952                          | 434,039                        | 34,434                        | (563,453)                            | 11,066        |              |
| Effect of movements in exchange rates             |             | (535)                           | (7,744)                        | (85)                          | 9,764                                | (25)          | 1,375        |
| Subsidy received                                  |             | (1,744)                         |                                |                               | (57,885)                             |               | (59,629)     |
| Book value as of December 31, 2013                | 438,375     | 4,050,719                       | 4,423,555                      | 99,658                        | 2,745,587                            | 50,440        | 11,808,334   |
| Acquisition cost as of December 31, 2013          | 438,375     | 5,620,915                       | 31,533,365                     | 785,971                       | 2,745,587                            | 269,320       | 41,393,533   |



|   |             |              |           |           |              |
|---|-------------|--------------|-----------|-----------|--------------|
| Accumulated depreciation as of December 31, 2013    | (1,570,196) | (27,108,971) | (686,312) | (218,867) | (29,584,346) |
| Accumulated impairment loss as of December 31, 2013 |             | (839)        | (1)       | (13)      | (853)        |

(\*1) As of December 31, 2013, construction-in-progress relates to construction of manufacturing facilities.

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

The capitalized borrowing costs and capitalization rate for the years ended December 31, 2014 and 2013 are as follows:

*(In millions of won)*

|                             | <b>2014</b> | <b>2013</b> |
|-----------------------------|-------------|-------------|
| Capitalized borrowing costs | 35,771      | 26,144      |
| Capitalization rate         | 4.23%       | 4.56%       |

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Notes to the Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

**12. Intangible Assets**

Changes in intangible assets for the year ended December 31, 2014 are as follows:

| <i>(millions of won)</i>                             | Intellectual<br>property<br>rights | Software  | Member-<br>ships | Develop-<br>ment<br>costs | Construction-<br>in-progress<br>(software) | Customer<br>relation-<br>ships | Techno-<br>logy | Good-<br>will | Others<br>(*2) | Total       |
|--|------------------------------------|-----------|------------------|---------------------------|--|--------------------------------|-----------------|---------------|----------------|-------------|
| Acquisition cost as of<br>January 1, 2014            | 561,400                            | 524,759   | 50,258           | 617,355                   | 10,704                                     | 24,011                         | 11,074          | 14,593        | 13,089         | 1,827,223   |
| Accumulated<br>amortization as of<br>January 1, 2014 | (467,707)                          | (398,752) |                  | (454,112)                 |  | (12,591)                       | (4,065)         |               | (12,581)       | (1,349,808) |
| Impairment loss as of<br>January 1, 2014             |                                    |           | (9,250)          |                           |  |                                |                 |               |                | (9,250)     |
| Book value as of<br>January 1, 2014                  | 93,693                             | 126,007   | 41,008           | 163,243                   | 10,704                                     | 11,420                         | 7,009           | 14,593        | 508            | 468,134     |
| Acquisitions - internally<br>developed               |                                    |           |                  | 267,081                   |  |                                |                 |               |                | 267,081     |
| Acquisitions - external<br>purchases                 | 26,160                             |           |                  |                           | 84,797                                     |                                |                 |               |                | 110,957     |
| Amortization (*1)                                    | (17,754)                           | (70,802)  |                  | (176,700)                 |  | (3,428)                        | (1,106)         |               | (436)          | (270,220)   |
| Reversals  | (672)                              |           |                  |                           |  |                                |                 |               |                | (672)       |
| Change due to disposal<br>of subsidiary              |                                    | (514)     |                  |                           |  |                                |                 |               |                | (514)       |
| Impairment loss                                      |                                    |           | (492)            |                           |  |                                |                 |               |                | (492)       |
| Transfer from<br>construction-in-progress            |                                    | 90,274    |                  |                           | (90,274)                                   |                                |                 |               |                |             |
| Effect of movements in<br>exchange rates             |                                    | 2,331     |                  |                           | 20   |                                |                 |               |                | 2,351       |
| Book value as of<br>December 31, 2014                | 101,427                            | 147,296   | 40,516           | 253,624                   | 5,247                                      | 7,992                          | 5,903           | 14,593        | 72             | 576,668     |
| Acquisition cost as of<br>December 31, 2014          | 587,068                            | 611,149   | 50,258           | 884,436                   | 5,247                                      | 24,011                         | 11,074          | 14,593        | 13,089         | 2,200,923   |
|  | (485,641)                          | (463,853) |                  | (630,812)                 |  | (16,019)                       | (5,171)         |               | (13,017)       | (1,614,503) |

umulated  
ortization as of  
ember 31, 2014

umulated  
airment loss as of  
ember 31, 2014

(9,742)

(9,742)

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

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

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For the years ended December 31, 2014 and 2013

**12. Intangible Assets, Continued**

Changes in intangible assets for the year ended December 31, 2013 are as follows:

| <i>(millions of won)</i>                             | <b>Intellectual<br/>property<br/>rights</b> | <b>Software</b> | <b>Member-<br/>ships</b> | <b>Develop-<br/>ment<br/>costs</b> | <b>Construction-<br/>in-progress<br/>(software)</b> | <b>Customer<br/>relation-<br/>ships</b> | <b>Tech-<br/>nology</b> | <b>Good-<br/>will</b> | <b>Others<br/>(*2)</b> | <b>Total</b> |
|--|---|-----------------|--------------------------|------------------------------------|---|---|-------------------------|-----------------------|------------------------|--------------|
| Acquisition cost as of<br>January 1, 2013            | 542,952                                     | 470,074         | 50,233                   | 529,349                            | 2,222   | 24,011                                  | 11,074                  | 23,912                | 13,077                 | 1,666,900    |
| Accumulated<br>amortization as of<br>January 1, 2013 | (456,756)                                   | (311,216)       |                          | (332,873)                          |   | (9,164)                                 | (2,958)                 |                       | (11,788)               | (1,124,799)  |
| Impairment loss as of<br>January 1, 2013             |   |                 | (7,928)                  | (27,300)                           |   |   |                         | (9,319)               |                        | (44,547)     |
| Book value as of<br>January 1, 2013                  | 86,196                                      | 158,858         | 42,305                   | 169,176                            | 2,222   | 14,847                                  | 8,116                   | 14,593                | 1,289                  | 497,603      |
| Acquisitions - internally<br>developed               |   |                 |                          | 123,271                            |   |   |                         |                       |                        | 123,271      |
| Acquisitions - external<br>purchases                 | 22,996                                      |                 | 1,248                    |                                    | 62,709  |   |                         |                       | 3                      | 86,956       |
| Amortization (*1)                                    | (15,214)                                    | (87,164)        |                          | (128,350)                          |   | (3,427)                                 | (1,107)                 |                       | (784)                  | (236,042)    |
| Disposals  | (285)                                       |                 | (1,215)                  | (854)                              |   |   |                         |                       |                        | (2,354)      |
| Impairment loss                                      |   | (35)            | (1,330)                  |                                    |   |   |                         |                       |                        | (1,365)      |
| Transfer from<br>construction-in-progress            |   | 54,227          |                          |                                    | (54,227)  |   |                         |                       |                        |              |
| Effect of movements in<br>exchange rates             |   | 121             |                          |                                    |   |   |                         |                       |                        | 121          |
| Book value as of<br>December 31, 2013                | 93,693                                      | 126,007         | 41,008                   | 163,243                            | 10,704  | 11,420                                  | 7,009                   | 14,593                | 508                    | 468,175      |
| Acquisition cost as of<br>December 31, 2013          | 561,400                                     | 524,759         | 50,258                   | 617,355                            | 10,704  | 24,011                                  | 11,074                  | 14,593                | 13,089                 | 1,827,233    |
|  | (467,707)                                   | (398,752)       |                          | (454,112)                          |   | (12,591)                                | (4,065)                 |                       | (12,581)               | (1,349,808)  |

umulated  
 rtization as of  
 ember 31, 2013

umulated  
 airment loss as of  
 ember 31, 2013

(9,250)

(9,2

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

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

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Notes to the Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

**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)*

|  | <b>December 31, 2014</b> | <b>December 31, 2013</b> |
|--|--------------------------|--------------------------|
| Cash and cash equivalents                | 889,839                  | 1,021,870                |
| Deposits in banks                        | 1,534,909                | 1,301,552                |
| Trade accounts and notes receivable, net | 3,444,477                | 3,128,626                |
| Other accounts receivable, net           | 119,478                  | 89,545                   |
| Available-for-sale financial assets      | 3,237                    | 2,838                    |
| Other non-current financial assets       | 7,859                    | 8,818                    |
| Deposits                                 | 19,602                   | 21,439                   |
|  | <b>6,019,401</b>         | <b>5,574,688</b>         |

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

*(In millions of won)*

|                     | <b>December 31, 2014</b> | <b>December 31, 2013</b> |
|---------------------|--------------------------|--------------------------|
| Domestic            | 406,163                  | 264,703                  |
| Euro-zone countries | 309,296                  | 302,920                  |
| Japan               | 135,972                  | 111,397                  |
| United States       | 1,300,700                | 1,048,005                |
| China               | 746,111                  | 784,597                  |
| Taiwan              | 378,272                  | 438,929                  |
| Others              | 167,963                  | 178,075                  |
|                     | <b>3,444,477</b>         | <b>3,128,626</b>         |



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Notes to the Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

13. **Financial Instruments, Continued**

## (ii) Impairment loss

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

*(In millions of won)*

|                            | <b>December 31, 2014</b> |                            | <b>December 31, 2013</b> |                            |
|----------------------------|--------------------------|----------------------------|--------------------------|----------------------------|
|                            | <b>Book<br/>value</b>    | <b>Impairment<br/>loss</b> | <b>Book<br/>value</b>    | <b>Impairment<br/>loss</b> |
| Not past due               | 3,412,933                | (762)                      | 3,091,184                | (317)                      |
| Past due 1-15 days         | 26,220                   | (30)                       | 30,005                   | (8)                        |
| Past due 16-30 days        | 4,130                    | (13)                       | 7,504                    | (1)                        |
| Past due 31-60 days        | 1,830                    | (18)                       | 82                       | (1)                        |
| Past due more than 60 days | 189                      | (2)                        | 181                      | (3)                        |
|                            | 3,445,302                | (825)                      | 3,128,956                | (330)                      |

The movement in the allowance for impairment in respect of receivables for the years ended December 31, 2014 and 2013 is as follows:

*(In millions of won)*

|                                      | <b>2014</b> | <b>2013</b> |
|--------------------------------------|-------------|-------------|
| Balance at the beginning of the year | 330         | 1,019       |
| (Reversal of) Bad debt expense       | 495         | (689)       |
| Balance at the end of the year       | 825         | 330         |



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Notes to the Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

**13. Financial Instruments, Continued****(b) Liquidity Risk**

The following are the contractual maturities of financial liabilities, including estimated interest payments, as of December 31, 2014.

*(In millions of won)*

|   | Carrying<br>amount | Total     | Contractual cash flows |                |           |                                   |     |
|---|--------------------|-----------|------------------------|----------------|-----------|-----------------------------------|-----|
|   |                    |           | 6 months<br>or less    | 6-12<br>months | 1-2 years | More than<br>2-5 years<br>5 years |     |
| Non-derivative<br>financial liabilities |                    |           |                        |                |           |                                   |     |
| Secured bank loan                       | 649,140            | 720,878   | 9,927                  | 10,092         | 20,073    | 680,786                           |     |
| Unsecured bank loans                    | 1,003,563          | 1,021,287 | 266,552                | 99,823         | 393,746   | 260,548                           | 618 |
| Unsecured bond issues                   | 2,594,683          | 2,799,414 | 249,662                | 454,352        | 1,060,631 | 1,034,769                         |     |
| Trade accounts and<br>notes payable     | 3,391,635          | 3,391,635 | 3,391,635              |                |           |                                   |     |
| Other accounts payable                  | 1,494,095          | 1,494,208 | 1,481,243              | 12,965         |           |                                   |     |
| Other non-current<br>liabilities        | 12,924             | 14,092    |                        |                | 10,760    | 3,332                             |     |
|   | 9,146,040          | 9,441,514 | 5,399,019              | 577,232        | 1,485,210 | 1,979,435                         | 618 |

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

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For the years ended December 31, 2014 and 2013

**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, 2014 |          |         |       |      |      |      |
|--|-------------------|----------|---------|-------|------|------|------|
|  | USD               | JPY      | CNY     | TWD   | EUR  | PLN  | BRL  |
| Cash and cash equivalents                      | 507               | 1,221    | 1,565   | 146   | 1    | 79   |      |
| Trade accounts and notes receivable            | 2,737             | 682      | 962     |       |      |      |      |
| Other accounts receivable                      | 13                |          | 205     | 1     | 21   |      |      |
| Long-term other accounts receivable            | 6                 |          |         |       |      |      |      |
| Other assets denominated in foreign currencies | 1                 | 255      | 18      | 7     |      |      |      |
| Trade accounts and notes payable               | (1,750)           | (21,468) | (1,233) |       |      |      |      |
| Other accounts payable                         | (268)             | (6,056)  | (1,522) | (128) | (20) | (11) | (34) |
| Long-term other accounts payable               |                   |          | (1)     |       |      |      |      |
| Debt   | (1,508)           |          |         |       |      |      |      |
| Net exposure                                   | (262)             | (25,366) | (6)     | 26    | 2    | 68   | (34) |

*(In millions)*

|  | December 31, 2013 |          |         |      |      |     |     |
|--|-------------------|----------|---------|------|------|-----|-----|
|  | USD               | JPY      | CNY     | TWD  | EUR  | PLN | SGD |
| Cash and cash equivalents                      | 710               | 1,961    | 1,108   | 20   | 20   | 38  |     |
| Deposits in banks                              |                   |          |         |      | 20   |     |     |
| Trade accounts and notes receivable            | 2,463             | 6,410    | 1,391   | 6    | 19   | 17  |     |
| Other accounts receivable                      | 5                 |          | 160     |      | 2    |     |     |
| Long-term other accounts receivable            | 8                 |          |         |      |      |     |     |
| Available-for-sale financial assets            |                   |          |         | 3    |      |     |     |
| Other assets denominated in foreign currencies | 1                 | 170      | 20      | 8    |      |     | 1   |
| Trade accounts and notes payable               | (1,858)           | (30,834) | (1,858) | (11) | (15) |     |     |
| Other accounts payable                         | (191)             | (4,404)  | (1,528) | (12) | (34) | (8) |     |
| Debt   | (715)             |          | (31)    |      |      |     |     |
| Net exposure                                   | 423               | (26,697) | (738)   | 14   | 12   | 47  | 1   |



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For the years ended December 31, 2014 and 2013

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 |                   |
|-----------------|--------------|----------|--------------------------|-------------------|
|                 | 2014         | 2013     | December 31, 2014        | December 31, 2013 |
| USD             | 1,052.70     | 1,094.79 | 1,099.20                 | 1,055.30          |
| JPY             | 9.96         | 11.23    | 9.20                     | 10.05             |
| CNY             | 170.83       | 178.06   | 176.81                   | 174.09            |
| TWD             | 34.73        | 36.89    | 34.69                    | 35.32             |
| EUR             | 1,398.37     | 1,453.39 | 1,336.52                 | 1,456.26          |
| PLN             | 334.20       | 346.39   | 312.49                   | 351.11            |
| SGD             | 830.71       | 875.08   | 831.75                   | 832.75            |
| BRL             | 448.16       | 509.26   | 413.62                   | 446.75            |

## (ii) Sensitivity analysis

A weaker won, as indicated below, against the following currencies which comprise the Group's assets or liabilities denominated in a foreign currency as of December 31, 2014 and 2013, 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 considers to be reasonably possible as of the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, would remain constant. The changes in equity and profit or loss would have been as follows:

| <i>(In millions of won)</i> | December 31, 2014 |                | December 31, 2013 |                |
|-----------------------------|-------------------|----------------|-------------------|----------------|
|                             | Equity            | Profit or loss | Equity            | Profit or loss |
| USD (5 percent weakening)   | (15,674)          | 3,829          | 15,198            | 22,224         |
| JPY (5 percent weakening)   | (9,701)           | (6,169)        | (11,007)          | (7,526)        |
| CNY (5 percent weakening)   | 197               | (757)          | (6,267)           | (515)          |
| TWD (5 percent weakening)   | 46                |                | 28                | (4)            |
| EUR (5 percent weakening)   | (360)             | 1,511          | 250               | 1,877          |
| PLN (5 percent weakening)   | 981               | 242            | 669               | 494            |
| SGD (5 percent weakening)   |                   |                | 31                |                |
| BRL (5 percent weakening)   | (533)             | (533)          |                   |                |

A stronger won against the above currencies as of December 31, 2014 and 2013 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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For the years ended December 31, 2014 and 2013

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:

*(In millions of won)*

|                                  | December 31, 2014 | December 31, 2013 |
|----------------------------------|-------------------|-------------------|
| <b>Fixed rate instruments</b>    |                   |                   |
| Financial assets                 | 2,427,972         | 2,326,247         |
| Financial liabilities            | (2,822,170)       | (3,156,590)       |
|                                  | (394,198)         | (830,343)         |
| <b>Variable rate instruments</b> |                   |                   |
| Financial liabilities            | (1,425,216)       | (746,189)         |

(ii) Equity and profit or loss sensitivity analysis for variable rate instruments

For the years ended December 31, 2014 and 2013 a change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below for the respective following years. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

*(In millions of won)*

|                           | Equity         |                | Profit or loss |                |
|---------------------------|----------------|----------------|----------------|----------------|
|                           | 1%<br>increase | 1%<br>decrease | 1%<br>increase | 1%<br>decrease |
| <b>December 31, 2014</b>  |                |                |                |                |
| Variable rate instruments | (10,803)       | 10,803         | (10,803)       | 10,803         |
| <b>December 31, 2013</b>  |                |                |                |                |
| Variable rate instruments | (5,656)        | 5,656          | (5,656)        | 5,656          |

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For the years ended December 31, 2014 and 2013

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 consolidated statement of financial position, are as follows:

*(In millions of won)*

|  | December 31, 2014 |             | December 31, 2013 |             |
|--|-------------------|-------------|-------------------|-------------|
|  | Carrying amounts  | Fair values | Carrying amounts  | Fair values |
| <b>Assets carried at fair value</b>          |                   |             |                   |             |
| Available-for-sale financial assets          | 3,237             | 3,237       | 14,235            | 14,235      |
| <b>Assets carried at amortized cost</b>      |                   |             |                   |             |
| Cash and cash equivalents                    | 889,839           | (*)         | 1,021,870         | (*)         |
| Deposits in banks                            | 1,534,909         | (*)         | 1,301,552         | (*)         |
| Trade accounts and notes receivable          | 3,444,477         | (*)         | 3,128,626         | (*)         |
| Other accounts receivable                    | 119,478           | (*)         | 89,545            | (*)         |
| Other non-current financial assets           | 7,859             | (*)         | 8,818             | (*)         |
| Deposits                                     | 19,602            | (*)         | 21,439            | (*)         |
| <b>Liabilities carried at amortized cost</b> |                   |             |                   |             |
| Secured bank loans                           | 649,140           | 649,140     | 26,383            | 26,383      |
| Unsecured bank loans                         | 1,003,563         | 1,003,590   | 1,241,981         | 1,266,521   |
| Unsecured bond issues                        | 2,594,683         | 2,667,092   | 2,634,415         | 2,689,697   |
| Trade accounts and notes payable             | 3,391,635         | (*)         | 2,999,522         | (*)         |
| Other accounts payable                       | 1,494,095         | 1,493,869   | 1,374,664         | 1,374,719   |
| Other non-current liabilities                | 12,924            | 13,376      | 9,879             | 9,959       |

(\*) Excluded from disclosures as the carrying amount approximates fair value.

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

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For the years ended December 31, 2014 and 2013

13. Financial Instruments, Continued

(e) Fair Values, Continued

(ii) Financial Instruments measured at cost

Available-for-sale financial assets measured at cost as of December 31, 2014 and 2013 are as follows:

*(In millions of won)*

|                                  | <b>December 31, 2014</b> | <b>December 31, 2013</b> |
|----------------------------------|--------------------------|--------------------------|
| Intellectual Discovery Co., Ltd. | 2,673                    | 2,673                    |
| ARCH Venture Fund Vill, L.P.     | 118                      |                          |
| Henghao Technology Co., Ltd.     | 3,372                    |                          |
|                                  | 6,163                    | 2,673                    |

(iii) Fair values of financial assets and liabilities

i) Fair value hierarchy

The table below analyzes financial instruments carried at fair value based on the input variables used in the valuation method to measure fair value of assets and liabilities. 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

ii) Financial instruments measured at fair value

Fair value hierarchy classifications of the financial instruments that are measured at fair value as of December 31, 2014 and December 31, 2013 are as follows:



*(In millions of won)*

|                                     | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b> |
|-------------------------------------|----------------|----------------|----------------|--------------|
| <b>December 31, 2014</b>            |                |                |                |              |
| <b>Assets</b>                       |                |                |                |              |
| Available-for-sale financial assets | 3,237          |                |                | 3,237        |

*(In millions of won)*

|                                     | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b> |
|-------------------------------------|----------------|----------------|----------------|--------------|
| <b>December 31, 2013</b>            |                |                |                |              |
| <b>Assets</b>                       |                |                |                |              |
| Available-for-sale financial assets | 14,235         |                |                | 14,235       |

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For the years ended December 31, 2014 and 2013

**13. Financial Instruments, Continued**

(e) Fair Values, Continued

iii) Financial instruments not measured at fair value but for which the fair value is disclosed

Fair value hierarchy classifications, valuation technique and inputs for fair value measurements of the financial instruments not measured at fair value but for which the fair value is disclosed as of December 31, 2014 and December 31, 2013 are as follows:

| <i>(In millions of won)</i><br><b>Classification</b> | <b>December 31, 2014</b> |                |                | <b>Valuation technique</b> | <b>Input</b>  |
|--|--------------------------|----------------|----------------|----------------------------|---------------|
|  | <b>Level 1</b>           | <b>Level 2</b> | <b>Level 3</b> |                            |               |
| <b>Liabilities</b>                                   |                          |                |                |                            |               |
| Secured bank loan                                    |                          |                | 649,140        | Discounted cash flow       | Discount rate |
| Unsecured bank loans                                 |                          |                | 1,003,590      | Discounted cash flow       | Discount rate |
| Unsecured bond issues                                |                          |                | 2,667,092      | Discounted cash flow       | Discount rate |
| Other accounts payable                               |                          |                | 1,493,869      | Discounted cash flow       | Discount rate |
| Other non-current liabilities                        |                          |                | 13,376         | Discounted cash flow       | Discount rate |

| <i>(In millions of won)</i><br><b>Classification</b> | <b>December 31, 2013</b> |                |                | <b>Valuation technique</b> | <b>Input</b>  |
|--|--------------------------|----------------|----------------|----------------------------|---------------|
|  | <b>Level 1</b>           | <b>Level 2</b> | <b>Level 3</b> |                            |               |
| <b>Liabilities</b>                                   |                          |                |                |                            |               |
| Secured bank loan                                    |                          |                | 26,383         | Discounted cash flow       | Discount rate |
| Unsecured bank loans                                 |                          |                | 1,266,521      | Discounted cash flow       | Discount rate |
| Unsecured bond issues                                |                          |                | 2,689,697      | Discounted cash flow       | Discount rate |
| Other accounts payable                               |                          |                | 1,374,719      | Discounted cash flow       | Discount rate |
| Other non-current liabilities                        |                          |                | 9,959          | Discounted cash flow       | Discount rate |

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

|                              | <b>December 31, 2014</b> | <b>December 31, 2013</b> |
|------------------------------|--------------------------|--------------------------|
| Debentures, loans and others | 2.23%~2.60%              | 2.81%~3.84%              |

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For the years ended December 31, 2014 and 2013

**14. Financial Liabilities**

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

(In millions of won)

|   | December 31, 2014 | December 31, 2013 |
|---|-------------------|-------------------|
| <b>Current</b>                          |                   |                   |
| Short-term borrowings                   | 223,626           | 21,090            |
| Current portion of long-term debt       | 744,283           | 886,852           |
|   | 967,909           | 907,942           |
| <b>Non-current</b>                      |                   |                   |
| Won denominated borrowings              | 4,452             | 503,968           |
| Foreign currency denominated borrowings | 1,289,837         | 495,991           |
| Bonds                                   | 1,985,188         | 1,994,878         |
|   | 3,279,477         | 2,994,837         |

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

(In millions of won, USD and CNY)

| Lender   | Annual interest rate  |                   |                   |     |
|--|-----------------------|-------------------|-------------------|-----|
|  | as of                 |                   |                   |     |
|  | December 31, 2014 (%) | December 31, 2014 | December 31, 2013 |     |
| Korea Development Bank and others (*)              | 0.49~0.52             | 219,839           |                   |     |
| Woori Bank   |                       |                   |                   | 90  |
| Industrial and Commercial Bank of China and others | 0.66                  | 3,787             | 21,000            |     |
|  |                       | USD               | 203               | USD |
| Foreign currency equivalent                        |                       |                   | CNY               | 31  |

223,626

21,090

(\* ) The Group recognized 3,993 million as interest expense in relation to the above short-term borrowings for the year ended December 31, 2014.

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For the years ended December 31, 2014 and 2013

**14. Financial Liabilities, Continued**

(c) Won denominated long-term debt at the reporting date is as follows:

*(In millions of won)*

| <b>Lender</b>                             | <b>Annual interest rate<br/>as of<br/>December 31, 2014 (%)</b> | <b>December 31,<br/>2014</b> | <b>December 31,<br/>2013</b> |
|---|---|------------------------------|------------------------------|
| Woori Bank and others                     | 3-year Korean Treasury<br>Bond rate less 1.25, 2.75             | 7,336                        | 11,932                       |
| Korea Development Bank and<br>others      | 4.51~4.96   |                              | 496,632                      |
| Less current portion of long-term<br>debt |   | (2,884)                      | (4,596)                      |
|   |   | 4,452                        | 503,968                      |

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

*(In millions of won and USD)*

| <b>Lender</b>                          | <b>Annual interest rate<br/>as of<br/>December 31, 2014 (%)</b> | <b>December 31,<br/>2014</b> | <b>December 31,<br/>2013</b> |
|--|---|------------------------------|------------------------------|
| China Construction Bank and others     | 3ML+0.90~2.80   | 1,421,741                    | 738,710                      |
| Foreign currency equivalent            |   | USD 1,305                    | USD 700                      |
| Less current portion of long-term debt |   | (131,904)                    | (242,719)                    |
|  |   | 1,289,837                    | 495,991                      |

(\*) ML represents Month LIBOR (London Inter-Bank Offered Rates).



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For the years ended December 31, 2014 and 2013

14. **Financial Liabilities, Continued**

(e) Details of bonds issued and outstanding at the reporting date are as follows:

*(In millions of won)*

|                                  | <b>Maturity</b> | <b>Annual interest rate<br/>as of<br/>December 31, 2014<br/>(%)</b> | <b>December 31,<br/>2014</b> | <b>December 31,<br/>2013</b> |
|----------------------------------|-----------------|---|------------------------------|------------------------------|
| <b>Won denominated bonds (*)</b> |                 |   |                              |                              |
| Publicly issued bonds            | June 2015~      |   |                              |                              |
|                                  | October<br>2019 | 2.40~5.89   | 2,600,000                    | 2,640,000                    |
| Less discount on bonds           |                 |   | (5,317)                      | (5,585)                      |
| Less current portion             |                 |   | (609,495)                    | (639,537)                    |
|                                  |                 |   | 1,985,188                    | 1,994,878                    |

(\*) Principal of the won denominated bonds is to be repaid at maturity and interests are paid quarterly in arrears.



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For the years ended December 31, 2014 and 2013

**15. The Nature of Expenses and Others**

The classification of expenses by nature for the years ended December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i>                        | <b>2014</b> | <b>2013</b> |
|--|-------------|-------------|
| Changes in inventories                             | (820,857)   | 456,766     |
| Purchases of raw materials, merchandise and others | 14,384,289  | 14,293,048  |
| Depreciation and amortization                      | 3,492,311   | 3,834,518   |
| Outsourcing fees                                   | 1,084,460   | 736,744     |
| Labor cost   | 2,924,573   | 2,618,910   |
| Supplies and others                                | 1,021,469   | 1,025,938   |
| Utility  | 785,129     | 730,174     |
| Fees and commissions                               | 498,192     | 465,902     |
| Shipping costs                                     | 245,217     | 271,570     |
| Advertising  | 106,509     | 144,847     |
| Warranty expenses                                  | 187,771     | 116,766     |
| Travel   | 74,968      | 59,946      |
| Taxes and dues                                     | 70,523      | 75,983      |
| Others   | 1,176,098   | 1,319,329   |
| (*)  | 25,230,652  | 26,150,441  |

(\*) Total expenses consist of cost of sales, selling, administrative, research and development expenses and other non-operating expenses, excluding foreign exchange differences.

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For the years ended December 31, 2014 and 2013

**16. Selling and Administrative Expenses**

Details of selling and administrative expenses for the years ended December 31, 2014 and 2013 are as follows:

*(In millions of won)*

|   | <b>2014</b>      | <b>2013</b>      |
|---|------------------|------------------|
| Salaries                                  | 256,869          | 232,362          |
| Expenses related to defined benefit plans | 27,618           | 22,037           |
| Other employee benefits                   | 68,826           | 70,254           |
| Shipping costs                            | 199,853          | 215,017          |
| Fees and commissions                      | 182,548          | 197,237          |
| Depreciation                              | 90,180           | 96,115           |
| Taxes and dues                            | 25,370           | 33,998           |
| Advertising                               | 106,509          | 144,847          |
| Warranty expenses                         | 187,771          | 116,766          |
| Rent                                      | 22,048           | 23,299           |
| Insurance                                 | 11,518           | 11,887           |
| Travel                                    | 23,772           | 22,564           |
| Training                                  | 12,572           | 12,080           |
| Others                                    | 51,392           | 50,680           |
|   | <b>1,266,846</b> | <b>1,249,143</b> |

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For the years ended December 31, 2014 and 2013

**17. Employee Benefits**

The Controlling Company and certain subsidiaries defined benefit plans provide 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 defined benefit plans expose the Group actuarial risks, such as the risk associated with expected periods of service, interest rate risk, market (investment) risk, and others with the defined benefit plan.

(a) Recognized net defined benefit liabilities at the reporting date are as follows:

*(In millions of won)*

|   | <b>December 31, 2014</b> | <b>December 31, 2013</b> |
|---|--------------------------|--------------------------|
| Present value of partially funded defined benefit obligations | 1,114,689                | 807,738                  |
| Fair value of plan assets                                     | (790,509)                | (488,651)                |
|   | <b>324,180</b>           | <b>319,087</b>           |

(b) Changes in the present value of the defined benefit obligations for the years ended December 31, 2014 and 2013 are as follows:

*(In millions of won)*

|                                     | <b>2014</b>      | <b>2013</b>    |
|-------------------------------------|------------------|----------------|
| Opening defined benefit obligations | 807,738          | 672,370        |
| Current service cost                | 159,239          | 149,979        |
| Past service cost                   | 21,990           |                |
| Interest cost                       | 34,596           | 26,019         |
| Remeasurements (before tax)         | 144,100          | (1,373)        |
| Benefit payments                    | (54,555)         | (41,264)       |
| Transfers from related parties      | 1,584            | 2,007          |
| Disposal of a subsidiary            | (3)              |                |
| Closing defined benefit obligations | <b>1,114,689</b> | <b>807,738</b> |

Weighted average remaining maturity of defined benefit obligations as of December 31, 2014 and 2013 are 13.7 years and 13.4 years, respectively.

(c) Changes in fair value of plan assets for the years ended December 31, 2014 and 2013 are as follows:

*(In millions of won)*

|   | <b>2014</b> | <b>2013</b> |
|---|-------------|-------------|
| Opening fair value of plan assets                 | 488,651     | 491,730     |
| Expected return on plan assets                    | 19,069      | 16,545      |
| Remeasurements (before tax)                       | (3,722)     | 6           |
| Contributions by employer directly to plan assets | 330,000     | 15,000      |
| Benefit payments                                  | (43,489)    | (34,630)    |
| Closing fair value of plan assets                 | 790,509     | 488,651     |

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For the years ended December 31, 2014 and 2013

**17. Employee Benefits, Continued**

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

*(In millions of won)*

|                              | <b>December 31, 2014</b> | <b>December 31, 2013</b> |
|------------------------------|--------------------------|--------------------------|
| Guaranteed deposits in banks | 790,509                  | 488,651                  |

As of December 31, 2014, the Controlling Company maintains the plan assets with Mirae Asset Securities Co., Ltd., Shinhan Bank, etc.

The Controlling Company's estimated contribution to the plan assets for the year ending December 31, 2015 is 107,291 million under the assumption that the Controlling Company continues to maintain the plan assets at 70% of the amount payable and all the employees of the Controlling Company would leave the Controlling Company on December 31, 2015.

(e) Expenses recognized in profit or loss for the years ended December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | <b>2014</b> | <b>2013</b> |
|-----------------------------|-------------|-------------|
| Current service cost        | 159,239     | 149,979     |
| Past service cost           | 21,990      |             |
| Net interest cost           | 15,527      | 9,474       |
|                             | 196,756     | 159,453     |

Expenses are recognized in the following line items in the consolidated statements of comprehensive income:

| <i>(In millions of won)</i>       | <b>2014</b> | <b>2013</b> |
|-----------------------------------|-------------|-------------|
| Cost of sales                     | 157,324     | 126,716     |
| Selling expenses                  | 11,872      | 10,478      |
| Administrative expenses           | 15,252      | 11,559      |
| Research and development expenses | 12,308      | 10,700      |
|                                   | 196,756     | 159,453     |

- (f) Remeasurements of net defined benefit liabilities (assets) included in other comprehensive income for the years ended December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i>                  | <b>2014</b> | <b>2013</b> |
|--|-------------|-------------|
| Balance at January 1                         | (85,860)    | (86,524)    |
| Remeasurements                               |             |             |
| Actuarial profit or loss arising from:       |             |             |
| Experience adjustment                        | (24,399)    | (33,447)    |
| Demographic assumptions                      | 7,016       | (3,791)     |
| Financial assumptions                        | (126,717)   | 38,611      |
| Return on plan assets                        | (3,722)     | 6           |
| Share of associates regarding remeasurements | 189         | (381)       |
|  | (147,633)   | 998         |
| Income tax                                   | 35,773      | (334)       |
| Balance at December 31                       | (197,720)   | (85,860)    |

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For the years ended December 31, 2014 and 2013

17. Employee Benefits, Continued

(g) Principal actuarial assumptions at the reporting date (expressed as weighted averages) are as follows:

|   | December 31, 2014 | December 31, 2013 |
|---|-------------------|-------------------|
| Expected rate of salary increase              | 5.1%              | 5.1%              |
| Discount rate for defined benefit obligations | 3.5%              | 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, 2014 | December 31, 2013 |
|----------|---------|-------------------|-------------------|
| Twenties | Males   | 0.01%             | 0.01%             |
|          | Females | 0.00%             | 0.00%             |
| Thirties | Males   | 0.01%             | 0.01%             |
|          | Females | 0.01%             | 0.01%             |
| Forties  | Males   | 0.03%             | 0.03%             |
|          | Females | 0.01%             | 0.01%             |
| Fifties  | Males   | 0.06%             | 0.06%             |
|          | Females | 0.03%             | 0.03%             |

(h) Reasonably possible changes to respective relevant actuarial assumptions would have affected the defined benefit obligations by the amounts as of December 31, 2014 are as follows:

|   | Defined benefit obligation |             |
|---|----------------------------|-------------|
|   | 1% increase                | 1% decrease |
| Discount rate for defined benefit obligations | (132,479)                  | 162,165     |
| Expected rate of salary increase              | 157,968                    | (131,892)   |

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18. Provisions and Other Liabilities

(a) Changes in provisions for the year ended December 31, 2014 are as follows:

*(In millions of won)*

|                              | <b>Litigations<br/>and<br/>claims<br/>(*1)</b> | <b>Warranties<br/>(*2)</b> | <b>Others</b> | <b>Total</b> |
|------------------------------|--|----------------------------|---------------|--------------|
| Balance of January 1, 2014   | 156,557  | 47,336                     | 1,843         | 205,736      |
| Additions                    | 46,681   | 187,771                    |               | 234,452      |
| Usage and reclassification   | (54,935)                                       | (183,143)                  | (212)         | (238,290)    |
| Balance at December 31, 2014 | 148,303  | 51,964                     | 1,631         | 201,898      |
| Current                      | 148,303  | 43,950                     | 1,631         | 193,884      |
| Non-current                  |  | 8,014                      |               | 8,014        |

(\*1) The Group expects that the provision for litigation and claims will be utilized in the next year.

(\*2) The provision for warranties covers defective products and is normally applicable for eighteen months from the date of purchase. The warranty liability is calculated by using historical and anticipated rates of warranty claims, and costs per claim to satisfy the Group's warranty obligation.

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

*(In millions of won)*

|                                | <b>December 31, 2014</b> | <b>December 31, 2013</b> |
|--------------------------------|--------------------------|--------------------------|
| <b>Current liabilities</b>     |                          |                          |
| Withholdings                   | 18,991                   | 26,865                   |
| Unearned revenues              | 12,394                   | 4,732                    |
|                                | 31,385                   | 31,597                   |
| <b>Non-current liabilities</b> |                          |                          |



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|                                  |        |         |
|----------------------------------|--------|---------|
| Long-term accrued expenses       | 594    | 335,447 |
| Long-term other accounts payable | 12,924 | 39,559  |
| Long-term unearned revenues      | 8,623  | 7,494   |
|                                  | 22,141 | 382,500 |

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For the years ended December 31, 2014 and 2013

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 USD 2,058 million ( 2,262,681 million) in connection with the Company's export sales transactions with its subsidiaries. As of December 31, 2014, accounts and notes receivable amounting to USD 200 million ( 219,839 million) were sold but are not past due. In connection with all of the contracts in this paragraph, the Controlling Company has sold its accounts receivable with recourse.

The Controlling Company and oversea subsidiaries entered into agreements with financial institutions for accounts receivables sales negotiating facilities. Respective maximum amount of accounts receivables sales and the amount of sold accounts receivables before maturity by contract are as follows:

*(In millions of USD and KRW)*

| Classification                 | Financial institutions                                       | Maximum            |                |         | Not yet due |                |         |
|--------------------------------|--|--------------------|----------------|---------|-------------|----------------|---------|
|                                |  | Contractual amount | KRW equivalent |         | Amount      | KRW equivalent |         |
| <b>Controlling Company</b>     | Shinhan Bank   | KRW                | 100,000        | 100,000 |             |                |         |
| <b>Subsidiaries</b>            |  |                    |                |         |             |                |         |
| LG Display Singapore Pte. Ltd. | Standard Chartered Bank<br>Hongkong & Shanghai Banking Corp. | USD                | 300            | 329,760 | USD         | 56             | 61,363  |
|                                |  |                    | Not applicable |         | USD         | 181            | 198,595 |
| LG Display Taiwan Co., Ltd.    | BNP Paribas<br>Hongkong & Shanghai Banking Corp.             | USD                | 105            | 115,416 | USD         | 28             | 30,655  |
|                                | Sumitomo Mitsui Banking Corporation                          | USD                | 150            | 164,880 | USD         | 87             | 95,911  |
|                                |  | USD                | 200            | 219,840 | USD         | 139            | 152,212 |
| LG Display Shanghai Co., Ltd.  | BNP Paribas<br>Hongkong & Shanghai Banking Corp.             | USD                | 125            | 137,400 | USD         | 91             | 99,429  |
|                                | Bank of China Limited  | USD                | 58             | 64,182  | USD         | 58             | 64,182  |
|                                |  |                    | Not applicable |         | USD         | 12             | 13,073  |
| LG Display Shenzhen Co., Ltd.  | Bank of China Limited  |                    | Not applicable |         | USD         | 53             | 58,544  |
|                                |  |                    | Not applicable |         | USD         | 7              | 7,455   |

Standard Chartered  
Bank

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Notes to the Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

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

| <i>(In millions of USD and KRW)</i> | <b>Financial institutions</b>       | <b>Maximum</b>            |                |                       | <b>Not yet due</b> |       |                       |
|-------------------------------------|-------------------------------------|---------------------------|----------------|-----------------------|--------------------|-------|-----------------------|
|                                     |                                     | <b>Contractual amount</b> |                | <b>KRW equivalent</b> | <b>Amount</b>      |       | <b>KRW equivalent</b> |
| LG Display Germany GmbH             | Citibank                            | USD                       | 200            | 219,840               | USD                | 121   | 133,223               |
|                                     | BNP Paribas                         | USD                       | 132            | 145,094               | USD                | 75    | 82,439                |
|                                     | Commerzbank AG, etc.                |                           | Not applicable |                       | USD                | 21    | 23,587                |
| LG Display America, Inc.            | Hongkong & Shanghai Banking Corp.   | USD                       | 500            | 549,600               | USD                | 500   | 549,567               |
|                                     | Sumitomo Mitsui Banking Corporation | USD                       | 250            | 274,800               | USD                | 105   | 115,845               |
| LG Display Japan Co., Ltd.          | Sumitomo Mitsui Banking Corporation | USD                       | 90             | 98,928                | USD                | 3     | 3,398                 |
|                                     |                                     | USD                       | 2,110          | 2,319,740             | USD                | 1,537 | 1,689,478             |
|                                     |                                     | USD                       | 2,110          | 2,419,740             | USD                | 1,537 | 1,689,478             |
|                                     |                                     | KRW                       | 100,000        |                       | KRW                |       |                       |

In connection with all of the contracts in the above table, the Controlling Company has sold its accounts receivable without recourse.

*Letters of credit*

As of December 31, 2014, the Controlling Company has agreements with Korea Exchange Bank in relation to the opening of letters of credit up to USD 15 million ( 16,488 million), USD 15 million ( 16,488 million) with China Construction Bank, USD 80 million ( 87,936 million) with Bank of China, USD 60 million ( 65,952 million) with

Sumitomo Mitsui Banking Corporation and USD 30 million ( 32,976 million) with Hana Bank.

Payment guarantees

The Controlling Company obtained payment guarantees from Korea Exchange Bank for borrowings amounting to USD 200 million ( 219,840 million) and USD 8.5 million ( 9,343 million) from Royal Bank of Scotland for value added tax payments in Poland.

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 JPY 700 million ( 6,441 million), CNY 4,225 million ( 747,022 million), TWD 16 million ( 555 million) and PLN 0.2 million ( 62 million), respectively, for their local tax payments.

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For the years ended December 31, 2014 and 2013

19. Commitments, Continued

*Credit facility agreements*

LG Display Japan Co., Ltd. and other subsidiaries have entered into short-term credit facility agreements of up to USD 60 million ( 65,952 million) and JPY 8,000 million ( 73,611 million) in total, with Mizuho Corporate Bank and other various banks.

*License agreements*

As of December 31, 2014, in relation to its TFT-LCD business, the Group has technical license agreements with Hitachi Display, Ltd. and others and has a trademark license agreement with LG Corp.

*Long-term supply agreement*

In connection with long-term supply agreements, as of December 31, 2014, the Controlling Company's balance of advances received from a customer amount to USD 405 million ( 445,183 million) in aggregate. The advances received will be offset against outstanding accounts receivable balances 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 USD 140 million ( 153,888 million) from the Industrial Bank of Korea relating to advances received.

*Pledged Assets*

Regarding the secured bank loan amounting to USD 600 million ( 659,520 million) from China Construction Bank, as of December 31, 2014, the Group provided its property, plant and equipment and others with carrying amount of 1,447,607 million as pledged assets.

20. Legal proceedings

*Delaware Display Group LLC and Innovative Display Technologies LLC*

In December 2013, Delaware Display Group LLC and Innovative Display Technologies LLC filed a patent infringement case against the Controlling Company and LG Display America, Inc. in the United States District Court for the District of Delaware. The Controlling Company does not have a present obligation for this matter and has not recognized any provision at December 31, 2014. It is not possible to reasonably estimate an amount of potential loss, if any, because the plaintiffs have not provided any information regarding damages.

*Surpass Tech Innovation LLC*

In March 2014, Surpass Tech Innovation LLC filed a complaint in the United States District Court for the District of Delaware against the Controlling Company and LG Display America, Inc. for alleged patent infringement. In November 2014, the case has been stayed by the United States District Court for the District of Delaware pending Inter Partes Review. The Controlling Company does not have a present obligation for this matter and has not recognized any provision at December 31, 2014. It is not possible to reasonably estimate an amount of potential loss, if any, because the plaintiffs have not provided any information regarding damages.

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For the years ended December 31, 2014 and 2013

20. Legal proceedings, Continued

*Anti-trust litigations*

Certain individual plaintiffs filed complaints in various state or federal courts in the United States alleging violation of the respective antitrust laws and related laws by various LCD panel manufacturers. To date the Controlling Company is currently defending against Direct Action Plaintiffs including Motorola Mobility, Inc., Electrograph Technologies Corp. and its affiliates, TracFone Wireless Inc., Costco Wholesale Corp., Office Depot, Inc., Interbond Corp. of America (BrandsMart), P.C. Richard & Son Long Island Corp., MARTA Cooperative of America, Inc., ABC Appliance (ABC Warehouse), Schultze Agency Services, LLC (Tweeter), AASI Creditor Liquidating Trust for All American Semiconductor Inc., Tech Data Corp. and its affiliates, CompuCom Systems, Inc., NECO Alliance LLC and the attorney general of Illinois. The timing and amounts of outflows are uncertain and the outcomes depend upon the various court proceedings.

In Canada, class action complaints alleging violations of Canada competition laws were filed in 2007 against the Company and other TFT-LCD manufacturers in Ontario, British Columbia and Quebec. 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 class certification decision. The actions in Quebec and British Columbia are in abeyance. The timing and amount of outflows are uncertain and the outcome depends upon the court proceedings.

While the Group continues its vigorous defense of the various pending proceedings described above, management's assessment of the facts and circumstances could change based upon new information, intervening events and the final outcome of the cases. Consequently, the actual results could be materially different from management's current estimates.

21. Capital and Reserves

(a) Share capital

The Controlling Company is authorized to issue 500,000,000 shares of capital stock (par value \$5,000), and as of December 31, 2014 and December 31, 2013, the number of issued common shares is 357,815,700. There have been no changes in the capital stock from January 1, 2013 to December 31, 2014.

(b) Reserves

Reserves consist mainly of the following:



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.

(c) Dividends

The dividends of 178,908 million ( 500 won per share) are determined by the board of directors in 2015 but have not been paid yet. There are no income tax consequences.

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For the years ended December 31, 2014 and 2013

**22. Related Parties****(a) Related parties**

Related parties for the year ended December 31, 2014 are as follows:

| <b>Classification</b>  | <b>Description</b>                           |
|--|--|
| Associates and joint ventures(*)   | Suzhou Raken Technology Co., Ltd. and others |
| Subsidiaries of Associates   | ADP System Co., Ltd. and others              |
| Entity that has significant influence over the Controlling Company                     | LG Electronics Inc.                          |
| Subsidiaries of the entity that has significant influence over the Controlling Company | Subsidiaries of LG Electronics Inc.          |

(\*) Details of associates and joint ventures are described in note 1 and 10.

Related parties other than associates and joint ventures that have transactions such as sales or balance of trade accounts and notes receivable and payable with the Group for the years ended December 31, 2014 and 2013 are as follows:

| <b>Classification</b>  | <b>December 31, 2014</b>   | <b>December 31, 2013</b>   |
|--|--|--|
| Subsidiaries of associates   | ADP System Co., Ltd.<br>Shinbo Electric Co., Ltd.<br>AVATEC Electronics Yantai Co., Ltd. | ADP System Co., Ltd.<br>Shinbo Electric Co., Ltd.<br>AVATEC Electronics Yantai Co., Ltd. |
| Entity that has significant influence over the Controlling Company                     | LG Electronics Inc.  | LG Electronics Inc.  |
| Subsidiaries of the entity that has significant influence over the Controlling Company | Hi Business Logistics Co., Ltd.<br>Hiplaza Co., Ltd.<br>Hi Entech Co., Ltd.              | Hi Business Logistics Co., Ltd.<br>Hiplaza Co., Ltd.<br>Hi Entech Co., Ltd.              |

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|   |   |
|---|---|
| LG Hitachi Water Solutions Co., Ltd.              | LG Hitachi Water Solutions Co., Ltd.              |
| LG Innotek Co., Ltd.                              | LG Innotek Co., Ltd.                              |
| Hanuri Co., Ltd.                                  | Hanuri Co., Ltd.                                  |
| Qingdao LG Inspur Digital Communication Co., Ltd. | Qingdao LG Inspur Digital Communication Co., Ltd. |
| LG Innotek Poland Sp. z o.o.                      | LG Innotek Poland Sp. z o.o.                      |
| LG Innotek (Guangzhou) Co., Ltd.                  | LG Innotek (Guangzhou) Co., Ltd.                  |
| LG Innotek Huizhou Co., Ltd                       | -   |
| LG Innotek USA, Inc.                              | -   |
| LG Electronics Wroclaw Sp. z o.o.                 | LG Electronics Wroclaw Sp. z o.o.                 |
| LG Electronics Vietnam Co., Ltd.                  | LG Electronics Vietnam Co., Ltd.                  |
| LG Electronics Reynosa, S.A. DE C.V.              | LG Electronics Reynosa, S.A. DE C.V.              |
| LG Electronics Thailand Co., Ltd.                 | LG Electronics Thailand Co., Ltd.                 |

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For the years ended December 31, 2014 and 2013

22. Related Parties, Continued

| <b>Classification</b> | <b>December 31, 2014</b>                             | <b>December 31, 2013</b>                             |
|-----------------------|--|--|
|                       | LG Electronics Taiwan Taipei Co., Ltd.               | LG Electronics Taiwan Taipei Co., Ltd.               |
|                       | LG Electronics Shenyang Inc.                         | LG Electronics Shenyang Inc.                         |
|                       | LG Electronics RUS, LLC                              | LG Electronics RUS, LLC                              |
|                       | LG Electronics Nanjing Display Co., Ltd.             | LG Electronics Nanjing Display Co., Ltd.             |
|                       | LG Electronics Mlawa Sp. z o.o.                      | LG Electronics Mlawa Sp. z o.o.                      |
|                       | LG Electronics Mexicali, S.A. DE C.V.                | LG Electronics Mexicali, S.A. DE C.V.                |
|                       | LG Electronics India Pvt. Ltd.                       | LG Electronics India Pvt. Ltd.                       |
|                       | LG Electronics do Brasil Ltda.                       | LG Electronics do Brasil Ltda.                       |
|                       | LG Electronics Air-Conditioning (Shandong) Co., Ltd. | LG Electronics Air-Conditioning (Shandong) Co., Ltd. |
|                       | LG Electronics (Kunshan) Computer Co., Ltd.          | LG Electronics (Kunshan) Computer Co., Ltd.          |
|                       | LG Electronics (Hangzhou) Co., Ltd.                  | LG Electronics (Hangzhou) Co., Ltd.                  |
|                       | LG Electronics Polska Sp. z o.o.                     | -  |
|                       | LG Electronics Philippines Inc.                      | -  |
|                       | LG Electronics Singapore PTE LTD.                    | -  |
|                       | Inspur LG Digital Mobile Communications Co., Ltd.    | Inspur LG Digital Mobile Communications Co., Ltd.    |
|                       | Hi Logistics Europe B.V.                             | Hi Logistics Europe B.V.                             |
|                       | Hi Logistics (China) Co., Ltd.                       | Hi Logistics (China) Co., Ltd.                       |
|                       | LG Electronics Alabama Inc.                          | -  |
|                       | LG Electronics Japan, Inc.                           | -  |
|                       | LG Electronics U.S.A., Inc.                          | -  |
|                       |  | -  |

LG Electronics Vietnam  
Haiphong Co., Ltd.P.T. LG  
Electronics Indonesia  
Hientech (Tianjin) Co., Ltd. -  
Hi M Solutek -

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For the years ended December 31, 2014 and 2013

**22. Related Parties, Continued****(b) Key management personnel compensation**

Compensation costs of key management for the years ended December 31, 2014 and 2013 are as follows:

*(In millions of won)*

|  | <b>2014</b>  | <b>2013</b>  |
|--|--------------|--------------|
| Short-term benefits                          | 2,607        | 2,591        |
| Expenses related to the defined benefit plan | 355          | 1,139        |
|  | <b>2,962</b> | <b>3,730</b> |

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

**(c) Significant transactions such as sales of goods and purchases of raw material and outsourcing service and others, which occurred in the normal course of business with related parties for the years ended December 31, 2014 and 2013 are as follows:**

*(In millions of won)*

|                                   | <b>2014</b>   |                        |  |                         |                    |
|-----------------------------------|---|------------------------|--|-------------------------|--------------------|
|                                   | <b>Purchase and others</b>  |                        |  |                         |                    |
|                                   | <b>Purchase of raw material and property, plant and equipment</b> |                        |  |                         |                    |
|                                   | <b>Sales and others</b>   | <b>Dividend income</b> | <b>and property, plant and equipment</b> | <b>Outsourcing fees</b> | <b>Other costs</b> |
| <b>Joint Venture</b>              |   |                        |  |                         |                    |
| Suzhou Raken Technology Co., Ltd. | 190,780   |                        |  | 101,830                 |                    |
| Global OLED Technology LLC        |   |                        |  |                         | 2,045              |
|                                   | 190,780   |                        |  | 101,830                 | 2,045              |

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**22. Related Parties, Continued***(In millions of won)*

|   | <b>2014</b>             |                        |  |           |   |                    |                            |  |
|---|-------------------------|------------------------|--|-----------|---|--------------------|----------------------------|--|
|   |                         |                        | <b>Purchase of raw material and others</b> |           | <b>Acquisition of property, plant and equipment</b> |                    | <b>Purchase and others</b> |  |
|   | <b>Sales and others</b> | <b>Dividend income</b> | <b>and others</b>                          | <b>of</b> | <b>Outsourcing fees</b>                             | <b>Other costs</b> |                            |  |
| <b>Associates and their subsidiaries</b>                                  |                         |                        |  |           |   |                    |                            |  |
| New Optics Ltd.   | 579                     |                        | 56,412                                     |           | 11,057  | 2,015              |                            |  |
| LIG ADP Co., Ltd.   |                         |                        | 413  | 16,647    |   | 722                |                            |  |
| TLI Inc.  |                         |                        | 76,047                                     |           |   | 2,753              |                            |  |
| AVACO Co., Ltd.   | 41                      |                        | 1,520                                      | 202,915   |   | 3,754              |                            |  |
| AVATEC Co., Ltd.  |                         | 265                    | 143  |           | 92,353  | 360                |                            |  |
| AVATEC Electronics Yantai Co., Ltd.                                       |                         |                        |  |           |   |                    | 4,951                      |  |
| Paju Electric Glass Co., Ltd.   |                         |                        | 600,655                                    |           |   | 3,097              |                            |  |
| LB Gemini New Growth Fund No. 16  |                         | 613                    |  |           |   |                    |                            |  |
| Shibo Electric Co., Ltd.  | 103,091                 |                        | 686,100                                    |           | 106,311   | 55                 |                            |  |
| Narenanotech Corporation  |                         | 180                    | 519  | 8,873     |   | 1,403              |                            |  |
| Glonix Co., Ltd.  |                         |                        | 21,344                                     |           |   | 315                |                            |  |
| ADP System Co., Ltd.  |                         |                        | 1,810                                      | 4,418     |   | 497                |                            |  |
| YAS Co., Ltd.   |                         |                        | 734  | 21,614    |   | 460                |                            |  |
|   | 103,711                 | 1,058                  | 1,445,697                                  | 254,467   | 209,721   | 20,382             |                            |  |
| <b>Entity that has significant influence over the Controlling Company</b> |                         |                        |  |           |   |                    |                            |  |
| LG Electronics Inc.   | 2,157,472               |                        | 60,002                                     | 267,212   |   | 73,255             |                            |  |

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**22. Related Parties, Continued***(In millions of won)*

|   | <b>2014</b>  |                 |               |               |             |                    |
|---|--|-----------------|---------------|---------------|-------------|--------------------|
|   | <b>Purchase and others</b>                         |                 |               |               |             |                    |
|   | <b>Purchase of raw material and property, plan</b> |                 |               |               |             |                    |
|   | <b>acquisition of property, plan</b>               |                 |               |               |             |                    |
|   | <b>and equipment</b>                               |                 |               |               |             |                    |
|   | <b>Outsourcing</b>                                 |                 |               |               |             |                    |
|   | <b>fees</b>  |                 |               |               |             |                    |
|   | <b>Other costs</b>                                 |                 |               |               |             |                    |
|   | <b>Sales</b>                                       | <b>Dividend</b> | <b>and</b>    | <b>and</b>    | <b>and</b>  | <b>Other costs</b> |
|   | <b>and others</b>                                  | <b>income</b>   | <b>others</b> | <b>others</b> | <b>fees</b> | <b>Other costs</b> |
| <b>Subsidiaries of the entity that has significant influence over the Controlling Company</b> |  |                 |               |               |             |                    |
| LG Electronics India Pvt. Ltd.  | 117,075  |                 |               |               |             |                    |
| LG Electronics Vietnam Co., Ltd.  | 36,204   |                 |               |               |             | 2                  |
| LG Electronics Thailand Co., Ltd.   | 68,212   |                 |               |               |             |                    |
| LG Electronics Nanjing Display Co., Ltd.  | 342,474  |                 |               |               |             | 1,719              |
| LG Electronics RUS, LLC   | 530,121  |                 |               |               |             |                    |
| LG Electronics do Brasil Ltda.  | 363,092  |                 |               |               |             | 502                |
| LG Electronics (Kunshan) Computer Co., Ltd.   | 15,968   |                 |               |               |             |                    |
| LG Innotek Co., Ltd.  | 3,514  |                 |               | 509,352       |             | 13,082             |
| LG Electronics Vietnam Haiphong Co., Ltd.   | 19,476   |                 |               |               |             |                    |
| LG Hitachi Water Solutions Co., Ltd.  |  |                 |               |               | 29,993      |                    |
| Qingdao LG Inspur Digital Communication Co., Ltd.   | 188,993  |                 |               |               |             |                    |
| Inspur LG Digital Mobile Communications Co., Ltd.   | 114,458  |                 |               |               |             |                    |
| LG Electronics Mexicali, S.A. DE C.V.   | 193,246  |                 |               |               |             |                    |
| LG Electronics Mlawa Sp. z o.o.   | 571,252  |                 |               |               |             |                    |
| LG Electronics Shenyang Inc.  | 175,424  |                 |               |               |             |                    |
| LG Electronics Taiwan Taipei Co., Ltd.  | 28,177   |                 |               |               |             |                    |



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22. Related Parties, Continued*(In millions of won)*

|   | <b>2014</b>       |                 |                                    |                        |                    |                    |
|---|-------------------|-----------------|------------------------------------|------------------------|--------------------|--------------------|
|   |                   |                 | <b>Purchase and others</b>         |                        |                    |                    |
|   | <b>Sales</b>      | <b>Dividend</b> | <b>Purchase of raw Acquisition</b> |                        | <b>Outsourcing</b> | <b>Other costs</b> |
|   | <b>and others</b> | <b>income</b>   | <b>material</b>                    | <b>of</b>              | <b>fees</b>        |                    |
|   |                   |                 | <b>and</b>                         | <b>property, plant</b> |                    |                    |
|   |                   |                 | <b>others</b>                      | <b>and equipment</b>   |                    |                    |
| LG Electronics Reynosa, S.A.<br>DE C.V. | 960,523           |                 |                                    |                        |                    | 1,065              |
| LG Electronics Wroclaw Sp. z<br>o.o.    | 719,543           |                 |                                    |                        |                    | 62                 |
| Others                                  | 50                |                 | 810                                |                        |                    | 67,149             |
|   | 4,447,802         |                 | 510,162                            | 29,993                 |                    | 83,581             |
|   | 6,899,765         | 1,058           | 2,015,861                          | 551,672                | 311,551            | 179,263            |

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**22. Related Parties, Continued***(In millions of won)*

|   | <b>2013</b>                 |                            |  |   |                             |                    |
|---|-----------------------------|----------------------------|--|---|-----------------------------|--------------------|
|   |                             |                            | <b>Purchase and others</b>                             |   |                             |                    |
|   | <b>Sales<br/>and others</b> | <b>Dividend<br/>income</b> | <b>Purchase of raw<br/>material<br/>and<br/>others</b> | <b>Acquisition of<br/>property, plant<br/>and equipment</b> | <b>Outsourcing<br/>fees</b> | <b>Other costs</b> |
| <b>Joint Venture</b>  |                             |                            |  |   |                             |                    |
| Suzhou Raken Technology Co., Ltd.   | 480,897                     | 12,804                     |  |   | 166,571                     | 2                  |
| <b>Associates and their subsidiaries</b>                                  |                             |                            |  |   |                             |                    |
| New Optics Ltd.   |                             |                            | 76,929   |   | 2,470                       | 6,315              |
| LIG ADP Co., Ltd.   |                             |                            | 666  | 8,743   |                             | 3,102              |
| TLI Inc.  |                             |                            | 58,881   |   |                             | 1,473              |
| AVACO Co., Ltd.   |                             |                            | 665  | 45,067  |                             | 4,762              |
| AVATEC Co., Ltd.  |                             | 292                        | 23   |   | 61,738                      | 3,897              |
| AVATEC Electronics Yantai Co., Ltd.                                       |                             |                            |  |   |                             | 265                |
| Paju Electric Glass Co., Ltd.   |                             |                            | 734,714  |   |                             | 4,713              |
| LB Gemini New Growth Fund No. 16  |                             | 880                        |  |   |                             |                    |
| Shibo Electric Co., Ltd.  | 11,931                      |                            | 730,010  |   | 64,022                      | 59                 |
| Narenanotech Corporation  |                             | 300                        | 328  | 2,061   |                             | 412                |
| Glonix Co., Ltd.  |                             |                            | 5,209  |   |                             | 115                |
| ADP System Co., Ltd.  |                             |                            | 924  | 1,524   |                             | 692                |
| YAS Co., Ltd.   |                             |                            | 1,941  | 82,483  |                             | 855                |
|   | 11,931                      | 1,472                      | 1,610,290  | 139,878   | 128,230                     | 26,660             |
| <b>Entity that has significant influence over the Controlling Company</b> |                             |                            |  |   |                             |                    |
| LG Electronics Inc.   | 1,971,781                   |                            | 39,237   | 208,531   |                             | 38,450             |

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22. Related Parties, Continued*(In millions of won)*

|   | 2013                |                    |  |  |                     |             |
|---|---------------------|--------------------|--|--|---------------------|-------------|
|   | Sales<br>and others | Dividend<br>income | Purchase of raw<br>material<br>and<br>others | Acquisition of<br>property, plant<br>and equipment | Outsourcing<br>fees | Other costs |
| <b>Subsidiaries of the entity that<br/>has significant influence over the<br/>Controlling Company</b> |                     |                    |  |  |                     |             |
| LG Electronics India Pvt. Ltd.  | 108,084             |                    |  |  |                     | 77          |
| LG Electronics Vietnam Co., Ltd.  | 42,366              |                    |  |  |                     |             |
| LG Electronics Thailand Co., Ltd.   | 69,674              |                    |  |  |                     |             |
| LG Electronics Nanjing Display<br>Co., Ltd.   | 437,771             |                    |  |  |                     |             |
| LG Electronics RUS, LLC   | 632,009             |                    |  |  |                     |             |
| LG Electronics do Brasil Ltda.  | 308,432             |                    |  |  |                     |             |
| Hi Business Logistics Co., Ltd.   | 41                  |                    |  |  |                     | 30,611      |
| Hi Logistics Europe B.V.  |                     |                    |  |  |                     | 5,488       |
| LG Innotek Co., Ltd.  | 6,139               |                    | 448,794                                      |  |                     | 5,109       |
| LG Innotek Poland Sp. z o.o.  |                     |                    | 6,442  |  |                     | 161         |
| LG Innotek (Guangzhou) Co., Ltd.  |                     |                    | 5,937  |  |                     | 151         |
| LG Hitachi Water Solutions Co.,<br>Ltd.   |                     |                    |  | 29,344   |                     | 406         |
| Qingdao LG Inspur Digital<br>Communication Co., Ltd.  | 32,585              |                    |  |  |                     |             |
| Inspur LG Digital Mobile<br>Communications Co., Ltd.  | 59,715              |                    |  |  |                     |             |
| LG Electronics Mexicali, S.A. DE<br>C.V.  | 289,670             |                    |  |  |                     |             |
| LG Electronics Mlawa Sp. z o.o.   | 365,054             |                    |  |  |                     |             |

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For the years ended December 31, 2014 and 2013

22. Related Parties, Continued*(In millions of won)*

|   | <b>2013</b>                 |                            |  |   |   |                    |
|---|-----------------------------|----------------------------|--|---|---|--------------------|
|   | <b>Sales<br/>and others</b> | <b>Dividend<br/>income</b> | <b>Purchase of raw<br/>material<br/>and<br/>others</b> | <b>Acquisition of<br/>property, plant<br/>and equipment</b> | <b>Purchase and others<br/>Outsourcing<br/>fees</b> | <b>Other costs</b> |
| LG Electronics Shenyang Inc.              | 156,577                     |                            |  |   |   |                    |
| LG Electronics Taiwan Taipei<br>Co., Ltd. | 34,139                      |                            |  |   |   |                    |
| LG Electronics Reynosa S.A.<br>DE C.V.    | 795,326                     |                            |  |   |   | 300                |
| LG Electronics Wroclaw Sp. z<br>o.o.      | 872,763                     |                            |  |   |   | 104                |
| Others                                    | 132                         |                            | 2,229  |   |   | 3,703              |
|   | 4,210,477                   |                            | 463,402  | 29,344  |   | 46,110             |
|   | 6,675,086                   | 14,276                     | 2,112,929  | 377,753   | 294,801   | 111,222            |

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**22. Related Parties, Continued**

- (d) Trade accounts and notes receivable and payable as of December 31, 2014 and December 31, 2013 are as follows:

*(In millions of won)*

|   | Trade accounts and notes receivable<br>and others |                      | Trade accounts and notes payable<br>and others |                      |
|---|---|----------------------|--|----------------------|
|   | December 31,<br>2014                              | December 31,<br>2013 | December 31,<br>2014                           | December 31,<br>2013 |
| <b>Joint Venture</b>  |   |                      |  |                      |
| Suzhou Raken Technology Co., Ltd.   | 27,750  | 66,855               |  | 104,119              |
| Global OLED Technology LLC  |   |                      | 505  |                      |
|   | 27,750  | 66,855               | 505  | 104,119              |
| <b>Associates and their subsidiaries</b>                                      |   |                      |  |                      |
| New Optics Ltd.   | 440   |                      | 14,785   | 8,998                |
| LIG ADP Co., Ltd.   |   |                      | 2,471  | 1,649                |
| TLI Inc.  |   |                      | 14,086   | 10,418               |
| AVACO Co., Ltd.   |   |                      | 14,236   | 15,390               |
| AVATEC Co., Ltd.  |   |                      | 10,645   | 10,041               |
| AVATEC Electronics Yantai Co., Ltd.   |   |                      | 247  | 1,122                |
| Paju Electric Glass Co., Ltd.   |   |                      | 82,792   | 108,379              |
| Shinbo Electric Co., Ltd.   | 58,207  | 4,562                | 113,660  | 165,823              |
| Narenanotech Corporation  |   |                      | 1,532  | 1,766                |
| Glonix Co., Ltd.  |   |                      | 1,752  | 1,987                |
| ADP System Co., Ltd.  |   |                      | 1,941  | 1,410                |
| YAS Co., Ltd.   |   |                      | 7,300  | 17,156               |
|   | 58,647  | 4,562                | 265,447  | 344,139              |
| <b>Entity that has significant influence over<br/>the Controlling Company</b> |   |                      |  |                      |
| LG Electronics Inc.   | 385,403   | 278,165              | 114,291  | 74,085               |



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22. Related Parties, Continued*(In millions of won)*

|   | Trade accounts and notes receivable<br>and others |                      | Trade accounts and notes payable<br>and others |                      |
|---|---|----------------------|--|----------------------|
|   | December 31,<br>2014                              | December 31,<br>2013 | December 31,<br>2014                           | December 31,<br>2013 |
| <b>Subsidiaries of the entity that has significant influence over the Controlling Company</b> |   |                      |  |                      |
| LG Electronics India Pvt. Ltd.  | 13,825  | 7,414                |  |                      |
| LG Electronics do Brasil Ltda.  | 12,011  | 1,750                | 97   |                      |
| LG Electronics Thailand Co., Ltd.   | 17,792  | 10,141               |  |                      |
| LG Electronics RUS, LLC   | 71,912  | 91,018               |  |                      |
| LG Innotek Co., Ltd.  | 4   | 3                    | 88,661   | 84,727               |
| Qingdao LG Inspur Digital Communication Co., Ltd.   | 68,754  | 24,671               |  |                      |
| Inspur LG Digital Mobile Communications Co., Ltd.   | 44,872  | 15,824               |  |                      |
| LG Electronics Mexicali, S.A. DE C.V.   | 5,389   | 1,649                |  |                      |
| LG Electronics Mlawa Sp. z o.o.   | 68,397  | 55,908               |  |                      |
| LG Electronics Nanjing Display Co., Ltd.  | 23,342  | 79,978               | 575  | 216                  |
| LG Electronics Shenyang Inc.  | 15,659  | 25,578               |  |                      |
| LG Electronics Taiwan Taipei Co., Ltd.  | 5,394   | 3,334                |  |                      |
| LG Electronics Reynosa, S.A. DE C.V.  | 34,668  | 5,027                | 94   |                      |
| LG Electronics Wroclaw Sp. z o.o.   | 13,742  | 11,736               | 14   |                      |
| LG Electronics Vietnam Haiphong Co., Ltd.   | 13,491  |                      |  |                      |
| LG Hitachi Water Solutions Co., Ltd.  |   |                      | 7,079  | 1,867                |
| HiEntech Co., Ltd.  |   |                      | 5,954  | 1,176                |
| Others  | 4,239   | 8,931                | 5,526  | 4,541                |
|   | 413,491   | 342,962              | 108,000  | 92,527               |
|   | 885,291   | 692,544              | 488,243  | 614,870              |

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**23. Geographic and Other Information**

The following is a summary of sales by region based on the location of the customers for the years ended December 31, 2014 and 2013.

## (a) Revenue by geography

*(In millions of won)*

| <b>Region</b>             | <b>2014</b> | <b>2013</b> |
|---------------------------|-------------|-------------|
| Domestic                  | 2,608,344   | 2,691,826   |
| Foreign                   |             |             |
| China                     | 15,773,847  | 15,229,822  |
| Asia (excluding China)    | 3,050,652   | 3,039,652   |
| United States             | 2,025,978   | 2,446,128   |
| Europe (excluding Poland) | 1,527,003   | 2,211,073   |
| Poland                    | 1,469,705   | 1,414,534   |
|                           | 23,847,185  | 24,341,209  |
|                           | 26,455,529  | 27,033,035  |

Sales to Company A and Company B constituted 28% and 27% of total revenue, respectively, for the year ended December 31, 2014 (2013: 23% and 26%). The Group's top ten end-brand customers together accounted for 79% of sales for the year ended December 31, 2014 (2013: 76%).

## (b) Non-current assets by geography

*(In millions of won)*

| <b>Region</b> | <b>December 31, 2014</b>             |                          |
|---------------|--------------------------------------|--------------------------|
|               | <b>Property, plant and equipment</b> | <b>Intangible assets</b> |
| Domestic      | 8,699,862                            | 548,086                  |
| Foreign       |                                      |                          |
| China         | 2,588,511                            | 20,954                   |
| Others        | 114,493                              | 7,630                    |



|  |            |         |
|--|------------|---------|
|  | 2,703,004  | 28,584  |
|  | 11,402,866 | 576,670 |

*(In millions of won)*

| <b>Region</b> | <b>December 31, 2013</b>             |                          |
|---------------|--------------------------------------|--------------------------|
|               | <b>Property, plant and equipment</b> | <b>Intangible assets</b> |
| Domestic      | 10,293,502                           | 461,635                  |
| Foreign       |                                      |                          |
| China         | 1,367,276                            | 5,440                    |
| Others        | 147,556                              | 1,110                    |
|               | 1,514,832                            | 6,550                    |
|               | 11,808,334                           | 468,185                  |

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For the years ended December 31, 2014 and 2013

23. **Geographic and Other Information, Continued**

(c) Revenue by product and services

*(In millions of won)*

| <b>Product</b>      | <b>2014</b> | <b>2013</b> |
|---------------------|-------------|-------------|
| Panels for:         |             |             |
| TFT-LCD televisions | 10,415,105  | 11,779,116  |
| Desktop monitors    | 4,660,151   | 5,255,564   |
| Tablet products     | 3,541,607   | 3,574,812   |
| Notebook computers  | 2,668,806   | 2,818,572   |
| Mobile and others   | 5,169,860   | 3,604,971   |
|                     | 26,455,529  | 27,033,035  |

24. **Revenue**

Details of revenue for the years ended December 31, 2014 and 2013 are as follows:

*(In millions of won)*

|                | <b>2014</b> | <b>2013</b> |
|----------------|-------------|-------------|
| Sales of goods | 26,415,748  | 26,982,085  |
| Royalties      | 14,582      | 19,405      |
| Others         | 25,199      | 31,545      |
|                | 26,455,529  | 27,033,035  |

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For the years ended December 31, 2014 and 2013

**25. Other Non-operating Income and Other Non-operating Expenses**

(a) Details of other non-operating income for the years ended December 31, 2014 and 2013 are as follows:

*(In millions of won)*

|   | <b>2014</b>      | <b>2013</b>      |
|---|------------------|------------------|
| Rental income   | 6,549            | 10,373           |
| Foreign currency gain   | 988,366          | 1,068,646        |
| Gain on disposal of property, plant and equipment                 | 8,989            | 9,620            |
| Reversal of impairment loss on intangible assets                  |                  | 296              |
| Reversal of allowance for doubtful accounts for other receivables |                  | 412              |
| Commission earned   | 2,486            | 3,589            |
| Others (*)  | 65,513           | 15,818           |
|   | <b>1,071,903</b> | <b>1,108,754</b> |

(\*) A gain amounting to 34,804 million as a result of the Controlling Company's success in its appeal against the fining decision of the Korea Fair Trade Commission is included in 2014.

(b) Details of other non-operating expenses for the years ended December 31, 2014 and 2013 are as follows:

*(In millions of won)*

|  | <b>2014</b> | <b>2013</b> |
|--|-------------|-------------|
| Other bad debt expense                                     | 531         |             |
| Foreign currency loss                                      | 962,693     | 987,868     |
| Loss on disposal of property, plant and equipment          | 2,173       | 1,639       |
| Impairment loss on property, plant, and equipment          | 8,097       | 853         |
| Loss on disposal of intangible assets                      | 672         | 452         |
| Impairment loss on intangible assets                       | 492         | 1,661       |
| Donations  | 11,901      | 16,514      |
| Expenses related to legal proceedings or claims and others | 108,512     | 259,601     |

|  |           |           |
|--|-----------|-----------|
|  | 1,095,071 | 1,268,588 |
|--|-----------|-----------|

26. Personnel Expenses

Details of personnel expenses for the years ended December 31, 2014 and 2013 are as follows:

*(In millions of won)*

|  | <b>2014</b> | <b>2013</b> |
|--|-------------|-------------|
| Salaries and wages                       | 2,351,306   | 2,084,579   |
| Other employee benefits                  | 408,073     | 410,253     |
| Contributions to National Pension plan   | 64,078      | 61,788      |
| Expenses related to defined benefit plan | 196,756     | 159,453     |
|  | 3,020,213   | 2,716,073   |

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For the years ended December 31, 2014 and 2013

**27. Finance Income and Finance Costs**

- (a) Finance income and costs recognized in profit or loss for the years ended December 31, 2014 and 2013 are as follows:

*(In millions of won)*

|   | <b>2014</b> | <b>2013</b> |
|---|-------------|-------------|
| <b>Finance income</b>   |             |             |
| Interest income   | 49,105      | 39,441      |
| Dividend income   | 282         | 306         |
| Foreign currency gain   | 55,000      | 141,975     |
| Gain on disposal of available-for-sale financial assets       | 780         |             |
| Gain on disposal of investment in a subsidiary                | 276         |             |
| Gain on disposal of investments in equity accounted investees |             | 3,289       |
|   | 105,443     | 185,011     |
| <b>Finance costs</b>  |             |             |
| Interest expense  | 109,776     | 158,818     |
| Foreign currency loss   | 84,649      | 198,980     |
| Loss on disposal of investment in a subsidiary                | 4,157       |             |
| Loss on disposal of investments in equity accounted investees | 156         | 2,411       |
| Loss on early redemption of debt                              | 6,986       | 2,179       |
| Loss on sale of trade accounts and notes receivable           | 9,812       | 19,463      |
|   | 215,536     | 381,851     |

- (b) Finance income and costs recognized in other comprehensive income or loss for the years ended December 31, 2014 and 2013 are as follows:

*(In millions of won)*

|  | <b>2014</b> | <b>2013</b> |
|--|-------------|-------------|
|--|-------------|-------------|

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|  |        |          |
|--|--------|----------|
| Foreign currency translation differences for foreign operations                  | 37,739 | (22,100) |
| Net change in fair value of available-for-sale financial assets                  | 982    | 826      |
| Tax effect   | (119)  | (225)    |
| Finance income (costs) recognized in other comprehensive income (loss) after tax | 38,602 | (21,499) |

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For the years ended December 31, 2014 and 2013

**28. Income Taxes**

(a) Details of income tax expense (benefit) for the years ended December 31, 2014 and 2013 are as follows:

*(In millions of won)*

|   | <b>2014</b> | <b>2013</b> |
|---|-------------|-------------|
| Current tax expense                               |             |             |
| Current year                                      | 288,280     | 122,150     |
| Adjustment for prior years                        |             | 31,809      |
|   | 288,280     | 153,959     |
| Deferred tax expense (benefit)                    |             |             |
| Origination and reversal of temporary differences | (55,976)    | 42,004      |
| Change in unrecognized deferred tax assets        | 92,249      | 215,369     |
|   | 36,273      | 257,373     |
| Income tax expense                                | 324,553     | 411,332     |

(b) Income taxes recognized directly in other comprehensive income for the years ended December 31, 2014 and 2013 are as follows:

*(In millions of won)*

|   | <b>Before tax</b> | <b>2014<br/>Tax (expense)<br/>benefit</b> | <b>Net of<br/>tax</b> |
|---|-------------------|---|-----------------------|
| Net change in fair value of available-for-sale financial assets | 982               | (186)                                     | 796                   |
| Remeasurements of net defined benefit liabilities (assets)      | (147,633)         | 35,773                                    | (111,860)             |
| Foreign currency translation differences for foreign operations | 37,739            | 67  | 37,806                |
| Share of loss from sale of treasury stock by associates         | (1,360)           |   | (1,360)               |
|   | (110,272)         | 35,654                                    | (74,618)              |

*(In millions of won)*

|   | <b>Before tax</b> | <b>2013<br/>Tax<br/>expense</b> | <b>Net of<br/>tax</b> |
|---|-------------------|---------------------------------|-----------------------|
| Net change in fair value of available-for-sale financial assets | 826               | (188)                           | 638                   |
| Remeasurements of net defined benefit liabilities (assets)      | 998               | (334)                           | 664                   |
| Foreign currency translation differences for foreign operations | (22,100)          | (37)                            | (22,137)              |
| Share of loss from sale of treasury stock by associates         | (802)             |                                 | (802)                 |
|   | (21,078)          | (559)                           | (21,637)              |



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28. **Income Taxes, Continued**

(c) Reconciliation of the actual effective tax rate for the years ended December 31, 2014 and 2013 is as follows:

| <i>(In millions of won)</i>  | <b>2014</b> |           | <b>2013</b> |          |
|--|-------------|-----------|-------------|----------|
| Profit for the year  |             | 917,404   |             | 418,973  |
| Income tax expense   |             | 324,553   |             | 411,332  |
| Profit before income tax   |             | 1,241,957 |             | 830,305  |
| Income tax expense using the statutory tax rate<br>of each country | 32.96%      | 409,341   | 24.47%      | 203,182  |
| Non-deductible expenses (benefits)                                 | (2.22%)     | (27,537)  | 1.87%       | 15,517   |
| Tax credits  | (10.39%)    | (129,026) | (6.05%)     | (50,214) |
| Change in unrecognized deferred tax assets                         | 7.43%       | 92,249    | 25.94%      | 215,369  |
| Adjustment for prior years   |             |           | 2.03%       | 16,877   |
| Others   | (1.65%)     | (20,474)  | 1.28%       | 10,601   |
| Actual income tax expense  |             | 324,553   |             | 411,332  |
| Actual effective tax rate  |             | 26.13%    |             | 49.54%   |

From 2014, the Controlling Company has presented the above reconciliation by using the profit before tax and statutory tax rates of each Group entity instead of that of the Controlling Company. The amounts for the year ended December 31, 2013 have been re-presented to conform to 2014's presentation.

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**29. Deferred Tax Assets and Liabilities****(a) Unrecognized deferred tax liabilities**

As of December 31, 2014, in relation to the temporary differences on investments in subsidiaries amounting to 188,298 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 differences will not reverse in the foreseeable future.

**(b) 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, 2014, the Controlling Company recognized deferred tax assets of 397,105 million, in relation to tax 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)*

|                          | <b>December 31,</b> |             |             |             |             |
|--------------------------|---------------------|-------------|-------------|-------------|-------------|
|                          | <b>2015</b>         | <b>2016</b> | <b>2017</b> | <b>2018</b> | <b>2019</b> |
| Tax credit carryforwards | 156,178             | 120,893     | 20,455      | 21,715      | 6,005       |

**(c) Deferred tax assets and liabilities are attributable to the following:***(In millions of won)*

|   | <b>Assets</b>             |                           | <b>Liabilities</b>        |                           | <b>Total</b>              |                           |
|---|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
|   | <b>December, 31, 2014</b> | <b>December, 31, 2013</b> | <b>December, 31, 2014</b> | <b>December, 31, 2013</b> | <b>December, 31, 2014</b> | <b>December, 31, 2013</b> |
| Other accounts receivable, net                |                           |                           | (3,440)                   | (2,476)                   | (3,440)                   | (2,476)                   |
| Inventories, net                              | 46,377                    | 18,866                    |                           |                           | 46,377                    | 18,866                    |
| Available-for-sale financial assets           |                           | 98                        | (88)                      |                           | (88)                      | 98                        |
| Defined benefit liabilities, net              | 112,213                   | 72,709                    |                           |                           | 112,213                   | 72,709                    |
| Investments in equity accounted investees and | 29,839                    | 2,972                     |                           |                           | 29,839                    | 2,972                     |

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|  |           |           |         |         |           |           |
|--|-----------|-----------|---------|---------|-----------|-----------|
| subsidiaries   |           |           |         |         |           |           |
| Accrued expenses                                     | 177,163   | 83,571    |         |         | 177,163   | 83,571    |
| Property, plant and equipment                        | 236,848   | 189,422   |         |         | 236,848   | 189,422   |
| Intangible assets                                    | 1,423     |           | (1,207) |         | 1,423     | (1,207)   |
| Provisions   | 12,710    | 11,460    |         |         | 12,710    | 11,460    |
| Gain or loss on foreign<br>currency translation, net | 169       | 282       | (1)     | (957)   | 168       | (675)     |
| Others   | 26,212    | 13,473    | (268)   | (171)   | 25,944    | 13,302    |
| Tax losses carryforwards                             |           | 110,550   |         |         |           | 110,550   |
| Tax credit carryforwards                             | 397,105   | 538,289   |         |         | 397,105   | 538,289   |
| Deferred tax assets (liabilities)                    | 1,040,059 | 1,041,692 | (3,797) | (4,811) | 1,036,262 | 1,036,881 |

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**29. Deferred Tax Assets and Liabilities, Continued**

(d) Changes in deferred tax assets and liabilities for the years ended December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i>                       | <b>January 1,<br/>2013</b> | <b>Profit or loss</b> | <b>Other<br/>comprehensive<br/>income</b> | <b>December 31,<br/>2013</b> | <b>Profit or loss</b> | <b>Other<br/>comprehensive<br/>income</b> | <b>December 31,<br/>2014</b> |
|---|----------------------------|-----------------------|---|------------------------------|-----------------------|---|------------------------------|
| Other accounts receivable, net                    | (2,063)                    | (413)                 |   | (2,476)                      | (964)                 |   | (3,440)                      |
| Inventories, net                                  | 10,075                     | 8,791                 |   | 18,866                       | 27,511                |   | 46,377                       |
| Available-for-sale financial assets               | 285                        | 1                     | (188)                                     | 98                           |                       | (186)                                     | (88)                         |
| Defined benefit liabilities, net                  | 38,573                     | 34,470                | (334)                                     | 72,709                       | 3,731                 | 35,773                                    | 112,213                      |
| Investments in equity accounted investees         | 7,619                      | (4,647)               |   | 2,972                        | 26,867                |   | 29,839                       |
| Accrued expenses                                  | 81,802                     | 1,769                 |   | 83,571                       | 93,592                |   | 177,163                      |
| Property, plant and equipment                     | 171,881                    | 17,541                |   | 189,422                      | 47,426                |   | 236,848                      |
| Intangible assets                                 | 2,488                      | (3,695)               |   | (1,207)                      | 2,630                 |   | 1,423                        |
| Provisions  | 12,979                     | (1,519)               |   | 11,460                       | 1,250                 |   | 12,710                       |
| Gain or loss on foreign currency translation, net | 4,382                      | (5,057)               |   | (675)                        | 843                   |   | 168                          |
| Others  | 34,124                     | (20,785)              | (37)                                      | 13,302                       | 12,575                | 67  | 25,944                       |
| Tax losses carryforwards                          | 233,139                    | (122,589)             |   | 110,550                      | (110,550)             |   |                              |
| Tax credit carryforwards                          | 699,529                    | (161,240)             |   | 538,289                      | (141,184)             |   | 397,105                      |
| Deferred tax assets (liabilities)                 | 1,294,813                  | (257,373)             | (559)                                     | 1,036,881                    | (36,273)              | 35,654                                    | 1,036,262                    |

Statutory tax rate applicable to the Controlling Company to calculate tax base and deferred tax expense is 24.2% for the year ended December 31, 2014.

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30. **Earnings per Share**

(a) Basic earnings per share for the years ended December 31, 2014 and 2013 are as follows:

| <i>(In won and No. of shares)</i>                               | <b>2014</b>     | <b>2013</b>     |
|---|-----------------|-----------------|
| <b>Profit attributable to owners of the Controlling Company</b> | 904,267,992,399 | 426,118,222,180 |
| Weighted-average number of common stocks outstanding            | 357,815,700     | 357,815,700     |
| <b>Earnings per share</b>                                       | <b>2,527</b>    | <b>1,191</b>    |

There were no events or transactions that resulted in changes in the number of common stocks used for calculating earnings per share from January 1, 2013 to December 31, 2014.

(b) Diluted earnings per share are not calculated since there was no potential common stock for the years ended December 31, 2014 and 2013.

31. **Supplemental Cash Flow Information**

Supplemental cash flow information for the years ended December 31, 2014 and 2013 is as follows:

| <i>(In millions of won)</i>  | <b>2014</b> | <b>2013</b> |
|--|-------------|-------------|
| <b>Non-cash investing and financing activities:</b>  |             |             |
| Changes in other accounts payable arising from the purchase of property, plant and equipment | (149,989)   | (1,108,944) |

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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: February 25, 2015

By: /s/ Heeyeon Kim

(Signature)

Name: Heeyeon Kim

Title: Head of IR / Vice President