

LG Display Co., Ltd.
Form 6-K
March 29, 2012
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 UNDER
THE SECURITIES EXCHANGE ACT OF 1934

For the month of March 2012

LG Display Co., Ltd.

(Translation of Registrant's name into English)

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

Republic of Korea

(Address of principal executive offices)

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

Form 20-F Form 40-F

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

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

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

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

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

Yes No

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ANNUAL REPORT

(From January 1, 2011 to December 31, 2011)

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

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

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1. Company

A. Name and contact information

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

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

B. Domestic credit rating

Subject	Month of rating	Credit rating	Rating agency (Rating range)
Commercial Paper	January 2006		National Information & Credit Evaluation, Inc. (A1 ~ D)
	June 2006		
	December 2006	A1	
	June 2007		
	December 2007		
	September 2008		
	December 2008		
	June 2006		
	January 2007		
	June 2007	A1	
Corporate Debenture	December 2007		Korea Investors Service, Inc. (A1 ~ D)
	September 2008		
	June 2006	AA-	
	December 2006		
	June 2007	A+	
	September 2008		
	July 2009	AA-	
	October 2009		
	February 2010		
	May 2010	AA-	
Corporate Debenture	December 2010		National Information & Credit Evaluation, Inc. (AAA ~ D)
	July 2011		
	June 2006	AA-	
	January 2007	A+	
	June 2007		
Corporate Debenture	September 2008		Korea Investors Service, Inc. (AAA ~ D)

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July 2009
 December 2009
 February 2010
 May 2010
 August 2010 AA-
 February 2011
 April 2011
 August 2011
 October 2011

October 2009
 December 2009
 August 2010 AA-
 December 2010
 February 2011
 April 2011
 July 2011
 October 2011

Korea Ratings, Inc.
 (AAA ~ D)

C. Capitalization

(1) Change in capital stock (as of December 31, 2011)

(Unit: Won, Share)

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

(1) ADSs offering: 24,960,000 shares (US\$30 per share, US\$15 per ADS) / Initial public offering in Korea: 8,640,000 shares ((Won)34,500 per share)

(2) ADSs offering: 1,715,700 shares ((Won)34,500 per share) pursuant to the exercise of greenshoe option by the underwriters

(3) ADSs offering: 32,500,000 shares (US\$42.64 per share, US\$21.32 per ADS)

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(2) Convertible bonds (as of December 31, 2011)

(Unit: In millions of Won, Share)

Issue date:	April 18, 2007
Maturity:	April 18, 2012
Face amount: ⁽¹⁾	(Won)513,480
Conversion shares:	Registered common shares
Conversion period:	Convertible into shares of common stock during the period from April 19, 2008 to April 3, 2012
Conversion price: ⁽²⁾	(Won)47,892 per share
Outstanding	Face amount: (Won)61,618
	Number of convertible shares: ⁽²⁾ 1,286,594 shares, assuming full conversion
Remarks:	- Registered form - Listed on Singapore Exchange

(1) Face amount translated from US\$550 million at the noon buying rate of the Federal Reserve Bank of New York in effect on April 10, 2007 (which was the date the convertible bond purchase agreement was entered into), which was (Won)933.6 = US\$1.00.

(2) Conversion price was adjusted from (Won)49,070 to (Won)48,760 and the number of convertible shares was adjusted from 10,464,234 to 10,530,762 following the approval by the shareholders of a cash dividend of (Won)750 per share at the annual general meeting of shareholders on February 29, 2008. Conversion price was further adjusted from (Won)48,760 to (Won)48,251 and the number of shares issuable upon conversion was adjusted from 10,530,762 to 10,641,851 following the approval by the shareholders of a cash dividend of (Won)500 per share at the annual general meeting of shareholders on March 13, 2009. Conversion price was further adjusted from (Won)48,251 to (Won)48,075 and the number of shares issuable upon conversion was adjusted from 10,641,851 to 10,680,811 following the approval by the shareholders of a cash dividend of (Won)500 per share at the annual general meeting of shareholders on March 12, 2010. In April 2010, certain holders of our US\$550 million convertible bonds due 2012 exercised their put option for an aggregate principal amount of US\$484 million and were repaid at 109.75% of their principal amount. The remaining US\$66 million matures in 2012 at 116.77% of their principal amount. Accordingly, the number of shares issuable upon conversion changed from 10,680,811 to 1,281,697. Conversion price was further adjusted from (Won)48,075 to (Won)47,892 and the number of shares issuable upon conversion was adjusted from 1,281,697 to 1,286,594 following the approval by the shareholders of a cash dividend of (Won)500 per share at the annual general meeting of shareholders on March 11, 2011.

D. Voting rights (as of December 31, 2011)

(Unit: share)

Description	Number of shares
1. Shares with voting rights (A B):	357,815,700
A. Total shares issued:	357,815,700
B. Shares without voting rights:	
2. Shares with restricted voting rights	
Total number of shares with voting rights (1 2):	357,815,700

E. Dividends

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

Table of ContentsDividends during the recent three fiscal years

Description (unit)	2011	2010	2009
Par value (Won)	5,000	5,000	5,000
Profit (loss) for the period / Net income (million Won)	(991,032) ⁽³⁾	1,002,648 ⁽³⁾	1,067,947 ⁽⁴⁾
Earnings per share (Won) ⁽¹⁾	(2,770)	2,802	2,985
Total cash dividend amount (million Won)		178,908	178,908
Total stock dividend amount (million Won)			
Cash dividend payout ratio (%)		17.8	16.8
Cash dividend yield (%) ⁽²⁾		1.3	1.3
Stock dividend yield (%)			
Cash dividend per share (Won)		500	500
Stock dividend per share (share)			

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

2. Business**A. Business overview**

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

As of December 31, 2011, we operated TFT-LCD and OLED production facilities in Paju and Gumi, Korea and a LCD research center in Paju, Korea. We have also established subsidiaries in the Americas, Europe and Asia.

As of December 31, 2011, our business consisted of the manufacture and sale of LCD and OLED panels and monitor products. Because our non-LCD business represented an extremely small portion of our assets and revenues as of and for the year ended December 31, 2011, we have included them as part of our LCD reporting business segment.

2011 Financial highlights by business (based on K-IFRS)

(Unit: In billions of Won)

2011	LCD business
Sales Revenue	24,291
Gross Profit	1,210

B. Industry

(1) Industry characteristics and growth potential

- TFT-LCD technology is one of the widely used technologies in the manufacture of flat panel displays, and the demand for flat panel displays is growing. The flat panel display industry is characterized by entry barriers due to rapidly evolving technology, capital-intensive characteristics, and the significant investments required to achieve economies of scale, among other factors. There is intense competition among the players in the industry, and the industry's production capacity, including ours, is continually increasing.

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- The demand for LCD panels for notebook computers and desktop monitors has grown, to a degree, in tandem with the growth in the information technology industry. The demand for LCD panels for television sets has been growing as digital broadcasting is becoming more common and as LCD television has come to play an important role in the digital display market. In addition, markets for small- to medium-sized LCD panels, such as those used in mobile phones (including smartphones), smartbooks, medical applications, automobile navigation systems and e-books, among others, have shown continued growth.
- The average selling prices of LCD panels may continue to decline with time irrespective of general business cycles as a result of, among other factors, technology advancements and cost reductions.

(2) Cyclicalit

- The TFT-LCD business is highly cyclical. In spite of the increased demand for products, this industry has experienced periodic volatility caused by imbalances between supply and demand due to capacity expansion within the industry.
- Intense competition and expectations of demand growth may lead panel manufacturers to invest in manufacturing capacity on similar schedules, resulting in a surge in capacity when production is ramped up at new fabrication facilities.
- During such surges in production capacity, the average selling prices of display panels may decline. Conversely, demand surges and inability of supply to meet such demand may lead to price increases.

(3) Market conditions

- The TFT-LCD industry is highly competitive due largely to additional capacity expansion driven by TFT-LCD panel makers.
- Most TFT-LCD panel makers are located in Asia.
 - a. Korea: LG Display, Samsung Electronics, Samsung Mobile Display, Hydis Technologies, etc.
 - b. Taiwan: AU Optronics, Chimei Innolux, Chunghwa Picture Tubes, HannStar Display, etc.
 - c. Japan: Sharp, Panasonic LCD, etc.
 - d. China: SVA-NEC, Beijing BOE Optronics Technology, etc.

(4) Market shares

- Our worldwide market share for large-sized TFT-LCD panels based on revenue is as follows:

	2011 ⁽¹⁾ (4)	2010 ⁽²⁾ (4)	2009 ⁽³⁾ (5)
Panels for Notebook Computers ⁽⁶⁾	34.9%	33.2%	30.3%

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Panels for Monitors	28.0%	26.5%	23.9%
Panels for Televisions	25.3%	23.4%	24.4%
Total	27.7%	25.4%	25.2%

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- (1) Source: 2011 Q4 DisplaySearch Quarterly Large-Area TFT LCD Shipment Report (advanced version with LED backlight).
- (2) Source: 2010 Q4 DisplaySearch Large-Area TFT LCD Shipment Report (advanced version with LED backlight).
- (3) Source: 2009 Q4 DisplaySearch Large-Area TFT LCD Shipment Report.
- (4) Based on TFT-LCD panels that are 9 inches or larger.
- (5) Based on TFT-LCD panels that are 10 inches or larger.
- (6) Includes panels for netbooks.
- (5) Competitiveness

- Our ability to compete successfully depends on factors both within and outside our control, including product pricing, our relationship with customers, successful and timely investment and product development, cost competitiveness, success in marketing to our end-brand customers, component and raw material supply costs, foreign exchange rates and general economic and industry conditions.
- In order to compete effectively, it is critical to be cost competitive and maintain stable and long-term relationships with customers which will enable us to be profitable even in a buyer's market.
- A substantial portion of our sales is attributable to a limited number of end-brand customers and their designated system integrators. The loss of these end-brand customers, as a result of customers entering into strategic supplier arrangements with our competitors or otherwise, would result in reduced sales.
- Developing new products and technologies that can be differentiated from those of our competitors is critical to the success of our business. It is important that we take active measures to protect our intellectual property internationally by obtaining patents and undertaking monitoring activities in our major markets. It is also necessary to recruit and retain experienced key managerial personnel and skilled line operators.
- As a leading technology innovator in the display industry, we continue to focus on delivering differentiated value to our customers by developing new technologies and products, including in the categories of 3D, touch screens and next generation displays. With respect to 3D technology, we have commenced mass production of high definition 3D panels with reduced degrees of crosstalk, or the degree of 3D image overlapping, of less than 1% (which is less than what the human eye can perceive). We have also acquired the technical skills and have established a supply chain management system that enables us to provide one-stop solutions to our customers with respect to touch module products. In addition, we have shown that we are technologically a step ahead of the competition by developing products such as 10.1-inch flexible LCDs, 2.6 mm thin televisions (the thinnest in the world at the time) and 19-inch flexible e-papers. We are a leader in large OLED panel display technology, as demonstrated by our 55-inch OLED display panel unveiled at the Consumer Electronics Show in Las Vegas in January 2012, which was the largest OLED panel at the time.
- Moreover, we entered into long-term sales contracts with major global firms, including those in the United States and Japan, to secure customers and expand partnerships for technology development.

C. New businesses

- In order to meet the rapidly increasing market demand for large TFT-LCD panels, we successfully commenced mass production at P83, an eighth generation fabrication line located in our P8 facility, in March 2011. In January 2011, we also decided to invest in a new eighth generation production facility, P9.

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- We also plan to strengthen our market position in future display technologies by strengthening our OLED business, accelerating the development of flexible display technologies and maintaining our leadership position in the LED backlight LCD market.

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- We are making an effort to increase our competitiveness, including in the LCD component parts market, by forming cooperative relationships with suppliers and purchasers of our products. As part of this effort, in March 2005, we established a joint venture company, Paju Electric Glass Co., Ltd., with Nippon Electric Glass Co., Ltd. We invested (Won)14.4 billion in return for a 40% interest in Paju Electric Glass Co., Ltd. In November 2010 and April 2011, we invested an additional (Won)14.8 billion and (Won)4.4 billion, respectively, in Paju Electric Glass Co., Ltd. but the additional investments did not change our percentage interest in Paju Electric Glass Co., Ltd. In July 2008, we purchased 6,850,000 shares of common stock of New Optics Ltd. at a purchase price of (Won)9.7 billion, and in February 2010, we purchased an additional 1,000,000 shares of common stock of New Optics at a purchase price of (Won)2.5 billion. In addition, in February 2009, we purchased 3,000,000 shares of common stock of LIG ADP Co., Ltd. (formerly ADP Engineering Co., Ltd.) at a purchase price of (Won)6.3 billion. In May 2009, we purchased 6,800,000 shares of common stock of Wooree LED Co., Ltd. at a purchase price of (Won)11.9 billion. In December 2009, we purchased 420,000 global depositary shares representing 420,000 shares of Prime View International Co., Ltd.'s common stock at a purchase price of US\$9.9 million. In January 2010, we purchased 10.8 million shares of Can Yang Investment Limited representing a 15% interest at a purchase price of US\$10.8 million. In October 2010, we invested an additional US\$4.5 million and acquired 4.8 million additional shares of Can Yang Investment Limited.
- In October 2008, we established a joint venture company, Suzhou Raken Technology Ltd., with AmTRAN Technology Co., Ltd., a Taiwan corporation. We invested US\$10.4 million in return for a 51% interest in Suzhou Raken Technology Ltd. Suzhou Raken Technology Ltd. will supply both parties with TFT-LCD modules and TFT-LCD televisions. Through the establishment of this joint venture, we are able to further expand our customer base by securing a stable long-term panel dealer. In 2009 and 2010, we invested an additional US\$58.7 million and US\$14.5 million, respectively, in Suzhou Raken Technology Ltd., but the additional investments did not change our percentage interest in Suzhou Raken Technology Ltd.
- As part of our strategy to expand our production capacity overseas, we signed an investment agreement and a joint venture agreement in November 2009 with the City of Guangzhou, China, to build an eighth-generation panel fabrication facility in China.
- In December 2009, certain LG affiliates and we entered into a joint venture investment agreement and established a joint venture company, Global OLED Technology LLC, for purposes of managing the patent assets relating to OLED technology that we acquired from Eastman Kodak Company in December 2009. As of December 31, 2009, we had invested (Won)72.3 billion in return for a 49% equity interest in the joint venture company. In June 2010, we sold (Won)19.0 billion worth of our equity interest in the joint venture company. After such sale, our equity interest was reduced to 32.73%.
- In December 2009, we acquired a 30.6% limited partnership interest in LB Gemini New Growth Fund No. 16. Under the limited partnership agreement, we agreed to invest a total amount of (Won)30 billion in the fund, and as of December 31, 2010, we had invested (Won)8.3 billion in the fund. By becoming a limited partner of this fund, our aim is to seek direct investment opportunities as well as to receive benefits from the investment. In February 2011, we received a distribution of (Won)1.4 billion from the fund, and in March and April 2011, we invested an additional (Won)1.9 billion and (Won)3.1 billion, respectively, in the fund. In June 2011, we received a further distribution of (Won)0.7 billion as return of principal and (Won)0.9 billion as dividends and we invested an additional (Won)1.2 billion in the fund. In December 2011, we invested an additional (Won)2.0 billion in the fund. The additional investments did not change our investment commitment amount of (Won)30 billion or our limited partnership interest in the fund, which remained at 30.6%.
- In order to establish a production base for LCD modules, LCD television sets and LCD monitors, we entered into a joint investment agreement with Top Victory Investment Ltd. in January 2010 and established L&T Display Technology (Xiamen) Ltd. and L&T Display Technology (Fujian) Ltd. in Xiamen and Fujian, China, respectively. We invested (i) W7.1 billion and acquired a 51% equity interest in L&T Display Technology (Xiamen) Ltd. and (ii) (Won)10.1 billion and acquired a 51% equity interest in L&T Display Technology (Fujian) Ltd.

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- In May 2010, we completed the acquisition of the LCD module division of LG Innotek Co., Ltd. Through this acquisition, we expect to improve our module manufacturing process and simplify our supply chain which will increase our efficiency and competitiveness.

- In August 2010, in order to strengthen our competitiveness in the LED backlight LCD market, we entered into a joint venture with Everlight Electronics Co., Ltd. and AmTRAN Technology Co., Ltd. and established Eralite Optoelectronics (Jiangsu) Co., Ltd., a company that specializes in LED packaging and manufacturing, in Suzhou, China. We invested US\$4 million and acquired a 20% equity interest in Eralite Optoelectronics (Jiangsu) Co., Ltd.

- In September 2010, in order to strengthen our OLED business, we acquired a 20% equity interest in YAS Co., Ltd., which develops and manufactures OLED deposition equipment components, at a purchase price of (Won)10 billion.

- In November 2010, in order to strengthen our e-book business, we acquired a 100% equity interest in Image & Materials, Inc., a company that develops and manufactures e-book deposition equipment components, at a purchase price of (Won)35 billion. In each of June 2011, September 2011 and February 2012, we invested an additional (Won)3.0 billion in Image & Materials, Inc.

- In October 2010, in order to strengthen our competitiveness in the e-book market, we entered into a joint venture with Iriver Ltd. and established L&I Electronics Technology (Dongguan) Limited, a company that specializes in e-book manufacturing, in Dongguan, China. We invested US\$2.6 million and acquired a 51% equity interest in L&I Electronics Technology (Dongguan) Limited.

- In November 2010, in order to build Backlight-Module-System (BMS) lines that would help differentiate our technical skills from those of our competitors and increase our cost competitiveness, we entered into a joint venture with Compal Electronics, Inc., a Taiwanese company, and established LUCOM Display Technology (Kunshan) Ltd. in Kunshan, China. We invested US\$2.3 million and acquired a 51% equity interest in LUCOM Display Technology (Kunshan) Ltd. In February and April 2011, we invested an additional US\$ 3.1 million and US\$2.3 million, respectively, in LUCOM Display Technology (Kunshan) Ltd., but the additional investments did not change our percentage interest in LUCOM Display Technology (Kunshan) Ltd.

- In April 2011, in order to enhance the product quality and assist the local development of coaters, a component used in our TFT-LCD products, we invested (Won)20 billion and acquired a 16.6% interest in Narae Nanotech Corporation, a Korean equipment manufacturer. In June 2011, we invested an additional (Won)10.0 billion and acquired a further 7.7% interest in Narae Nanotech Corporation. As of December 31, 2011, we held a 23% equity interest in Narae Nanotech Corporation.

- In December 2011, in order to improve our cost competitiveness with respect to the glass substrate etching stage of our TFT-LCD panel manufacturing process, we invested (Won)10.6 billion and acquired a 20.3% interest in Avatec Co., Ltd., a third party glass substrate etching processor.

- In December 2011, in order to expand our module production capacity, we established LG Display U.S.A. Inc. in Texas, United States, and LG Display Reynosa S.A. de C.V. in Reynosa, Mexico. We invested in the form of paid-in capital (Won)12.4 billion and (Won)9.2 billion in LG Display U.S.A. Inc. and LG Display Reynosa S.A. de C.V., respectively. We currently own a 100% interest in LG Display U.S.A. Inc. and a 99% interest in LG Display Reynosa S.A. de C.V. LG Display U.S.A. Inc. owns the remaining 1% interest in LG Display Reynosa S.A. de C.V.

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3. Major Products and Raw Materials

A. Major products in 2011

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

(Unit: In billions of Won)

Business area	Sales Type	Items (Market)	Usage	Major trademark	Sales (%)
	Product/	TFT-LCD	Panels for Notebook Computer,		
TFT-LCD	Service/	(Overseas ⁽¹⁾) TFT-LCD	Monitor, Television, etc Panels for Notebook Computer,	LG Display	22,328 (91.9%)
Total	Other Sales	(Korea ⁽¹⁾)	Monitor, Television, etc	LG Display	1,963(8.1%) 24,291(100%)

- Period: January 1, 2011 ~ December 31, 2011.

(1) Based on ship-to-party.

B. Average selling price trend of major products

The average selling price of LCD panels per square meter of net display area in the fourth quarter of 2011 decreased by 3% from the third quarter of 2011. There is no assurance that the average selling prices of LCD panels will not fluctuate in the future due to changes in supply and demand.

(Unit: US\$ / m²)

Description	2011 Q4	2011 Q3	2011 Q2	2011 Q1
TFT-LCD panel ⁽¹⁾⁽²⁾⁽³⁾	684	705	747	708

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

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

C. Major raw materials

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

(Unit: In billions of Won)

Business Area	Purchase type	Items	Usage	Purchase price ⁽¹⁾	Ratio (%)	Suppliers
TFT-LCD		Glass	LCD panel	3,489	21.60%	Samsung Corning Precision

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Raw Materials	manufacturing			Glass Co., Ltd., Nippon Electric Glass Co., Ltd., etc.
	Backlight	5,087	31.50%	Heesung Electronics Ltd., etc.
	Polarizer	2,483	15.38%	LG Chem, etc.
	Others	5,090	31.52%	-
Total		16,149	100%	-

- Period: January 1, 2011 ~ December 31, 2011.

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

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4. Production and Equipment

A. Production capacity and output

(1) Production capacity

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

(Unit: 1,000 Glass sheets)

Business area	Items	Business place	2011 ⁽¹⁾	2010 ⁽¹⁾	2009 ⁽¹⁾
TFT-LCD	TFT-LCD	Gumi, Paju	8,376	7,509	6,219

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

(2) Production output

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

(Unit: 1,000 Glass sheets)

Business area	Items	Business place	2011	2010	2009
TFT-LCD	TFT-LCD	Gumi, Paju	6,850	6,490	5,231

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

B. Production performance and utilization ratio

(Unit: Hours)

Business place (area)	Available working hours of 2011 ⁽¹⁾	Actual working hours of 2011 ⁽¹⁾	Average utilization ratio
Gumi	8,760 ⁽¹⁾	8,678 ⁽¹⁾	
(TFT-LCD)	(365 days) ⁽²⁾	(362 days) ⁽²⁾	99.1%
Paju	8,406 ⁽¹⁾	7,842 ⁽¹⁾	
(TFT-LCD)	(350 days) ⁽²⁾	(327 days) ⁽²⁾	93.3%

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

(2) No. of days are calculated by averaging the no. of working days for each facility. For Paju, includes facilities that commenced production in March 2011.

C. Investment plan

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In connection with our strategy to expand our TFT-LCD production capacity, we incurred capital expenditures of approximately W4.1 trillion in 2011 and estimate that we will incur capital expenditures on a cash out basis of approximately (Won)4 trillion in 2012. Such amount is subject to change depending on business conditions and market environment.

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A. Sales performance

(Unit: In billions of Won)

Business area	Sales types	Items (Market)	2011	2010	2009
		Overseas ⁽¹⁾	22,328	23,806	18,833
TFT-LCD	Products, etc.	TFT-LCD Korea ⁽¹⁾	1,963	1,706	1,205
		Total	24,291	25,512	20,038

(1) Based on ship-to-party.

B. Sales route and sales method

(1) Sales organization

- As of December 31, 2011, each of our IT Business Unit, Television Business Unit and Mobile/OLED Business Unit had individual sales and customer support functions.
- Sales subsidiaries in the United States, Germany, Japan, Taiwan, China and Singapore perform sales activities and provide local technical support to customers.

(2) Sales route

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

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

(3) Sales methods and sales terms

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

(4) Sales strategy

- To secure stable sales to major personal computer makers and leading consumer electronics makers globally. To increase sales of high-end notebook computer products (including smartbooks, IPS and slim and narrow bezel notebook computer products), to strengthen sales of the high-end monitor segment (such as LED, IPS, slim and narrow bezel and 3D monitors), to lead in the large and wide television market (including the LED television market) and to continually increase our market share in the 3D television market by utilizing film patterned retarder technology.

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- In the small- to medium-sized products segment, which is centered on high-end products applying IPS technology, to strengthen our business portfolio by developing a diverse range of products, such as mobile phone (including smartphone), smartbook, car navigation, e-book, industrial products (including aviation and medical equipment), etc.
- (5) Purchase orders

- Customers generally place purchase orders with us one month prior to delivery. Our customary practice for procuring orders from our customers and delivering our products to such customers is as follows:

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- Receive order from customer (overseas sales subsidiaries, etc.) g Headquarter is notified g Manufacture product g Ship product (overseas sales subsidiaries, etc.) g Sell product (overseas sales subsidiaries, etc.)

6. Market Risks and Risk Management

A. Market risks

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

The TFT-LCD industry is highly competitive. We have experienced pressure on the prices and margins of our major products due largely to additional industry capacity from panel makers in Korea, Taiwan, China and Japan. Our main competitors in the industry include Samsung Electronics, Samsung Mobile Display, Infovision, Hydis Technologies, AU Optronics, Chimei Innolux, Chunghwa Picture Tubes, HannStar Display, SVA-NEC, Beijing BOE Optronics Technology, Sharp, Hitachi, TMDisplay, Mitsubishi and Panasonic LCD.

Our ability to compete successfully depends on factors both within and outside our control, including product pricing, performance and reliability, successful and timely investment and product development, success or failure of our end-brand customers in marketing their brands and products, component and raw material supply costs, and general economic and industry conditions. We cannot provide assurance that we will be able to compete successfully with our competitors on these fronts and, as a result, we may be unable to sustain our current market position.

Our results of operations are subject to exchange rate fluctuations. To the extent that we incur costs in one currency and generate sales in a different currency, our profit margins may be affected by changes in the exchange rates between the two currencies. Our sales of display panels are denominated mainly in U.S. dollars, whereas our purchases of raw materials are denominated mainly in U.S. dollars and Japanese Yen. Our risk management policy regarding foreign currency risk is to minimize the impact of foreign currency fluctuations on our foreign currency denominated assets and liabilities.

B. Risk management

The average selling prices of display panels have declined in general and could continue to decline with time irrespective of industry-wide cyclical fluctuations. Certain contributing factors for this decline will be beyond our ability to control and manage. However, in anticipation of such price decline we have continued to develop new technologies and have implemented various cost reduction measures. In addition, in order to manage our risk against foreign currency fluctuations, we may from time to time enter into cross-currency interest rate swap contracts and foreign currency forward contracts.

7. Derivative Contracts

A. Currency risks

- We are exposed to currency risks on sales, purchases and borrowings that are denominated in currencies other than in Won, our functional currency. These currencies are primarily the U.S. dollar, the Euro, the Japanese Yen and the Chinese Renminbi.
- We generally use forward exchange contracts with a maturity of less than one year to hedge against currency risks.
- Interest on borrowings is denominated in the currency of the borrowing. Generally, borrowings are denominated in currencies that match the cash flows generated by our underlying operations, primarily in Won, the U.S. dollar, the Japanese Yen and the Chinese Renminbi.

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- In respect of other monetary assets and liabilities denominated in foreign currencies, we ensure that our net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates, when necessary, to address short-term imbalances. In addition, we also adjust the factoring volumes of foreign currency denominated receivables and utilize usances as means of settling accounts payable relating to capital expenditures for our facilities, in response to currency fluctuations.

B. Interest rate risks

- Our exposure to interest rate risks relates primarily to our long term debt obligations. To the extent necessary, we may from time to time enter into interest swap contracts to hedge our interest rate risks. As of December 31, 2011, we had no interest swap contracts outstanding.

8. Major contracts

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

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

9. Research & Development**A. Summary of R&D expenses**

(Unit: In millions of Won, except percentages)

Items	2011	2010	2009
Material Cost	550,200	616,072	400,467
Labor Cost	365,375	285,212	191,507
Depreciation Expense	217,874	93,365	89,459
Others	180,582	122,619	92,905

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Total R&D Expense		1,314,031	1,117,268	774,338
	Selling & Administrative Expenses	248,328	264,073	168,081
Accounting Treatment	Manufacturing Cost	942,015	717,848	505,585
	Development Cost (Intangible Assets)	123,688	135,347	100,672
R&D Expense / Sales Ratio				
(Total R&D Expense ÷ Sales for the period × 100)		5.4%	4.4%	3.8%
B. R&D achievements				

Achievements in 2009

- 1) Developments of 15.6-inch, 18.5-inch HD monitors for emerging market
 - Achieving cost reduction by focusing on basic functions and by applying GIP and DRD
- 2) Development of 22-inch WSXGA+ monitor applying White LED backlight
 - Development of our first environmentally friendly slim model (14.5mm in thickness)
 - Reduces power consumption by 47% compared to conventional CCFL model by applying White LED backlight
- 3) Development of 24-inch WUXGA+ monitor applying GIP
 - Development of the world's first monitor applying IPS GIP technology
 - Increased cost competitiveness by applying 960ch source driver integrated circuits chip, which reduces the number of integrated circuits: 8ea g 6ea
- 4) Development of 55/47/42-inch FHD LED models
 - Development of Direct thicker LED model MP
 - Realization of TM240Hz
- 5) 240Hz driving technology development
 - Development of the world's first 1 Gate 1 Drain 240Hz driving technology

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- 6) Development of low voltage liquid crystal development
 - Improving contrast ratio by 2.7%
 - Decreases voltage used in liquid crystals reducing circuit heat; decreases voltage by 6.9%
- 7) Development of Ez (Easy) Gamma technology
 - Minimize Gamma difference by using new measuring algorithm: 2.2 ± 0.6 g 2.2 ± 0.25
- 8) Development of 22-inch White+ technology
 - Increases transmissivity by 66% by using White+ Quad type pixel structure
- 9) Development of 55FHD direct slim LED model
 - Development of the world's first direct-mounted 16.3mm depth slim LCM
 - Realization of 240 block local dimming and Trumotion 240Hz

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- 10) Development of 42HD GIP +TRD technology
 - The world's first application of the 42HD GIP + TRD structure
 - Removal of gate drive integrated circuits: 3ea g 0ea
 - Reduction in source drive integrated circuits: 6ea g 2ea

- 11) Development of TV3 CR5 Color PR
 - Realization of 100% BT709 reiteration rate by applying RGB Color Locus
 - Achieving a 5% increase in CR by decreasing size of Color PR pigment

- 12) Development of the world's first slim 27W FHD TN monitors
 - Reduces thickness by applying edge-mounted backlight: 37.2t g 21.6t
 - Reduces power consumption by 60% compared to conventional models by applying 4Lamp
 - Realization of MPRT 8ms by applying BDI technology

- 13) Development of the world's first 25W FHD TN new size monitors
 - Development of new aspect ratio model: 16:9 wide-format
 - Reduction in the number of driver integrated circuits by applying 960ch Source Driver: 8ea g 6ea
 - Removal of gate driver integrated circuits by applying GIP technology

- 14) Development of 16:9 wide-format power consumption saving monitors (200W HD+, 215W FHD, 230W FHD)
 - Reduces power consumption by 40% compared to conventional models by applying 2Lamp

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- Slim design which reduces thickness: 17.0t g 14.5t

- To meet Energy Star 5.0 standards

- 15) Development of the world's first 22-inch WSXGA+ DRD (Double Rate Driving) monitors

- A 50% reduction in source driver integrated circuits by applying Double Rate Driving technology: 8ea g 4ea

- Removal of gate driver integrated circuits by applying GIP technology

- Application of optimum thin-film transistor structure for Double Rate Driving monitors

- 16) Development of the world's first 23W e-IPS monitors

- Slim design: Reduces thickness by applying edge-mounted backlight: 35.7t g 17t

- Reduces power consumption by 50% compared to conventional model by applying 4Lamp

- Realization of high aperture ratio by applying UH-IPS technology

- Reduction in the number of integrated circuits by applying 960ch source driver: 8ea g 6ea

- Removal of gate driver integrated circuits by applying GIP technology

- To meet Energy Star 5.0 standards

- 17) Development of high efficiency backlight technology

- Removal of DBDEF-D Sheet by increasing backlight luminance level by more than 30% g development of high efficiency lamp and improvement of optics sheet optical efficiency

- 18) Development of GIP and high aperture ratio technology for QHD IPS model

- Stable GIP output in QHD IPS models

- Maximizing transmissivity by applying UH-IPS technology and asymmetric pixel design

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- 19) Development of three-dimensional display technology using the shutter glasses method.
 - Realization of stable rate of 172Hz
 - Realization of 4port low voltage differential signaling frequencies at a rate of 400MHz
 - Realization of ODC (Over Driver Circuit) tuning of GTG 3.5ms which is optimum for three-dimensional display
- 20) Development of 17.1-inch wide-format slim (flat type) panel applying COG (Chip On Panel) chip, our largest slim (flat type) panel
 - Development of our largest size slim (flat type) model (previously, our largest model was the 15.4-inch wide-format)
 - Reduction in thickness: 6.5mm g 4.3mm
- 21) Development of new high resolution 101W model (1024x600, 1366x768)
 - Achieving higher resolution: 1024x576 g 1024x600, 1366x768
- 22) Development of world's first 17.3-inch HD+ LED panel for notebook computers
 - New size and resolution for 16:9 wide-format
 - Existing model: 17.1-inch WXGA+ 1400x900 / New model: 17.3-inch HD+ 1600x900
- 23) Development of 13.3-inch HD LED panel for notebook computers
 - New size and resolution for 16:9 wide-format
- 24) Development of world's first 14.0-inch HD+ LED panel for notebook computers
 - New size and HD+ resolution (1600x900) for 16:9 wide-format
- 25) Development of world's first 15.6-inch HD+ LED panel for notebook computers

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- First HD+ resolution (1600x900) for 16:9 wide-format

- 26) Development of world's first 15.6-inch FHD LED panel for notebook computers

- First FHD resolution (1920x1080) for 16:9 wide-format

- 27) Development of the first Green PC models (13.3-inch, 14.0-inch, 15.6-inch)

- First models applying Green product concept (halogen free, low power consumption)

- 28) Development of DRD (Double Rate Driving) technology applying COG (Chip on Glass)

- Development of the first COG that applies DRD technology (a 50% reduction in the number of COG drive integrated circuits)

- 29) Development of 10.1-inch SD (1024 x 600) model for netbooks

- Improved resolution: 1024 x 600

- Reduction in cost by applying COG instead of COF

- 30) Development of 10.1-inch HD (1366 x 768) model for netbooks

- Highest resolution among 10.1-inch models

- Reduction in cost by applying GIP technology

- 31) Development of 17.1-inch WUXGA flat type model

- Development of largest flat type model (previously, largest model was 15.4-inch)

- The thinnest among 17.1-inch models

- Reduction in thickness: 6.5t to 4.3t

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- 32) Developments of 11.6-inch HD monitor for netbooks
 - Development of largest/ highest resolution monitor for netbooks
 - Reduction in cost by applying GIP technology

- 33) Development of low-cost 26-inch and 32-inch HD model for televisions
 - World's first monitor without a cover shield
 - Application of sheet type support side
 - Reduction in cost by applying low-cost single bottom covers for mold frames

- 34) Development of large-sized (42-inch/47-inch) edge type LED LCD model for televisions
 - Development of our first model for televisions applying edge type LED backlight (mass production commenced in September 2009)
 - Slim depth (11.9mm in thickness) & narrow bezel (18mm in thickness)

- 35) Development of world's first S/D-IC + Tcon merging technology applicable to television monitors
 - Minimizing size of printed circuit board by applying 1380ch S/D-IC + ASIC technology and removing ASIC chip
 - A 49% cost reduction in manufacturing circuits

- 36) Achieving a full product line-up for netbook monitors
 - A full product line-up that covers the full spectrum of netbook monitor sizes from 8.9-inch to 11.6-inch models

- 37) Development of our first flat type monitor for netbooks
 - Development of 11.6-inch flat type HD monitor

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- 38) Development of new LED-applied model utilizing vertical LED array technology
- Development of 15.6-inch HD model applying vertical
 - LED array technology (technology applied in existing models: horizontal LED array)
 - Reduction in power consumption and raw material costs
- 39) Development of world's first 21.5W FHD IPS monitor applying white LED backlight technology
- Application of environmentally friendly components including white LED backlight and halogen free parts
 - Achievement of high luminance (more than 330nit) by applying high efficiency white LED backlight
 - A 100% sRGB coverage
- 40) Development of world's first 27W QHD IPS monitor applying white LED backlight technology
- Application of environmentally friendly components including white LED backlight and halogen free parts
 - Achievement of high luminance (more than 380nit) by applying high efficiency white LED backlight
 - A 100% sRGB coverage
 - Realization of high resolution (2560x1440)
 - Removal of gate driver integrated circuits by applying GIP technology
- 41) Development of world's first 19-inch WXGA monitor applying DRD (Double Rate Driver)
- A 50% reduction in the number of source driver integrated circuits by applying DRD (Double Rate Driving) technology

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- Removal of gate driver integrated circuits by applying GIP technology
- Optimization of TFT design structure for DRD (Double Rate Driver) technology
- 42) Development of world's first 22W e-IPS monitor applying GIP technology
- Achievement of high aperture ratio by applying UH-IPS technology
- Reduction in the number of source driver integrated circuits by applying 960 channel chip (8eag6ea)
- Removal of gate driver integrated circuits by applying GIP technology
- 43) Development of world's first QHD new high resolution monitor (27W QHD)
- Achievement of high resolution (2560 x 1440)
- Maximization of aperture ratio applying UH-IPS technology and elimination of gate driver integrated circuits by applying GIP technology
- Achievement of high luminance and sRGB coverage of 100% applying high efficiency white LED
- 44) Development of world's first monitor applying GIP, DRD (Double Rate Driver) and I-VCOM monitor (185W HD)
- 50% reduction in the number of source driver integrated circuits by applying DRD (Double Rate Driving) technology
- Elimination of gate driver integrated circuits by applying GIP technology
- Elimination of DBEF Optical sheet by applying I-VCOM technology and optical efficiency improvement in backlight
- 45) Development of shutter glasses type three-dimensional monitor with full high definition
- 172Hz operation frame rate
- Highest data interface speed of over 400MHz in 4port LVDS interface and achievement of GTG 3.5ms by optimal tuning of ODC (Over Driving Circuit)

- 46) One layer vertical LED monitor development and reinforcement of monitor product line up (200W HD+, 215W FHD, 230W FHD)
- Minimization of the number of LED PKG applying vertical array structure
 - Elimination of DBEF Sheet applying two-in-one LED PKG
 - Slim design: optimization of mechanical structure
- 47) Development of world's first notebook monitor applying 2ea Sheet Backlight
- Achieving cost competitiveness by switching from conventional 3~4ea sheet to 2ea complex sheet backlight (with the Diffuser Sheet eliminated)

Achievements in 2010

- 48) Development of 9.7-inch AH-IPS model for Apple's i-Pad.
- Development of the world's first IPS Tablet
 - Achieving the following viewing angles by applying AH-IPS: top (80°) / bottom (80°) / left (80°) / right (80°)

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- 49) Development of second Green PC products (13.3-inch, 14.0-inch and 15.6-inch in high-definition)
 - Thin and light; low electricity consumption thereby increasing battery life
 - Development of Company-led flat product market

- 50) Development of world's first TruMotion 480Hz product (47-inch and 55-inch in full high-definition)
 - World's first application of 240hz driving technology and scanning technology to achieve TruMotion 480Hz.
 - 50% reduction in source driver integrated circuits (from 16ea to 8ea) by applying 1 gate 1 drain technology

- 51) World's first full high-definition 47-inch three-dimensional display panels using Glass Patterned Retarder (GPR) technology
 - Achieving full high-definition for three-dimensional display panels using GPR technology

- 52) Development of our first large-sized display panels viewable in three-dimension using shutter glasses (42-inch, 47-inch, 55-inch in full high-definition)
 - Achieving high aperture ratio by applying S-IPS V technology
 - Removal of gate driver integrated circuits by applying GIP technology
 - Reduction in the number of integrated circuits (from 8ea to 6ea) by applying 960Ch source driver integrated circuits

- 53) World's first LCD product which uses the LCD monitor's bottom cover as the back cover of a television set (32-inch, 37-inch and 42-inch in full high-definition)
 - Removal of the television set back cover by replacing it with the LCD monitor's bottom cover. Co-designed with a third party

- 54) Development of 42-inch and 47-inch full high-definition display panels for television to be sold in emerging markets
 - Focusing on basic functions and removing functions that are costly
 - Achieving cost reduction by applying GIP technology

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- 55) Development of intra interface technology for large-sized, high resolution, high frequency display panels
 - Improved data transmission rate (from 660Mbps to 1.6Gbps)
 - Developing slim PCBs by decreasing the number of transmission lines
- 56) Development of our first 21.5-inch and 26-inch full high-definition Edge LED products
 - Application of 21.5-inch, 26-inch full high-definition TV LED BL and mid-sized full high-definition model Slim TCON (176Pin g 88Pin)
- 57) Development of our first 32 high-definition Edge LED product
 - Application of 32-inch high-definition TV Edge LED BL
- 58) Development of our first 37-inch full high-definition M240Hz product
 - Development of 37-inch full high-definition 240Hz panel. Development and mass production of MEMC 240Hz with TCON model.
- 59) Development of 240Hz panel for LG Electronics Borderless TV
 - Development of Narrow Bezel 240Hz panel (Bezel 14mm g 7mm) for LG Electronics Borderless TV
- 60) Development of the world's first slim 23W full high-definition monitor in IPS mode
 - Slim design by applying slim-type LED backlight (thickness: 14.5t g 11.5t)

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- Cost saving by applying low voltage liquid crystal
- Removal of gate driver integrated circuits by applying GIP technology
- 61) Development of the world's first slim 185W high-definition monitor in TN mode
 - Slim design by applying slim-type LED backlight (thickness: 11.5t g 9.7t)
 - 50% reduction in source driver integrated circuits by applying DRD (Double Rate Driving) technology
 - Elimination of optical sheet by applying new TFT structure technology (I-VCOM)
 - Removal of gate driver integrated circuits by applying GIP technology
- 62) Development of 42-inch, 47-inch and 55-inch full high-definition monitors applying low cell gap (3.1 g 2.8um) technology
 - Enhanced 3D performance (3D CrossTalk 10.x% g 5.x%)
 - World's first application of this technology in 42-inch, 47 inch and 55-inch full high-definition products
- 63) Development of ultra slim 0.2t glass 12.1-inch notebook computer
 - Realization of ultra slim product by applying 0.2t glass and flat screen backlight structure
- 64) Development of world's first ultra slim 19SX TN monitor
 - Slim design by applying slim type LED backlight (thickness: 15.5 g 9.9t)
 - 50% reduction (6ea to 3ea) in the number of source driver integrated circuits by applying DRD (Double Rate Driving) technology
 - Elimination of gate driver integrated circuits by applying GIP technology
- 65) Development of 215FHD e-IPS monitor products applying LED PKG

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- Reduction in the number of LED and LED array cost through optimization of LED PKG's beam and size
 - Realization of 2 sheet structure by adopting I-VCOM resulting in increased transmittance and backlight luminance
 - Elimination of gate driver integrated circuits by applying GIP technology
 - Minimization of LCM thickness by applying thin LED array structure (14.5t g 10.2t)
- 66) Development and application of LED PKG in 215FHD TN monitor products
- Reduction in the number of LED and LED array cost through optimization of LED PKG's beam and size
 - Elimination of DBEF sheet by adopting I-VCOM resulting in increased transmittance and backlight luminance
 - Elimination of gate driver integrated circuits by applying GIP technology
 - Minimization of LCM thickness by applying thin LED array structure (14.5t g 10.2t)
- 67) Development of world's first slim TN monitor (185W HD, 20W HD+, 215W/23W FHD)
- Developing ultra slim monitor by cooperating with set makers in the design process (SET standard: over 20t g 12.9t)
 - Minimization of LCM thickness by applying thin LED array structure (11.5t g 8.2t)
 - Simplification of circuit by developing T-con + Scaler 1chip

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- 68) Development of world's first ultra slim 215W FHD TN monitor
 - Developing ultra slim monitor by cooperating with set makers in the design process (SET standard: 12.9t g 7.2t)
 - Minimization of LCM thickness by applying thin LED array structure (8.2t g 6t)
- 69) Development of the world's first 3D FPR type 42-inch, 47-inch and 55-inch full high definition panels
 - Improved 3D performance (cross talk 1.0% i, 3D luminance 170 nit)
- 70) Development of our first 42-inch, 47-inch and 55-inch full high definition panels with built-in 3D formatters
 - Development of our first products with built-in MEMC and 3D formatters
- 71) Development of the world's first real 240Hz applying GIP driving technology
 - First to develop real 240Hz applying GIP driving technology
 - Reduced the number of driver integrated circuits by applying 960ch Source Driver: 8ea g 6 ea
- 72) Development of panels for Macbook Air
 - Development and mass production of 116HD, 133 WXGA+ panels
 - Application of Z-inversion technology for low energy consumption
- 73) Introduction of the world's first high definition shutter glasses type 3D notebook product (17.3 inch full high definition)
 - Development of 172Hz high recharging speed notebook LCD panel
 - Development of Timing Controller (TC) driving technology
- 74) The first all-in-one touch panel notebook from an LCD panel manufacturer (15.6 inch high definition add-on touch notebook)

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- The world's first large size (15.6-inch) notebook panel to receive Win7 Touch certification (received on July 23, 2010)

- The world's first LCD and touch panel integrated add-on touch module developed by an LCD panel manufacturer

- 75) Introduction of the world's first Micro Film 3D notebook (15.6-inch full high definition)
 - The world's first 3D FPR type notebook (developed timely to win market share in the 3D market)

- 76) Development of the world's first 240Hz 23W IPS monitor
 - The world's first to realize 240Hz by application of 120Hz panel driving and scanning technologies

 - Achievement of Motion Picture Response Time (MPRT) of 8ms

- 77) Development of the world's first add-on infrared camera type 215W IPS monitor
 - Realization of thin LCM (20.5t) by application of the world's first add-on infrared camera

 - Improved touch capabilities (dead zone free and multi-touch) and the first in the world to receive Win 7 Logo certification

 - Touch location auto correction by applying auto calibration

- 78) Development of 20-inch high definition and 23-inch full high definition e-IPS monitor products applying widescreen LED PKG
 - Reduction in the number of LED and LED array cost through optimization of LED PKG's beam and size

 - Elimination of gate driver integrated circuits by applying GIP technology

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- Cost reduction and lower power consumption (20% reduction for driver integrated circuits) by using low voltage driver integrated circuits
- Minimization of LCM thickness by applying thin LED array structure (for 20-inch high definition panels: 14.5t g 10.2t)
- 79) Development of 20-inch high definition and 23-inch full high definition TN monitor products applying widescreen LED PKG
- Reduction in the number of LED and LED array cost through optimization of LED PKG's beam and size
- Elimination of DBEF sheet by adopting I-VCOM resulting in increased transmittance and backlight luminance (for 20-inch high definition monitors)
- 50% reduction in the number of source driver integrated circuits by applying DRD technology (for 23-inch full high definition panels)
- Elimination of gate driver integrated circuits by applying GIP technology
- Minimization of LCM thickness by applying thin LED array structure (11.5t g 10.2t)

Achievements in 2011

- 80) Introduction of glass-free mobile 3D product (4.3-inch WVGA)
 - Development and preparation for mass production of our first glass-free 3D product (utilizing barrier cell)
- 81) Introduction of the world's first 12.5-inch AH-IPS notebook product
 - Development of the world's first 12.5-inch notebook utilizing AH-IPS technology
 - Achievement of a maximum circuit logic power of 1.0W
 - Development of a slim and light AH-IPS model (development of a model that utilizes IPS and flat PCB)
- 82) Introduction of an integrated 14.0-inch touch panel notebook product

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- Development of a 14.0-inch touch panel notebook product as part of our plan to develop and expand our integrated touch panel products portfolio
- 83) Introduction of our 15.6-inch dream color IPS notebook product
- Development of a notebook utilizing H-IPS technology
 - Realization of a 100% color reproduction rate by applying RGB LED technology
 - Realization of 1.073G color by applying 10-bit color depth technology
- 84) Development and mass production of 9.7-inch LCD panels for i-Pad 2
- Application of AH-IPS and slim LCD technology
 - Decreased thickness by 20% and weight by 7% compared to LCD panel for i-Pad 1
- 85) Development of the world's first 3D FPR 23-inch FHD TN monitor product
- Minimization of flicker / crosstalk by applying FPR technology
 - Minimization of cost increase by applying one layer 3D film
 - Realization of high luminance 3D images (two times the luminance compared to images from monitors utilizing shutter glass technology)

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- 86) Introduction of our first 50-inch Cinema TV product
 - Application of 21:9 screen display ratio (2560 x 1080 resolution)
 - Application of 960ch + EPI source driver integrated circuits for optimal high-resolution
 - Application of scanning technology under the Horizontal 2Edge structure

- 87) Development of the world's first 3D FPR 23-inch IPS FHD monitor product
 - Minimization of flicker / crosstalk by applying FPR technology
 - Minimization of cost increase by applying one layer 3D film
 - Realization of high luminance 3D images (two times the luminance compared to images from monitors utilizing shutter glass technology)

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

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

- 90) Development and introduction of a 15.6-inch HD product with the world's lowest (at the time) power consumption from logic circuit (0.5W).
- Application of DRD Z-inversion, HVDD and low voltage process
 - Application of high intensity LED (2.3cd) and Vcut light guide plate
 - Increase in battery life due to logic circuit power consumption reduction
- 91) Development of the world's smallest (at the time) Narrow Bezel Notebook Model
- The first in the world to apply 4.5 mm narrow bezel
 - Formation of camera hole by B/M mask patterning
- 92) Development of a new 10.1-inch WX smartbook LCD
- Development of the our first 10.1-inch WXGA LCD following in the footsteps of our 9.7-inch XGA model
 - Realization of reduced power consumption, high permeability and increased viewing angle by application of IPS technology.
- 93) Development of a 42-inch full high-definition product applying COT technology
- Simplifying panel production process by applying COT (Color Filter on TFT) technology
 - Luminance increased by 10%
- 94) Development of 42-inch, 47-inch and 55-inch direct slim LCD TV
- Development of the world's first direct-mounted 11.0mm depth ultra-slim LCM model
 - Application of 96 block local dimming and M240Hz technology

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- 95) Development of a 47-inch super narrow public display panel
 - Development of our first super narrow bezel (seam 6.9mm) product for application in public display panels

- 96) Introduction of the world's first 15.6-inch full high-definition AH-IPS notebook product
 - Development of the world's first 15.6-inch full high-definition model applying AH-IPS technology
 - Development of slim & light AH-IPS model (thickness: 3.4mm; weight: 330g)
 - Achieving the following viewing angles by applying IPS technology; 178° from top to bottom; 178° from left to right

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

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

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

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100) Development of the world's first 14.0-inch HD 3D FPR notebook product

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

101) Development of the world's first AH-IPS GIP / DRD column inversion technology

- Development of AH-IPS GIP / DRD by application of shrink GIP technology
- Realization of TN-equivalent panel size through reduced panel load
- Achieved TN-equivalent logic energy consumption levels

10. Intellectual Property

As of December 31, 2011, we held a total of 16,944 patents, comprising 7,508 in Korea and 9,436 in other countries.

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

We have also voluntarily agreed to reduce emission of greenhouse gases, such as trifluoride oxide and perfluoro compounds, or PFCs, including sulfur hexafluoride, or SF6, gases, by installing abatement systems to meet voluntary emissions targets for the TFT-LCD industry for 2010. As part of our voluntary activities to reduce emission of greenhouse gases, we installed trifluoride oxide abatement systems at all of our production lines. We also installed an SF6 abatement system in P1 in April 2005, and we, along with LG International Corp., have taken steps to install additional SF6 abatement systems through the use of Clean Development Mechanism, or CDM, projects. On July 10, 2010, after becoming the first TFT-LCD company to receive the UNFCCC CDM Executive Board's approval of our CDM project, we installed an SF6 abatement system in P6. We received a total of 343,971 tons of certified emission reduction credits from the UN for the reduction of greenhouse gas emissions during the period from August 1, 2010 to December 31, 2010, all of which was sold in December 2011. We were the first LCD company to receive such certified emission reduction credits pursuant to an SF6 decomposition CDM project. Currently, a third party accreditation agency is also examining the reduction of our greenhouse gas emissions during the period from January 1, 2011 to August 31, 2011 as part of our application for receiving certified emission reduction credits from the UN. In August 2011, we commenced the installation of an SF6 abatement system in P7 through the implementation of CDM projects which is expected to become operational in 2012 and further reduce our greenhouse gas emissions.

Under the Framework Act on Low Carbon, Green Growth, the Korean government has designated us as one of the companies subject to greenhouse gas emission and energy consumption targets. As a result, we may need to invest in additional equipment and there may be other costs associated with meeting the reduction target for 2012, which may have a negative effect on our profitability or production activities. In addition, if we fail to meet our reduction target and are unable to comply with the government's subsequent enforcement notice relating to such failure, we may be subject to fines.

In connection with the greenhouse gas emission reduction target system, we submitted a statement of our domestic emissions and energy usage for the years 2007 through 2010 to the Korean government (i.e., the Ministry of Environment and the Ministry of Knowledge Economy), which was certified by DNV Certification Co., Ltd., a government-designated certification agency. We are currently preparing a statement of our domestic emissions and energy usage for the year 2011, which we plan to submit to the Ministry of Environment and the Ministry of Knowledge Economy by the end of March 2012 after certification by Lloyd's Register Quality Assurance, another government-designated certification agency. In addition, in order to improve the efficiency and reliability of measuring our greenhouse gas emission reduction activities, we have begun implementing improvements in our electronic greenhouse gas inventory system and plan to complete such improvements in 2012.

Operations at our manufacturing plants are subject to regulation and periodic monitoring by the Korean Ministry of Environment and local environmental protection authorities. We believe that we have adopted adequate anti-pollution measures and have minimized our impact on the environment by improving existing and developing new technologies for the effective maintenance of environmental protection standards consistent with local industry practice. In addition, we have continually monitored, and we believe that we are in compliance in all material respects with, the applicable environmental laws and regulations in Korea. Expenditures related to such compliance may be substantial. Such expenditures are generally included in capital expenditures. As required by Korean law, we employ licensed environmental specialists for each environmental area, including air quality, water quality, toxic materials and radiation. We currently have ISO 14001 certifications with respect to the environmental record for P1 through P8, our OLED production facility in Gumi, Korea, our Gumi module production plant and our Paju module production plant, as well as our module production plants in Nanjing and Guangzhou, China.

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In addition, with respect to P1 through P8 and our module production plants in Gumi and Paju, we have established and are currently operating a new green management system, which was certified by BSI Group Korea in November 2011. Furthermore, we have been certified by the Korean Ministry of Environment as a Green Company, with respect to our environmental record for P1 and our module production plant in Gumi since 1997, with respect to our operations at P2 and P3 since 2006, and with respect to our operations at P4, P5 and P6 since 2008, and received commendations from the Prime Minister and the Minister of Environment of Korea for our efforts to promote recycling.

We also have an internal monitoring system to control the use of hazardous substances in the manufacture of our products as we are committed to compliance with all applicable environmental laws and regulations, including European Union Restriction of Hazardous Substances (RoHS) Directive 2002/95/EC, which took effect in July 2006, and restricts the use of certain hazardous substances in the manufacture of electrical and electronic equipment.

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

In October 2005, we became the first TFT-LCD company to receive accreditation as an International Accredited Testing Laboratory by the Korea Laboratory Accreditation Scheme, which is operated by the Korean Ministry of Knowledge Economy. In September 2006, we received international accreditation from TUV SUD, EU's German accreditation agency, as a RoHS testing laboratory. Moreover, we participated in reforming IEC 62321 by 2012, a RoHS international testing standard, by including a halogen-free combustion ion chromatography method in our committee draft that we submitted in June 2010.

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

(Unit: In millions of Won)

Description	As of December 31, 2011	As of December 31, 2010	As of December 31, 2009
Current assets	7,858,065	8,840,433	8,226,142
Quick assets	5,540,695	6,625,216	6,558,362
Inventories	2,317,370	2,215,217	1,667,780
Non-current assets	17,304,866	15,017,225	11,477,335
Investments in equity accounted investees	385,145	325,532	282,450
Property, plant and equipment, net	14,696,849	12,815,401	9,596,497
Intangible assets	535,114	539,901	352,393
Other non-current assets	1,687,758	1,336,391	1,245,995
Total assets	25,162,931	23,857,658	19,703,477
Current liabilities	9,911,434	8,881,829	6,495,071

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Non-current liabilities	5,120,469	3,914,862	3,168,657
Total liabilities	15,031,903	12,796,691	9,663,728
Share capital	1,789,079	1,789,079	1,789,079
Share premium	2,251,113	2,251,113	2,251,113
Reserves	12,181	(35,298)	(51,005)
Retained earnings	6,063,359	7,031,163	6,050,562
Non-controlling interest	15,296	24,910	0
Total equity	10,131,028	11,060,967	10,039,749

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

Description	For the year ended December 31, 2011	For the year ended December 31, 2010	For the year ended December 31, 2009
Revenue	24,291,289	25,511,535	20,037,701
Results (loss) from operating activities	(924,336)	1,310,472	1,010,352
Income (loss) from continuing operation	(787,895)	1,159,234	1,117,778
Profit (loss) for the period	(787,895)	1,159,234	1,117,778
Profit (loss) attributable to:			
Owners of the Company	(771,223)	1,156,343	1,117,778
Non-controlling interest	(16,672)	2,891	
Basic earnings (loss) per share	(2,155)	3,232	3,124
Diluted earnings (loss) per share	(2,155)	3,152	3,124
Number of consolidated entities	18	16	11

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

(Unit: In millions of Won)

Description	As of December 31, 2011	As of December 31, 2010	As of December 31, 2009
Current assets	7,326,764	8,499,873	7,973,355
Quick assets	5,414,054	6,739,908	6,687,050
Inventories	1,912,710	1,759,965	1,286,305
Non-current assets	16,947,200	14,658,125	11,283,512
Investments	1,386,313	1,279,831	1,075,229
Property, plant and equipment, net	13,522,553	11,688,061	8,730,263
Intangible assets	479,510	483,260	340,885

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Other non-current assets	1,558,824	1,206,973	1,137,135
Total assets	24,273,964	23,157,998	19,256,867
Current liabilities	9,485,333	8,453,869	6,120,663
Non-current liabilities	5,101,714	3,833,454	3,102,006
Total liabilities	14,587,047	12,287,323	9,222,669
Share capital	1,789,079	1,789,079	1,789,079
Share premium	2,251,113	2,251,113	2,251,113
Reserves	(3,944)	(7,795)	(17,366)
Retained earnings	5,650,669	6,838,278	6,011,372
Total equity	9,686,917	10,870,675	10,034,198

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

Description	For the year ended December 31, 2011	For the year ended December 31, 2010	For the year ended December 31, 2009
Revenue	23,471,309	25,004,257	20,119,342
Results (loss) from operating activities	(1,251,083)	1,024,394	976,863
Income (loss) from continuing operation	(991,032)	1,002,648	1,088,814
Profit (loss) for the period	(991,032)	1,002,648	1,088,814
Basic earnings (loss) per share	(2,770)	2,802	3,043
Diluted earnings (loss) per share	(2,770)	2,726	3,043

C. Consolidated subsidiaries (as of December 31, 2011)

Company	Primary Business	Location	Ownership Percentage
LG Display America, Inc.	Sales	U.S.A.	100%
LG Display Germany GmbH	Sales	Germany	100%
LG Display Japan Co., Ltd.	Sales	Japan	100%
LG Display Taiwan Co., Ltd.	Sales	Taiwan	100%
LG Display Nanjing Co., Ltd.	Manufacturing and sales	China	100%
LG Display Shanghai Co., Ltd.	Sales	China	100%
LG Display Poland Sp. zo.o.	Manufacturing and sales	Poland	80%
LG Display Guangzhou Co., Ltd.	Manufacturing and sales	China	90%
LG Display Shenzhen Co., Ltd.	Sales	China	100%
LG Display Singapore Pte. Ltd.	Sales	Singapore	100%

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L&T Display Technology (Xiamen) Co., Ltd.	Manufacturing and sales	China	51%
L&T Display Technology (Fujian) Co., Ltd.	Manufacturing and sales	China	51%
LG Display Yantai Co., Ltd.	Manufacturing and sales	China	100%
L&I Electronic Technology (Dongguan) Limited	Manufacturing and sales	China	51%
Image & Materials, Inc.	Manufacturing and sales	Korea	100%
LUCOM Display Technology (Kunshan) Limited	Manufacturing and sales	China	51%
LG Display U.S.A. Inc.	Manufacturing and sales	U.S.A.	100%
LG Display Reynosa S.A. de C.V.	Manufacturing	Mexico	100%

D. Status of equity investment (as of December 31, 2011)

Company	Investments	Initial Equity Investment Date	Ownership Ratio
LG Display America, Inc.	US\$185,000,000	September 24, 1999	100%
LG Display Germany GmbH	EUR960,000	November 5, 1999	100%
LG Display Japan Co., Ltd.	¥95,000,000	October 12, 1999	100%
LG Display Taiwan Co., Ltd.	NT\$115,500,000	May 19, 2000	100%
LG Display Nanjing Co., Ltd.	CNY2,552,191,315	July 15, 2002	100%
LG Display Shanghai Co., Ltd.	CNY4,138,650	January 16, 2003	100%
LG Display Poland Sp. zo.o.	PLN410,327,700	September 6, 2005	80%
LG Display Guangzhou Co., Ltd.	CNY895,904,754	August 7, 2006	90%
LG Display Shenzhen Co., Ltd.	CNY3,775,250	August 28, 2007	100%
LG Display Singapore Pte. Ltd.	SGD1,400,000	January 12, 2009	100%
L&T Display Technology (Xiamen) Co., Ltd.	CNY41,785,824	January 5, 2010	51%
L&T Display Technology (Fujian) Co., Ltd.	CNY59,197,026	January 5, 2010	51%
LG Display Yantai Co., Ltd.	CNY273,048,000	April 19, 2010	100%
L&I Electronic Technology (Dongguan) Limited	CNY17,062,560	October 25, 2010	51%
Image & Materials, Inc.	(Won) 40,999,919,576	November 29, 2010	100%
LG Display U.S.A. Inc.	US\$10,920,000	December 8, 2011	100%
LG Display Reynosa S.A. de C.V.	MXN111,998,058	December 30, 2011	100%
LUCOM Display Technology (Kunshan) Limited	CNY50,353,677	December 27, 2010	51%
Suzhou Raken Technology Co., Ltd.	CNY569,455,395	October 7, 2008	51%
Paju Electric Glass Co., Ltd.	(Won) 33,648,000,000	March 25, 2005	40%
TLI Co., Ltd.	(Won) 14,073,806,250	May 16, 2008	12%

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AVACO Co., Ltd.	(Won)6,172,728,120	June 9, 2008	20%
Guangzhou Vision Display Technology Research and Development Limited	CNY25,000,000	July 11, 2008	50%
NEW OPTICS, Ltd.	(Won)12,199,600,000	July 30, 2008	42%
LIG ADP Co., Ltd.	(Won)6,330,000,000	February 24, 2009	13%
Wooree LED Co., Ltd.	(Won)11,900,000,000	May 22, 2009	30%
Dynamic Solar Design Co., Ltd.	(Won)6,066,658,000	June 24, 2009	40%
RPO, Inc.	US\$12,285,022	November 3, 2009	26%
Global OLED Technology LLC	US\$45,170,000	December 23, 2009	33%
LB Gemini New Growth Fund No. 16	(Won)14,460,647,109	December 7, 2009	31%
Can Yang Investment Ltd.	US\$15,300,000	January 27, 2010	12%
YAS Co., Ltd.	(Won)10,000,000,000	September 16, 2010	19%
Eralite Optoelectronics (Jiangsu) Co., Ltd.	US\$4,000,000	September 28, 2010	20%
Narae Nanotech Corporation	(Won)30,000,000,000	April 22, 2011	23%
Avatec Co., Ltd.	(Won)10,600,000,000	December 6, 2011	20%

13. Audit Information

A. Audit service

(Unit: In millions of Won, hours)

Description	2011	2010	2009
Auditor	KPMG Samjong	KPMG Samjong	KPMG Samjong
Activity	Audit by independent auditor	Audit by independent auditor	Audit by independent auditor
Compensation ⁽¹⁾	850 (285) ⁽²⁾	850 (585) ⁽³⁾	700 (540) ⁽⁴⁾
Time required	16,154	16,646	17,569

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

B. Non-audit service

(Unit: In millions of Won)

Fiscal Year	Contract Date	Service Description	Compensation	Note
2011	September 19, 2011	Improvements to document management and processing	80	LGCNS retained KPMG Samjong to provide the service jointly to LG Display.

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

A. Risk Relating to Forward-looking Statements

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

B. Overview

In 2011, despite the challenging market environment, we were able to further strengthen our position as the leader in the global display panel industry by developing differentiated products and technologies. For example, we believe our FPR 3D panels, which were first introduced to the market in early 2011, were instrumental in the very strong growth of the 3D panel market, which grew forty-fold in China alone and almost ten-fold globally in 2011. Also, as the market for mobile devices such as smartphones and smartbooks continued its growth in 2011, our mobile display panels utilizing AH-IPS technology further solidified their position in the market.

In addition, our ART TV and Blade Monitor received recognition for their innovative design and technology as they garnered international product design awards in 2011. We have also developed hinge-up displays for notebook computers, also known as Shuriken displays, which are optimized for use in ultrabooks, Intel's new ultra-slim notebook platform.

We have also continued our efforts to enhance our manufacturing productivity in 2011, and as a result, the productivity levels at our fabrication facilities have been some of the highest in the industry. We have also continued our efforts to reduce cost of sales by lowering overhead costs and further developing the synergistic relationships we have with our strategic suppliers. In addition, we continued to foster a work-friendly corporate environment.

As a result of these efforts, we had the largest market share in the large size panel market in 2011, according to data published by DisplaySearch.

C. Financial Condition and Results of Operations

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

We led the market with our products and technologies that can be differentiated from those of our competitors. For example, we captured a 40% share of the 3D television panel market with our products utilizing FPR 3D technology and we continued to lead the smartbook display market with our AH-IPS products.

We are also supporting domestic companies with which we have cooperative relationships to become more competitive on the global stage. The number of domestic companies which receive our support increased from 18 in 2010 to 25 in 2011 and the number of domestic companies with which we have a cooperative relationship increased from 61 in 2010 to 85 in 2011. We have also established a task force with television set manufacturers to jointly develop differentiated products, from planning to manufacturing stages. The establishment of cooperative production structures with these manufacturers has helped to reduce costs and to develop products with slimmer designs and other design innovations.

However, due to decreases in selling prices resulting from difficult market conditions in 2011, our revenue was approximately (Won)24,291 billion, a decrease of approximately 5% compared to our revenue in 2010. We recorded a loss from operating activities of approximately (Won)924 billion and a loss for the year of approximately (Won)788 billion in 2011. Despite such results, we were able to maintain the largest market share for large size products as the proportion of sales derived from our differentiated products, such as FPR 3D, AH-IPS and smartbook products, increased in 2011 compared to 2010.

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(Unit: In millions of Won)

Description	2011	2010	Changes
Revenue	24,291,289	25,511,535	(1,220,246)
Cost of sales	(23,081,322)	(21,780,880)	(1,300,442)
Gross profit	1,209,967	3,730,655	(2,520,688)
Other income	1,223,545	1,483,443	(259,898)
Selling expenses	(728,419)	(846,376)	117,957
Administrative expenses	(564,337)	(521,035)	(43,302)
Research and development expenses	(681,228)	(674,684)	(6,544)
Other expenses	(1,383,864)	(1,861,531)	477,667
Results from operating activities	(924,336)	1,310,472	(2,234,808)
Finance income	207,266	240,988	(33,722)
Finance costs	(363,309)	(288,472)	(74,837)
Other non-operating loss, net	(16,627)	(15,611)	(1,016)
Equity income on investment, net	16,047	18,192	(2,145)
Profit (loss) before income tax	(1,080,959)	1,265,569	(2,346,528)
Income tax expense (benefit)	(293,064)	106,335	(399,399)
Profit (loss) for the period	(787,895)	1,159,234	(1,947,129)

(a) Selected financial ratios

Ratios	Calculation	2011 Ratio	2010 Ratio	Change
Current ratio	(current assets ÷ current liabilities) x 100	79.3%	99.5%	(20.2)%
Debt to equity ratio	(total liabilities ÷ total equity) x 100	148.4%	115.7%	32.7%
Operating margin	(results from operating activities ÷ revenue) x 100	(3.8)%	5.1%	(8.9)%
Net margin	(profit for the period ÷ revenue) x 100	(3.2)%	4.5%	(7.7)%
Return on assets	(profit for the period ÷ total assets) x 100	(3.1)%	4.9%	(8.0)%
Return on equity	(profit for the period ÷ total equity) x 100	(7.8)%	10.5%	(18.3)%
Net cash from operating activities to assets ratio	(net cash from operating activities ÷ total assets) x 100	14.6%	20.5%	(5.9)%

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Ratios	Calculation	2011 Ratio
Revenue growth	(current year revenue ÷ prior year revenue) x 100 -1	(4.8)%
Operating profit growth	(current year results from operating activities ÷ prior year results from operating activities) x 100 -1	Not Applicable
Net profit growth	(current year profit ÷ prior year profit) x 100 -1	Not Applicable
Total assets growth	(current year end total assets ÷ prior year end total assets) x 100 -1	5.5%
Asset turnover	Revenue ÷ ((total assets at beginning of year + total assets at end of year) ÷ 2)	1.0

(b) Revenue and cost of sales

Our cost of sales as a percentage of revenue increased by 9.6 percentage points from 85.4% in 2010 to 95.0% in 2011. Our cost of sales as a percentage of revenue increased in 2011 compared to 2010 because decreases in the selling prices of our products, resulting from downward price pressure due to unfavorable macroeconomic conditions, outpaced a decrease in the cost of sales per unit resulting from our continued efforts to maximize production capacity and minimize loss.

(Unit: In millions of Won, except percentages)

Description	2011	2010	Changes	
			Amount	Percentage
Revenue	24,291,289	25,511,535	(1,220,246)	(4.78)%
Cost of sales	23,081,322	21,780,880	1,300,442	5.97%
Gross profit	1,209,967	3,730,655	(2,520,688)	(67.57)%
Cost of sales as a percentage of sales	95.0%	85.4%		

(c) Sales by Category

Revenue attributable to panels for mobile applications and others as a percentage of total revenue increased by 4.5 percentage points in 2011 compared to 2010 primarily due to an increase in demand for smartphones and growth in our customer base. Revenue from panels for notebook computers as a percentage of total revenue increased by 3.8 percentage points in 2011 compared to 2010 due to increased demand for tablet personal computers, including smartbooks, and continued increase in our market share. While revenue from panels for televisions as a percentage of total revenue generally decreased in 2011 compared to 2010, the proportion of revenue from FPR 3D television panels and other high value added television panels increased during the same period.

Categories	2011	2010	Difference
Panels for televisions	47.7%	55.2%	(7.5)%
Panels for desktop monitors	20.4%	21.2%	(0.8)%
Panels for notebook computers	21.1%	17.3%	3.8%
Panels for mobile applications and others	10.8%	6.3%	4.5%

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(d) Production capacity

Our annual production capacity increased by 17% in 2011 compared to 2010, in large part due to the successful ramp-up of P83.

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

Our current assets decreased by (Won)982 billion from (Won)8,840 billion as of December 31, 2010 to (Won)7,858 billion as of December 31, 2011 and our non-current assets increased by (Won)2,288 billion from (Won)15,017 billion as of December 31, 2010 to (Won)17,305 billion as of December 31, 2011. Our current liabilities increased by (Won)1,030 billion from (Won)8,882 billion as of December 31, 2010 to (Won)9,911 billion as of December 31, 2011 and our non-current liabilities increased by (Won)1,206 billion from (Won)3,915 billion as of December 31, 2010 to (Won)5,120 billion as of December 31, 2011. Our total equity decreased by (Won)930 billion from (Won)11,061 billion as of December 31, 2010 to (Won)10,131 billion as of December 31, 2011.

(Unit: In millions of Won)

Description	2011	2010	Changes
Current assets	7,858,065	8,840,433	(982,368)
Non-current assets	17,304,866	15,017,225	2,287,641
Total assets	25,162,931	23,857,658	1,305,273
Current liabilities	9,911,434	8,881,829	1,029,605
Non-current liabilities	5,120,469	3,914,862	1,205,607
Total liabilities	15,031,903	12,796,691	2,235,212
Share capital	1,789,079	1,789,079	
Share premium	2,251,113	2,251,113	
Reserves	12,181	(35,298)	47,479
Retained earnings	6,063,359	7,031,163	(967,804)
Non-controlling interest	15,296	24,910	(9,614)
Total equity	10,131,028	11,060,967	(929,939)
Total liabilities and equity	25,162,931	23,857,658	1,305,273

In 2011, we continued our efforts to maximize capacity and minimize loss and we also commenced mass production at P83 in March 2011, which led to an increase in production capacity. As a result of our increased production levels, our inventory increased by (Won)102 billion from December 31, 2010 to December 31, 2011.

Net trade accounts and notes receivable as of December 31, 2011 was (Won)2,740 billion, a decrease of (Won)261 billion from net trade accounts and notes receivable as of December 31, 2010. Trade accounts and notes receivable amounting to (Won)1,631 billion (approximately US\$1,414 million) and (Won)1,290 billion (approximately US\$1,133 million) were sold to financial institutions, but are current and outstanding, as of December 31, 2011 and 2010, respectively.

The book value of our total tangible assets as of December 31, 2011 was (Won)14,697 billion, an increase of (Won)1,881 billion from the book value of our total tangible assets as of December 31, 2010. The increase was primarily due to our investments in P9.

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Trade accounts and notes payable as of December 31, 2011 was (Won)3,783 billion, an increase of (Won)821 billion from trade accounts and notes payable as of December 31, 2010. The increase was primarily due to an increase in our purchase of components and raw materials corresponding to an increase in our production levels in 2011, as well as extension of payment dates of our trade accounts and notes payable.

Other accounts payable as of December 31, 2011 was (Won)3,993 billion, an increase of (Won)1,400 billion from other accounts payable as of December 31, 2010. The increase was primarily due to an increase in large-scale investments, including investments in P9, which increased the outstanding payments for services and products associated with such investments.

(3) Liquidity and capital resources

In 2011, our net cash from operating activities amounted to (Won)3,666 billion, our net cash used in financing activities, including the incurrence of short- and long-term borrowings as well as the issuance of corporate debentures, amounted to (Won)278 billion and our net cash used in investing activities, including the acquisition of tangible assets and our acquisition of investments in equity accounted investees, amounted to (Won)3,494 billion.

We currently expect our total capital expenditures on a cash-out basis to be approximately (Won)4 trillion in 2012. However, there are a number of variables that may cause us to reassess our estimated capital expenditures including, among others, changes in market conditions and the expected commencement of operation of P98, our eighth generation fabrication line located in our P9 facility, in the second quarter of 2012. Accordingly, our estimated capital expenditures may change.

(Unit: In millions of Won)

Description	2011	2010	Changes
Results (loss) from operating activities	(924,336)	1,310,472	(2,234,808)
Net cash provided by operating activities	3,665,858	4,883,532	(1,217,674)
Net cash provided by (used in) financing activities	(278,249)	408,126	(686,375)
Net cash used in investing activities	(3,494,461)	(4,515,167)	1,020,706
Cash and cash equivalents at Dec. 31, 2011	1,517,977	1,631,009	(113,032)

15. Board of Directors**A. Independence of directors**

Outside director: Independent

Non-outside director: Not independent

Each of our outside directors meets the applicable independence standards set forth under the applicable laws and regulations. Each of our outside directors was nominated by the Outside Director Nomination and Corporate Governance Committee, was approved by the board of directors and was appointed at the general meeting of shareholders. None of our outside directors has or had any business transaction or any related party transactions with us. Our outside directors are comprised of four persons, three of whom are also members of our audit committee. As of the date of this report, our non-outside directors are the chief executive officer, the chief financial officer and a non-standing director.

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B. Members of the board of directors

(as of December 31, 2011)

Name	Date of birth	Position	Business experience	First Elected
Young Soo Kwon *	February 6, 1957	Representative Director, President and Chief Executive Officer	President and Chief Financial Officer of LG Electronics	January 1, 2007
James (Hoyoung) Jeong	November 2, 1961	Director and Chief Financial Officer	Executive Vice President and Chief Financial Officer of LG Electronics	January 1, 2008
Yu Sig Kang	November 3, 1948	Director	Vice Chairman, Representative Director, LG Corp.	March 11, 2011
Tae Sik Ahn	March 21, 1956	Outside Director	Dean, College of Business Administration and Graduate School of Business, Seoul National University	March 12, 2010
William Y. Kim	June 6, 1956	Outside Director	Partner, Ropes & Gray LLP	February 29, 2008
Jin Jang	November 28, 1954	Outside Director	Chair Professor, Department of Information Display, Kyung Hee University	March 11, 2011

* Resigned on March 9, 2012.

(as of March 28, 2012)

Name	Date of birth	Position	Business experience	First Elected
Sang Beom Han *	June 18, 1955	Representative Director, Chief Executive Officer and Executive Vice President	Head of LG Display TV Business Division	March 9, 2012
James (Hoyoung) Jeong	November 2, 1961	Director and Chief Financial Officer	Executive Vice President and Chief Financial Officer of LG Electronics	January 1, 2008
Yu Sig Kang	November 3, 1948	Director	Vice Chairman, Representative Director, LG Corp.	March 11, 2011
Tae Sik Ahn	March 21, 1956	Outside Director	Dean, College of Business Administration and Graduate School of Business, Seoul National University	March 12, 2010
William Y. Kim	June 6, 1956	Outside Director	Partner, Ropes & Gray LLP	February 29, 2008

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Jin Jang	November 28, 1954	Outside Director	Chair Professor, Department of Information Display, Kyung Hee University	March 11, 2011
Dong Il Kwon *	February 5, 1957	Outside Director	Professor, Department of Materials Science and Engineering, Seoul National University	March 9, 2012

* At the annual general meeting of shareholders on March 9, 2012, Sang Beom Han was newly elected as our representative director and chief executive officer and Dong Il Kwon was newly elected as our outside director by our shareholders.

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C. Committees of the board of directors

(as of December 31, 2011)

Committee	Composition	Member
Audit Committee	3 outside directors	Tae Sik Ahn, Jin Jang, William Y. Kim
Outside Director Nomination and Corporate Governance Committee	1 non-outside director and 2 outside directors	James (Hoyoung) Jeong, William Y. Kim, Jin Jang
Remuneration Committee	1 non-outside director and 2 outside directors	William Y. Kim, James (Hoyoung) Jeong, Tae Sik Ahn

(as of March 28, 2012)

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

- (1) At the annual general meeting of shareholders on March 9, 2012, Dong Il Kwon became a member of the Outside Director Nomination and Corporate Governance Committee and Sang Beom Han and James (Hoyoung) Jeong became members of the Management Committee.
 (2) Established at the annual general meeting of shareholders on March 9, 2012.

16. Information Regarding Shares

A. Total number of shares

- (1) Total number of shares authorized to be issued (as of December 31, 2011): 500,000,000 shares.
 (2) Total shares issued and outstanding (as of December 31, 2011): 357,815,700 shares.

B. Shareholder list

- (1) Largest shareholder and related parties:

(Unit: share)

Name	Relationship	As of December 31, 2011
LG Electronics	Largest	135,625,000
	Shareholder	(37.9%)

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Young Soo Kwon		23,000	
	Related Party	(0.0%)	(Unit: share)

Name	Relationship	As of March 28, 2012
LG Electronics	Largest Shareholder	135,625,000 (37.9%)
Sang Beom Han	Related Party	930 (0.0%)

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(2) Shareholders who are known to us to own 5% or more of our shares as of December 31, 2011:

Beneficial Owner	Number of Shares of Common Stock	Percentage
LG Electronics	135,625,000	37.9%
National Pension Service	21,633,625	6.1%

17. Directors and Employees

A. Directors

(1) Remuneration for directors in 2011 (H1)

(Unit: In millions of Won)

Classification	No. of directors ⁽¹⁾	Amount paid ⁽²⁾	Per capita average remuneration paid ⁽⁶⁾	Remarks
Non-outside directors	3	1,246 ⁽³⁾	415	
Outside directors who are not audit committee members	1	39 ⁽⁴⁾	33	
Outside directors who are audit committee members	3	90 ⁽⁵⁾	28	
Total	7	1,374		

- Period: January 1, 2011 ~ June 30, 2011

(1) Number of directors as at June 30, 2011.

(2) Amount paid is calculated on the basis of actually paid amount except accrued salary and severance benefits.

(3) Among the non-outside directors, Yu Sig Kang does not receive any remuneration.

(4) Includes remuneration for Dongwoo Chun whose term expired on March 11, 2011.

(5) Includes remuneration for Yoshihide Nakamura whose term expired on March 11, 2011.

(6) Per capita average remuneration paid is calculated by dividing total amount paid by the average number of directors for the six months ended June 30, 2011.

(2) Remuneration for directors in 2011 (H2)

(Unit: person, in millions of Won)

Classification	No. of directors ⁽¹⁾	Amount paid ⁽²⁾	Per capita average remuneration paid ⁽⁵⁾	Remarks
Non-outside directors	3	646 ⁽³⁾	215	
Outside directors who are not audit committee members	0	0		
Outside directors who are audit committee members	3	84 ⁽⁴⁾	28	
Total	6	730		

- Period: June 30, 2011 ~ December 31, 2011

(1) No. of directors as at December 31, 2011.

(2) Amount paid is calculated on the basis of actually paid amount except accrued salary and severance benefits.

(3) Among the non-outside directors, Yu Sig Kang does not receive any remuneration.

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- (4) Includes remuneration for Jang Jin, who replaced Sunny Yi, as an outside director who is an audit committee member.
- (5) Per capita average remuneration paid is calculated by dividing total amount paid by the average number of directors for the six months ended December 31, 2011.

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(3) Stock option

The following table sets forth certain information regarding our stock options as of December 31, 2011.

(Unit: Won, Stock)

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

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

A. Employees

As of December 31, 2011, we had 34,803 employees (excluding our executive officers). The total amount of salary paid to our employees in 2011 based on cash payment (excluding welfare benefits and retirement expenses) was (Won)1,562,234 million. The following table provides details of our employees as of December 31, 2011:

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

	Number of Employees	Total Salary in 2011 (1) (2) (3)	Per Capita Salary (4)	Average Service Year
Male	24,195	1,184,898	51	4.9
Female	10,608	377,336	37	3.4
Total	34,803	1,562,234	47	4.5

- (1) Welfare benefits and retirement expenses have been excluded. Total welfare benefit provided to our employees in 2011 was (Won)316,371 million and the per capita welfare benefit provided was (Won)9.5 million.
(2) Based on cash payment made in Korea.
(3) Includes incentive payments to employees who have transferred from our affiliated companies.
(4) Per Capita Salary is calculated using the average number of employees (total: 33,448, male: 23,333, female: 10,115) in 2011.

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

Consolidated Financial Statements

For the Years Ended December 31, 2011 and 2010

(With Independent Auditors' Report Thereon)

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Independent Auditors Report

Based on a report originally issued in Korean

To the Board of Directors and Shareholders

LG Display Co., Ltd.:

We have audited the accompanying consolidated statements of financial position of LG Display Co., Ltd and subsidiaries (the Group) as of December 31, 2011 and 2010 and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Korean International Financial Reporting Standards. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Group as of December 31, 2011 and 2010 and its financial performance and its consolidated cash flows for the years then ended, in accordance with Korean International Financial Reporting Standards.

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

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

/s/ KPMG Samjong Accounting Corp.

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Seoul, Korea

February 22, 2012

This report is effective as of February 22, 2012, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Financial Position

As of December 31, 2011 and 2010

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

Equity

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Share capital	21	1,789,079	1,789,079
Share premium		2,251,113	2,251,113
Reserves	21	12,181	(35,298)
Retained earnings		6,063,359	7,031,163
Total equity attributable to equity holders of the Company		10,115,732	11,036,057
Non-controlling interests		15,296	24,910
Total equity		10,131,028	11,060,967
Total liabilities and equity	(Won)	25,162,931	23,857,658

See accompanying notes to the consolidated financial statements.

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income (Loss)

For the years ended December 31, 2011 and 2010

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

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Earnings (loss) per share

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

See accompanying notes to the consolidated financial statements.

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2011 and 2010

<i>(In millions of won)</i>		Share capital	Share premium	Gain (loss) on sales of own shares	Translation reserve	Fair value reserve	Retained earnings	Non-controlling interest	Total equity
Balances at January 1, 2010	(Won)	1,789,079	2,251,113		(36,369)	(14,636)	6,050,562		10,039,749
Total comprehensive income for the year									
Profit for the year							1,156,343	2,891	1,159,234
Other comprehensive income									
Net change in fair value of available-for-sale financial assets, net of tax						9,076			9,076
Cumulative translation differences, net of tax					5,821			108	5,929
Defined benefit plan actuarial gain, net of tax							3,166		3,166
Gain on sales of own shares of associates accounted for using the equity method, net of tax				810					810
Total other comprehensive income				810	5,821	9,076	3,166	108	18,981
Total comprehensive income for the year	(Won)			810	5,821	9,076	1,159,509	2,999	1,178,215
Transaction with owners, recognized directly in equity									
Dividends to equity holders							(178,908)		(178,908)
Changes in ownership interests in subsidiaries								21,911	21,911
Balances at December 31, 2010	(Won)	1,789,079	2,251,113	810	(30,548)	(5,560)	7,031,163	24,910	11,060,967
Balances at January 1, 2011	(Won)	1,789,079	2,251,113	810	(30,548)	(5,560)	7,031,163	24,910	11,060,967
Total comprehensive income (loss) for the year									
Loss for the year							(771,223)	(16,672)	(787,895)
Other comprehensive income (loss)									
Net change in fair value of available-for-sale financial assets, net of tax						1,704			1,704
Cumulative translation differences, net of tax					45,989			1,349	47,338
Defined benefit plan actuarial loss, net of tax							(17,673)		(17,673)
Loss on sales of own shares of associates accounted for using the equity method, net of tax				(214)					(214)

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Total other comprehensive income (loss)				(214)	45,989	1,704	(17,673)	1,349	31,155
Total comprehensive income (loss) for the year	(Won)			(214)	45,989	1,704	(788,896)	(15,323)	(756,740)
Transaction with owners, recognized directly in equity									
Dividends to equity holders							(178,908)		(178,908)
Changes in ownership interests in subsidiaries								5,709	5,709
Balances at December 31, 2011	(Won)	1,789,079	2,251,113	596	15,441	(3,856)	6,063,359	15,296	10,131,028

See accompanying notes to the consolidated financial statements.

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2011 and 2010

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

See accompanying notes to the consolidated financial statements.

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows, Continued

For the years ended December 31, 2011 and 2010

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

See accompanying notes to the consolidated financial statements.

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1. Reporting Entity

(a) Description of the Controlling Company

LG Display Co., Ltd. (the Controlling Company) was incorporated in February 1985 under its original name of LG Soft, Ltd. as a wholly owned subsidiary of LG Electronics Inc. In 1998, LG Electronics Inc. and LG Semicon Co., Ltd. transferred their respective Thin Film Transistor Liquid Crystal Display (TFT-LCD) related business to the Controlling Company. The main business of the Controlling Company and its subsidiaries is to manufacture and sell TFT-LCD panels. The Controlling Company is a stock company (Jusikhoesa) domiciled in the Republic of Korea with its address at 128, Yeouidae-ro, Yeongdeungpo-gu, Seoul, the Republic of Korea, to which the Controlling Company moved in December 2011. In July 1999, LG Electronics Inc. and Koninklijke Philips Electronics N.V. (Philips) entered into a joint venture agreement. Pursuant to the agreement, the Controlling Company changed its name to LG.Philips LCD Co., Ltd. However, on February 29, 2008, the Controlling Company changed its name to LG Display Co., Ltd. based upon the approval of shareholders at the general shareholders meeting on the same date as a result of the decrease in Philips s share interest in the Controlling Company and the possibility of its business expansion to Organic Light Emitting Diode (OLED) and Flexible Display products. As of December 31, 2011, LG Electronics Inc. owns 37.9% (135,625,000 shares) of the Controlling Company s common shares.

As of December 31, 2011, the Controlling Company has its TFT-LCD manufacturing plants, OLED manufacturing plant and LCD Research & Development Center in Paju and TFT-LCD manufacturing plants and OLED manufacturing plant in Gumi. The Controlling Company has overseas subsidiaries located in the United States of America, Europe and Asia.

The Controlling Company s common stock is listed on the Korea Exchange under the identifying code 034220. As of December 31, 2011, there are 357,815,700 shares of common stock outstanding. The Controlling Company s common stock is also listed on the New York Stock Exchange in the form of American Depository Shares (ADSs) under the symbol LPL. One ADS represents one-half of one share of common stock. As of December 31, 2011, there are 20,924,578 ADSs outstanding.

Table of Contents1. Reporting Entity, Continued(b) Consolidated Subsidiaries as of December 31, 2011

(In millions)

Subsidiaries	Percentage of ownership	Location	Date of incorporation	Business	Capital stocks
LG Display America, Inc. (*1)	100%	California, U.S.A.	September 24, 1999	Sell TFT-LCD products	USD185
LG Display Japan Co., Ltd.	100%	Tokyo, Japan	October 12, 1999	Sell TFT-LCD	JPY95
				Products	
LG Display Germany GmbH	100%	Dusseldorf, Germany	November 5, 1999	Sell TFT-LCD products	EUR1
LG Display Taiwan Co., Ltd.	100%	Taipei, Taiwan	April 12, 1999	Sell TFT-LCD products	NTD116
LG Display Nanjing Co., Ltd. (*2)	100%	Nanjing, China	July 15, 2002	Manufacture and sell TFT-LCD products	CNY2,552
LG Display Shanghai Co., Ltd.	100%	Shanghai, China	January 16, 2003	Sell TFT-LCD products	CNY4
LG Display Poland Sp. zo. o. (*3)	80%	Wroclaw, Poland	September 6, 2005	Manufacture and sell TFT-LCD products	PLN511
LG Display Guangzhou Co., Ltd. (*4)	90%	Guangzhou, China	June 30, 2006	Manufacture and sell TFT-LCD products	CNY992
LG Display Shenzhen Co., Ltd.	100%	Shenzhen, China	August 28, 2007	Sell TFT-LCD products	CNY4
LG Display Singapore Pte. Ltd.	100%	Singapore	January 12, 2009	Sell TFT-LCD products	SGD1.4
L&T Display Technology (Xiamen) Limited	51%	Xiamen, China	January 5, 2010	Manufacture LCD module and TV sets	CNY82
L&T Display Technology (Fujian) Limited	51%	Fujian, China	January 5, 2010	Manufacture LCD Module and monitor sets	CNY116
LG Display Yantai Co., Ltd.	100%	Yantai, China	April 19, 2010	Manufacture and sell TFT-LCD products	CNY 273
L&I Electronic Technology (Dongguan) Limited	51%	Dongguan, China	September 26, 2010	Manufacture and Sell e-Book devices	CNY 33
Image&Materials, Inc. (*5)	100%	Domestic	May 17, 2006	Manufacture EPD materials	KRW 889
LUCOM Display Technology (Kunshan) Limited (*6)	51%	Kunshan, China	December 15, 2010	Manufacture Notebook Borderless Hinge-up	CNY 99
LG Display U.S.A Inc. (*7)	100%	Texas, U.S.A.	October 26, 2011	Manufacture TFT-LCD products	USD 11
LG Display Reynosa S.A. de C.V. (*7)	100%	Reynosa, Mexico	November 24, 2011	Manufacture TFT-LCD products	MXN 112

(*1) In June 2011, the Controlling Company contributed (Won)86,520 million in cash for the capital increase of LG Display America, Inc. (LGDUS). There were no changes in the Controlling Company s ownership percentage in LGDUS as a result of this additional investment.

Table of Contents1. Reporting Entity, Continued(b) Consolidated Subsidiaries as of December 31, 2011, Continued

- (*2) In January and June 2011, the Controlling Company contributed (Won)14,363 million and (Won)35,618 million, respectively, in cash for the capital increase of LG Display Nanjing Co., Ltd. (LGDNJ). There were no changes in the Controlling Company's ownership percentage in LGDNJ as a result of these additional investments.
- (*3) Toshiba Corporation (Toshiba) acquired 20% of LG Display Poland Sp. zo.o. (LGDWR) in December 2007 through a stock purchase agreement. With the acquisition of the 20% interest, Toshiba and the Controlling Company and LGDWR entered into a derivative contract that is based on LGDWR's equity shares. According to the contract, the Controlling Company or LGDWR has a call option to buy Toshiba's 20% interest in LGDWR and Toshiba has a put option to sell its 20% interest in LGDWR to the Controlling Company or LGDWR under the same terms: the price of the call is equal to the price of the put option which is the total amount of Toshiba's investment at cost. The call and put option are exercisable after five years from the date of acquisition and on each anniversary thereafter with no stated expiration date in whole or in part. Toshiba's investment in LGDWR is regarded as financing due to the options and recorded as other accounts payable in the consolidated statement of financial position of the Group. Accordingly, LGDWR is consolidated as a wholly owned subsidiary in the consolidated financial statements.
- (*4) Skyworth TV Holdings Limited (Skyworth) acquired 16% of equity interest in LG Display Guangzhou Co., Ltd. (LGDGZ) in June 2008. With the acquisition of the 16% interest in June 2008 (which is reduced to 10% at December 31, 2009 with additional investment in LGDGZ by the Controlling Company), Skyworth and the Controlling Company entered into a derivative contract that is based on LGDGZ's equity interest. According to the contract, LGD has a call option to buy Skyworth's interest in LGDGZ and Skyworth has a put option to sell its interest in LGDGZ to LG Display Co., Ltd. under the same terms: the price of the call is equal to the price of the put option which is the total amount of Skyworth's investment at cost. The call and put option is exercisable after five years from the date of acquisition with no stated expiration date in whole or in part. Skyworth's investment in LGDGZ is regarded as financing due to the options and recorded as long-term other accounts payable in the consolidated statement of financial position of the Group. Accordingly, LGDGZ is consolidated as a wholly owned subsidiary in the consolidated financial statements.
- (*5) In June and September 2011, the Controlling Company contributed (Won)3,000 million each, (Won)6,000 million in total, in cash for the capital increase of Image & Materials, Inc. (I&M). There were no changes in the Controlling Company's ownership percentage in I&M as a result of these additional investments.
- (*6) In February and April 2011, the Controlling Company contributed (Won)3,417 million and (Won)2,525 million, respectively, in cash for the capital increase of LUCOM Display Technology (Kunshan) Limited (LUCOM). There were no changes in the Controlling Company's ownership percentage in LUCOM as a result of these additional investments.
- (*7) In October and November 2011, LG Display U.S.A Inc. (LGDUH) and L&T Display Reynosa S.A.de C.V (LGDRS) were incorporated in Texas, U.S.A and Reynosa, Mexico, respectively, for LCD module production. As of December 31, 2011, the Controlling Company indirectly controls LGDRS since LGDUH which is wholly owned by the Controlling Company has 99% equity of LGDRS. As of December 31, 2011, the capital stock of LGDUH and LGDRS amounts to (Won)12,353 million and (Won)9,200 million, respectively.

Table of Contents1. Reporting Entity, Continued

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

(In millions of won)

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

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

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

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

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1. Reporting Entity, Continued

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

controlled entities	Percentage of ownership	Date of incorporation	Business	Carrying amount
Suzhou Raken Technology Ltd.	51%	October 2008	Manufacture and sell LCD modules and LCD TV set	(Won) 133,000
Guangzhou New Vision Technology	50%	July 2008	R&D on design of LCD modules and LCD TV set	3,814
Research and Development Limited		2008		
Global OLED Technology LLC	33%	December 2009	Managing and utilizing OLED patents	44,147
Paju Electric Glass Co., Ltd.	40%	January 2005	Manufacture electric glass for flat-panel displays	69,395
TLI Inc.	12%	October 1998	Manufacture and sell semiconductor parts	16,410
AVACO Co., Ltd.	20%	January 2001	Manufacture and sell equipment for flat-panel displays	7,328
New Optics LTD.	42%	August 2005	Manufacture back light parts for TFT-LCDs	10,986
LIG ADP Co., Ltd.	13%	January 2001	Develop and manufacture the equipment for flat-panel displays	2,745
WooRee LED Co., Ltd.	30%	June 2008	Manufacture LED back light unit packages	15,080
Dynamic Solar Design Co., Ltd.	40%	April 2009	Develop and manufacture equipment for solar battery and flat-panel displays	1,538
RPO, Inc.	26%	November 2005	Develop digital waveguide touch technology	
LB Gemini New Growth Fund No. 16	31%	December 2009	Invest in small and middle sized companies and to benefit from M&A opportunities	13,658
Can Yang Investments Limited	12%	January 2010	Develop and manufacture and sell TFT-OLEDs	14,488
YAS Co., Ltd.	19%	April	Develop and manufacture deposition	9,814

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Eralite Optoelectronics (Jiangsu) Co., Ltd.	20%	August 2010	Manufacture LED Packages	4,173
Narenanotech Corporation	23%	December 1995	Manufacture and sell equipment for flat-panel displays	27,969
Avatec. Co., Ltd.	20%	August 2000	Manufacture and sell glass for flat-panel displays	10,600

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2. **Basis of Presenting Financial Statements**

(a) **Statement of Compliance**

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

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

(b) **Basis of Measurement**

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

derivative financial instruments measured at fair value,

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

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

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

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

(c) **Functional and Presentation Currency**

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

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

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

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

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

Classification of financial instruments (note 3(d))

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2. Basis of Presenting Financial Statements, Continued

(d) Use of Estimates and Judgments, Continued

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

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

Measurement of defined benefit obligations (note 17)

Deferred tax assets and liabilities (note 30)

3. Summary of Significant Accounting Policies

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

(a) Consolidation

(i) Subsidiaries

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

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

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

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

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

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

Table of Contents3. Summary of Significant Accounting Policies, Continued(a) Consolidation, Continued

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

(iii) Transactions eliminated on consolidation

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

(b) Foreign Currency Transactions and Translation

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency at the exchange rate on the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was originally determined. Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on available-for-sale equity instruments and a financial asset and liability designated as a cash flow hedge, which are recognized in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the original transaction. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or previous financial statements shall be recognized in profit or loss in the period in which they arise.

If the presentation currency of the Group is different from a foreign operation's functional currency, the financial position and financial performance of the foreign operation are translated into the presentation currency using the following methods:

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

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

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3. Summary of Significant Accounting Policies. Continued

(c) Inventories

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

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated selling expenses.

(d) Financial Instruments

(i) Non-derivative financial assets

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

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

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

The Group has the following non-derivative financial assets: loans and receivables and available-for-sales financial assets.

Financial assets at fair value through profit or loss

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

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3. Summary of Significant Accounting Policies, Continued

(d) Financial Instruments, Continued

Cash and cash equivalents

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

Deposits in banks

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

Loans and receivables

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

Available-for-sale financial assets

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

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

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3. Summary of Significant Accounting Policies, Continued

(d) Financial Instruments, Continued

(ii) Non-derivative financial liabilities

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

Financial liabilities at fair value through profit or loss include financial liabilities held for trading or designated as such upon initial recognition at fair value through profit or loss. After initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. Upon initial recognition, transaction costs that are directly attributable to acquisition are recognized in profit or loss as incurred. As of December 31, 2011, financial liabilities at fair value through profit or loss of the Group consist of convertible bonds.

Non-derivative financial liabilities other than financial liabilities classified as fair value through profit or loss are classified as other financial liabilities and measured initially at fair value minus transaction costs that are directly attributable to the issue. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. As of December 31, 2011, non-derivative financial liabilities comprise borrowings, bonds and others.

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

(iii) Ordinary share capital

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

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

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

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

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

Cash flow hedges

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

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

Table of Contents3. Summary of Significant Accounting Policies, Continued(d) Financial Instruments, ContinuedEmbedded derivative

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

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

Estimated useful lives of the assets are as follows:

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

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate. The changes are accounted for as changes in accounting estimates.

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3. Summary of Significant Accounting Policies. Continued

(f) Borrowing Costs

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

(g) Government Grants

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

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

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

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

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

(iii) Other government grants

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

(h) Intangible Assets

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

(i) Goodwill

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

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3. Summary of Significant Accounting Policies, Continued

(h) Intangible Assets, Continued

(ii) Research and development

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

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

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

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

its ability to use or sell the intangible asset,

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

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

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

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

(iii) Other intangible assets

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

(iv) Subsequent costs

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

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

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

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

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

(i) Impairment(i) Financial assets

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

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

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3. Summary of Significant Accounting Policies, Continued

(i) Impairment, Continued

(i) Financial assets, continued

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

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

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

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

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

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

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3. Summary of Significant Accounting Policies, Continued

(i) Impairment, Continued

(ii) Non-financial assets

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

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

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

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

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

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3. Summary of Significant Accounting Policies. Continued

(j) Provisions

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

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

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

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

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

(k) Employee Benefits

(i) Short-term employee benefits

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

(ii) Other long-term employee benefits

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

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3. Summary of Significant Accounting Policies, Continued

(k) Employee Benefits, Continued

(iii) Defined contribution plan

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

(iv) Defined benefit plan

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

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

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

(v) Share-based payment transactions

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

(l) Revenue

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

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3. Summary of Significant Accounting Policies. Continued

(m) Operating Segments

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

(n) Finance Income and Finance Costs

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

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

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

(o) Income Tax

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

(i) Current tax

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

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3. Summary of Significant Accounting Policies, Continued

(o) Income Tax, Continued

(ii) Deferred tax

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

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

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

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

(p) Earnings (Loss) Per Share

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

(q) New Standards and Interpretations Not Yet Adopted

The following accounting standards, interpretations and amendments will be effective for annual periods beginning after January 1, 2012 and have not been applied in preparing these financial statements.

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3. Summary of Significant Accounting Policies, Continued

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

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

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

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

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

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

4. Determination of Fair Value

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

(a) Current Assets and Liabilities

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

(b) Trade Receivables and Other Receivables

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

(c) Investments in Equity and Debt Securities

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

(d) Derivatives

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

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4. Determination of Fair Value, Continued

(d) Derivatives, Continued

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

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

(e) Non-derivative Financial Liabilities

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

(f) Share-based Payment Transactions

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

(g) Assets Acquired in a Business Combination

(i) Inventories

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

(ii) Property, plant and equipment

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

(iii) Intangible assets

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

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5. Risk Management

(a) Financial Risk Management

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

(i) Credit risk

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

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

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

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

(ii) Liquidity risk

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

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

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5. Risk Management, Continued

(a) Financial Risk Management, Continued

(iii) Market risk

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

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

Currency risk

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

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

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

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

Interest rate risk

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

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

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

(In millions of won)

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

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

6. Cash and Cash Equivalents and Deposits in Banks

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

(In millions of won)

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

Table of Contents7. Receivables and Other Current Assets

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

<i>(In millions of won)</i>		December 31, 2011	December 31, 2010
Trade, net	(Won)	2,113,912	2,230,003
Due from related parties		626,195	770,658
	(Won)	2,740,107	3,000,661

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

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

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

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

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

<i>(In millions of won)</i>		December 31, 2011	December 31, 2010
Current assets			
Advance payments	(Won)	12,115	10,947
Prepaid expenses		42,208	43,456
Value added tax refundable		188,599	144,727
Others		8,522	11,384
	(Won)	251,444	210,514
Non-current assets			
Long-term prepaid expenses	(Won)	157,344	166,958
Others		21,861	11,334
	(Won)	179,205	178,292

Table of Contents8. Inventories

Inventories at the reporting date are as follows:

(In millions of won)

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

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

(In millions of won)

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

9. Other Financial Assets

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

(In millions of won)

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

Table of Contents9. Other Financial Assets, Continued

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

(In millions of won)

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

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

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

(In millions of won)

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

Table of Contents10. Investments in Equity Accounted Investees

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

(in millions of won)

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

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

The received dividends from equity accounted investees for the years ended December 31, 2011 and 2010 amounted to W6,130 million and W33,772 million, respectively.

Table of Contents10. Investments in Equity Accounted Investees, Continued

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

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

(In millions of won)

Company	Ownership (%)	Current assets	Non- current assets	December 31, 2011						
				Total assets	Non- liabilities			Revenue	Expenses	Profit (loss)
					Current liabilities	current liabilities	Total liabilities			
Suzhou Raken Technology Ltd. (*1)	51 (Won)	694,315	149,727	844,042	585,001		585,001	1,744,325	1,732,866	11,459
Guangzhou New Vision Technology Research and Development Limited	50	7,470	159	7,629	1		1	95	532	(437)
Global OLED Technology LLC (*2)	33	12,566	122,823	135,389	505		505	5,245	17,113	(11,868)

(In millions of won)

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

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10. Investments in Equity Accounted Investees, Continued

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

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

Table of Contents10. Investments in Equity Accounted Investees, Continued

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

(In millions of won)

Company	Ownership (%)		December 31, 2011				Net income (loss)
			Total assets	Total liabilities	Total shareholders equity	Sales	
Paju Electric Glass Co., Ltd.(*1)	40	(Won)	384,421	202,609	181,812	885,492	53,459
TLI Inc. (*2)	12		113,566	14,317	99,249	47,893	2,832
AVACO Co., Ltd. (*2)	20		127,373	54,227	73,146	238,589	7,381
New Optics Ltd.	42		163,443	141,532	21,911	562,927	(15,659)
LIG ADP Co., Ltd. (*2)	13		109,520	55,811	53,709	109,388	2,220
WooRee LED Co., Ltd. (*3)	30		160,520	128,441	32,079	226,597	8,750
Dynamic Solar Design Co., Ltd. (*4)	40		3,887	41	3,846	6	(2,150)
RPO, Inc. (*4)	26						
LB Gemini New Growth Fund No.16 (*5)	31		45,072	502	44,570	4,545	2,544
Can Yang Investments Limited (*2, 6)	12		334,224	209,233	124,991	18,707	(17,424)
YAS Co., Ltd.(*2, 7)	19		34,534	11,515	23,019	25,408	6,830
Eralite Optoelectronics (Jiangsu) Co., Ltd.	20		22,418	1,553	20,865	74	(3,134)
Narenanotech Corporation (*8)	23		103,894	36,596	67,298	43,946	(3,711)
Avatec. Co., Ltd. (*9)	20		63,529	13,537	49,992	44,327	6,640

(In millions of won)

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

Table of Contents**10. Investments in Equity Accounted Investees, Continued**

- (*1) In April 2011, the Controlling Company acquired 440,000 common shares of Paju Electric Glass Co., Ltd. (PEG) at (Won)4,400 million in cash. There were no changes in the Controlling Company's ownership percentage in PEG as a result of this additional investment.
- (*2) Although the Controlling Company's share interests in TLI Inc., AVACO Co., Ltd., LIG ADP Co., Ltd., Can Yang Investments Limited and YAS Co., Ltd. are below 20%, the Controlling Company is able to exercise significant influence through its right to assign a director to the board of directors of each investee and, accordingly, the investments in these investees have been accounted for using the equity method.
- (*3) As of December 31, 2011, the Controlling Company's percentage ownership in the investee represents the Controlling Company's holdings of common shares over total common shares issued.
- (*4) In 2011, the entire carrying amount of the investment in RPO, Inc. amounting to (Won)10,866 million, which was acquired for research and development on Digital Waveguide Touch technology in 2009, has been fully impaired as the recovery of the investment is no longer probable. In addition, the Controlling Company recognized an impairment loss of (Won)3,378 million for the difference between the carrying amount of and the recoverable amount from the investment in Dynamic Solar Design Co., Ltd., which was acquired to develop, manufacture and sell solar battery and flat-panel display in 2009.
- (*5) The Controlling Company is a member of limited partnership in the LB Gemini New Growth Fund No.16 (the Fund). The Controlling Company was paid (Won)1,356 million and (Won)689 million in February and June 2011, respectively, by the Fund and made an additional cash investment of (Won)8,226 million in the Fund during the year ended December 31, 2011. As of December 31, 2011, the Controlling Company has a 31% equity interest in the Fund and is committed to make investments of up to an aggregate of (Won)30,000 million.
- (*6) In 2011, the Controlling Company's ownership in Can Yang Investments Limited was reduced from 15% to 12% since the Controlling Company did not participate in Can Yang Investments Limited's capital increase.
- (*7) In 2011, the Controlling Company's ownership in YAS Co., Ltd. was reduced from 20% to 19% since the Controlling Company did not participate in YAS Co., Ltd.'s capital increase.
- (*8) In April 2011, the Controlling Company acquired 1,600,000 common shares of Narenanotech Corporation (NARENANOTECH), which manufactures and sells equipment for flat panel displays, for (Won)20,000 million in cash. In June 2011, the Controlling Company acquired an additional 800,000 common shares for (Won)10,000 million in cash. As of December 31, 2011, 23% of NARENANOTECH is owned by the Controlling Company and the Controlling Company has the right to assign a director in the board of directors of NARENANOTECH.
- (*9) In December 2011, the Controlling Company acquired 2,650,000 common shares (20%) of Avatec. Co., Ltd., which manufactures and sells glass for flat panel displays, for (Won)10,600 million. The Controlling Company has the right to assign two directors in the board of directors of Avatec. Co., Ltd.

Table of Contents10. Investments in Equity Accounted Investees, Continued

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

(In millions of won)

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

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

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

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

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

(In millions of won)

		Land	Buildings and structures	Machinery and equipment	Furniture and fixtures	Construction -in-progress (*1)	Others	Total
Acquisition cost as of January 1, 2011	(Won)	442,962	3,879,677	24,099,414	672,508	2,703,860	242,687	32,041,108
Accumulated depreciation as of January 1, 2011			(876,361)	(17,626,751)	(529,303)		(193,292)	(19,225,707)
Book value as of January 1, 2011		442,962	3,003,316	6,472,663	143,205	2,703,860	49,395	12,815,401
Additions						5,264,019		5,264,019
Depreciation			(193,120)	(3,141,295)	(61,324)		(17,712)	(3,413,451)
Impairment loss				(138)	(3,222)		(229)	(3,589)
Disposals			(166)	(563)	(366)		(15)	(1,110)
Others (*2)		1,290	278,471	4,091,712	74,323	(4,478,639)	32,843	
Effect of movements in exchange rates			9,843	18,757	2,163	5,537	884	37,184
Subsidy decrease (increase)			(22)	(1,583)				(1,605)
Book value as of December 31, 2011	(Won)	444,252	3,098,322	7,439,553	154,779	3,494,777	65,166	14,696,849
Acquisition cost as of December 31, 2011	(Won)	444,252	4,170,768	28,028,986	720,716	3,494,778	261,526	37,121,025
Accumulated depreciation as of December 31, 2011	(Won)		(1,072,446)	(20,589,295)	(562,715)		(196,131)	(22,420,587)
Accumulated impairment loss as of December 31, 2011	(Won)			(138)	(3,222)		(229)	(3,589)

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

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

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

Changes in property, plant and equipment for the year ended December 31, 2010 are as follows:

(In millions of won)

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

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

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

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

(In millions of won)

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

Table of Contents**12. Intangible Assets**

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

(In millions of won)

		Intellectual property rights	Software	Member- ships	Develop- ment costs	Construction in-progress (software)	Customer relation- ships	Tech- nology	Good- will	Others (*2)	Total
Acquisition cost as of January 1, 2011	(Won)	507,862	317,807	47,147	265,092	11,463	24,011	11,074	23,912	13,084	1,221,452
Accumulated amortization as of January 1, 2011		(436,151)	(119,179)		(113,395)		(2,300)	(742)		(9,784)	(681,551)
Book value as of January 1, 2011		71,711	198,628	47,147	151,697	11,463	21,711	10,332	23,912	3,300	539,901
Additions-internally developed					127,381						127,381
Other additions		21,890		2,931		87,346				7	112,174
Amortization (*1)		(11,501)	(86,021)		(134,867)		(3,424)	(1,110)		(1,073)	(237,996)
Disposals		(1,588)									(1,588)
Impairment loss			(1,039)	(4,535)							(5,574)
Transfer from construction-in-progress			87,990			(87,990)					
Effect of movements in exchange rates		18	801							(3)	816
Book value as of December 31, 2011	(Won)	80,530	200,359	45,543	144,211	10,819	18,287	9,222	23,912	2,231	535,114
Acquisition cost as of December 31, 2011	(Won)	523,873	407,832	50,078	392,473	10,819	24,011	11,074	23,912	13,090	1,456,162
Accumulated amortization as of December 31, 2011	(Won)	(443,343)	(206,434)		(248,262)		(5,724)	(1,852)		(10,859)	(916,474)
Accumulated impairment loss as of December 31, 2011	(Won)		(1,039)	(4,535)							(5,574)
Remaining amortization period (year)		7.46	2.49	N/A	0.55	N/A	5.33	8.33	N/A	2.60	

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

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

Table of Contents**12. Intangible Assets, Continued**

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

(In millions of won)

		Intellectual property rights	Software	Member- ships	Develop- ment costs	Construction- in-progress (software)	Customer relation- ships	Tech- nology	Good- will	Others (*2)	Total
Acquisition cost as of January 1, 2010	(Won)	488,682	198,367	44,994	100,672	18,967				13,079	864,761
Accumulated amortization as of January 1, 2010		(426,084)	(57,357)		(20,218)					(8,709)	(512,368)
Book value as of January 1, 2010		62,598	141,010	44,994	80,454	18,967				4,370	352,393
Additions-internally developed					135,347						135,347
Other additions		19,168	16,810	2,153		95,792				4	133,927
Acquisition in the business combination		10	118		29,073		24,011	11,074	23,912		88,198
Amortization (*1)		(10,067)	(61,486)		(93,177)		(2,300)	(742)		(1,074)	(168,846)
Transfer from construction-in-progress			102,337			(102,337)					
Effect of movements in exchange rates	(Won)	2	(161)			(959)					(1,118)
Book value as of December 31, 2010	(Won)	71,711	198,628	47,147	151,697	11,463	21,711	10,332	23,912	3,300	539,901
Acquisition cost as of December 31, 2010	(Won)	507,862	317,807	47,147	265,092	11,463	24,011	11,074	23,912	13,084	1,221,452
Accumulated amortization as of December 31, 2010	(Won)	(436,151)	(119,179)		(113,395)		(2,300)	(742)		(9,784)	(681,551)
Remaining amortization period (year)		7.57	2.20	N/A	0.75	N/A	6.33	9.33	N/A	3.43	

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

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

Table of Contents13. Financial Instruments

(a) Credit Risk

(i) Exposure to credit risk

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

(In millions of won)

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

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

(In millions of won)

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

Table of Contents13. Financial Instruments, Continued

(ii) Impairment loss

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

(In millions of won)

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

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

(In millions of won)

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

Table of Contents13. Financial Instruments, Continued

(b) Liquidity Risk

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

(In millions of won)

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

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

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

Table of Contents13. 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:

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

Table of Contents13. Financial Instruments, Continued*(In millions)*

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

Table of Contents13. Financial Instruments, Continued

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

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

(ii) Sensitivity analysis

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

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

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

Table of Contents13. Financial Instruments, Continued

(d) Interest Rate Risk

(i) Profile

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

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

(ii) Fair value sensitivity analysis for fixed rate instruments

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

(iii) Cash flow sensitivity analysis for variable rate instruments

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

<i>(In millions of won)</i>		Equity		Profit or loss	
		1% increase	1% decrease	1% increase	1% decrease
December 31, 2011					
Variable rate instruments	(Won)	(14,588)	14,588	(14,588)	14,588
December 31, 2010					
Variable rate instruments	(Won)	(23,183)	23,183	(23,183)	23,183

Table of Contents13. Financial Instruments, Continued

(e) Fair Values

(i) Fair values versus carrying amounts

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

<i>(In millions of won)</i>	December 31, 2011		December 31, 2010	
	Carrying amounts	Fair values	Carrying amounts	Fair values
Assets carried at fair value				
Available-for-sale financial assets (Won)	11,009	11,009	42,753	42,753
Financial assets at fair value through profit or loss			16,804	16,804
Derivatives			9,254	9,254
	(Won)	11,009	11,009	68,811
Assets carried at amortized cost				
Cash and cash equivalents (Won)	1,517,977	1,517,977	1,631,009	1,631,009
Trade accounts and notes receivable	2,740,107	2,740,107	3,000,661	3,000,661
Other accounts receivable	212,870	212,870	244,662	244,662
Deposits in banks	815,000	815,000	1,503,000	1,503,000
Deposits	73,468	73,468	49,792	49,792
Others	695	695	13	13
	(Won)	5,360,117	5,360,117	6,440,503
Liabilities carried at fair value				
Financial liabilities at fair value through profit or loss (Won)	87,339	87,339	84,338	84,338
Derivatives	6,969	6,969	956	956
	(Won)	94,308	94,308	85,294
Liabilities carried at amortized cost				
Secured bank loans (Won)	57,665	57,665	56,945	56,945
Unsecured bank loans	1,673,387	1,620,010	2,673,146	2,672,790
Unsecured bond issues	2,791,976	2,829,206	1,828,494	1,859,102
Trade accounts and notes payable	3,782,627	3,782,627	2,961,995	2,961,995
Other accounts payable	3,905,496	3,905,496	2,592,527	2,592,527
Other non-current liabilities	53,457	53,379	51,409	55,920
	(Won)	12,264,608	12,248,383	10,164,516

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

Table of Contents13. Financial Instruments, Continued

(e) Fair Values, Continued

(ii) Interest rates used for determining fair value

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

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

(iii) Fair value hierarchy

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

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

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

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

(In millions of won)

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

(In millions of won)

		Level 1	Level 2	Level 3	Total
December 31, 2010					
Available-for-sale financial assets	(Won)	16,668		26,085	42,753
Financial assets at fair value through profit or loss		16,804			16,804
Derivative financial assets			9,254		9,254
	(Won)	33,472	9,254	26,085	68,811
Financial liabilities at fair value through profit or loss	(Won)		(956)		(956)
Derivative financial liabilities		(84,338)			(84,338)

Table of Contents13. Financial Instruments, Continued

(e) Fair Values, Continued

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

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

(In millions of won)

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

(In millions of won)

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

Table of Contents14. Financial Liabilities

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

(In millions of won)

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

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

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

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

Lender	Annual interest rate		December 31, 2011	December 31, 2010
	as of December 31, 2011(*1)			
Korea Development Bank and others(*2)		(Won)		12,139
Bank of China and others	3ML+2.35% ~ 2.6%		21,489	162,115
Mizuho Bank				55,574
Shinhan Bank and others	CD+1.68%		711	643,215
Bank of Tokyo-Mitsubishi UFJ				139,708
Woori Bank				200,000
Foreign currency equivalent			USD 19	USD 95
				JPY 63,889
				CNY 71
		(Won)	22,200	1,213,462

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- (*1) ML and CD represent Month LIBOR (London Inter-Bank Offered Rates) and Certificate of Deposit, respectively.
- (*2) The Controlling Company accounts for proceeds from sale of accounts receivables to this financial institutions as short term borrowings. As of December 31, 2011, no trade accounts and notes receivable, arising from export sales to the Controlling Company's subsidiaries, were sold to financial institutions. The Group recognized W1,545 million as interest expense in relation to the short-term borrowings resulted from the sale of accounts receivable during 2011.

Table of Contents14. Financial Liabilities, Continued

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

(In millions of won)

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

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

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

Lender	Annual interest rate as of December 31, 2011	December 31, 2011	December 31, 2010
China Communication Bank and others	6ML+1.99%		
	3M EURIBOR+0.6%, 90%~95% of the Basic Rate published by the People's Bank of China (Won)	72,259	145,917
The Export-Import Bank of Korea	6ML+0.69%	40,366	51,251
	6ML+1.78%	57,665	56,945
Korea Development Bank	3ML+0.66%~2.79%	423,567	271,212
Kookmin Bank and others			683,340
	3ML+ 1.70%~1.90%	455,553	
Sumitomo Bank Ltd.	3ML+1.80%	288,325	284,725
Foreign currency equivalent		USD 1,025	USD 1,097
		CNY 142	CNY 341
		EUR 27	EUR 48
		JPY 6,000	JPY 8,000
Less current portion of long-term debt		(326,001)	(682,465)

(Won)	1,011,734	810,925
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Table of Contents14. Financial Liabilities, Continued

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

(In millions of won, USD and JPY)

	Maturity	Annual interest rate as of December 31, 2011		December 31, 2011	December 31, 2010
Local currency debentures(*)					
Publicly issued debentures	November 2012~				
	October 2016	4.24%~5.89%	(Won)	2,250,000	1,100,000
Privately issued debentures					200,000
Less discount on debentures				(6,721)	(3,699)
Less current portion of debentures				(299,658)	(200,000)
			(Won)	1,943,621	1,096,301
Foreign currency debentures(*)					
Floating-rate bonds	August 2012 ~ April 2013	3ML+1.80% ~2.40%	(Won)	552,171	538,323
Foreign currency equivalent				USD 350 JPY 10,000	USD 350 JPY 10,000
Less discount on bonds				(3,474)	(6,130)
Less current portion of convertible bonds				(148,317)	
			(Won)	400,380	532,193
Financial liabilities at fair value through profit or loss					
Convertible bonds	April 2012	Zero coupon	(Won)	87,339	84,338
Foreign currency equivalent				USD76	USD74
Less current portion of convertible bonds				(87,339)	
			(Won)		84,338
			(Won)	2,344,001	1,712,832

Table of Contents14. Financial Liabilities, Continued

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

(In millions of won)

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

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

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

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

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

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

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

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

Table of Contents14. Financial Liabilities, Continued

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

<i>(In won and share)</i>		December 31, 2011	December 31, 2010
Convertible bonds (*)	(Won)	61,617,600,000	61,617,600,000
Conversion price	(Won)	47,892	48,075
Common shares to be issued		1,286,594	1,281,697

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

15. The Nature of Expenses and Others

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

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

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

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

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

Table of Contents16. Selling and Administrative Expenses

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

(In millions of won)

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

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

Table of Contents17. Employee Benefits

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

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

(In millions of won)

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

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

(In millions of won)

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

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

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

(In millions of won)

		2011	2010
Opening fair value of plan assets	(Won)	281,825	175,869
Expected return on plan assets		12,353	12,946
Actuarial gains on plan assets (before tax)		1,256	1,497
Contributions by employer directly to plan assets		60,000	100,000
Contributions directly from employer cash flow		9,009	5,379
Benefit payment		(24,190)	(13,866)
Closing fair value of scheme assets	(Won)	340,253	281,825

Table of Contents17. Employee Benefits, Continued

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

(In millions of won)

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

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

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

(In millions of won)

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

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

(In millions of won)

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

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

(In millions of won)

		2011	2010
Cumulative amount at January 1	(Won)	(11,277)	(14,443)
Recognized during the period		(17,673)	3,166
Cumulative amount at December 31	(Won)	(28,950)	(11,277)

Table of Contents17. Employee Benefits, Continued

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

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

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

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

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

18. Other Liabilities

Other liabilities at the reporting date are as follows:

(In millions of won)

		December 31, 2011	December 31, 2010
Current liabilities			
Withholdings	(Won)	14,808	18,554
Share-based payment liabilities		4	473
Unearned revenues		4,744	
	(Won)	19,556	19,027
Non-current liabilities			
Long-term accrued expenses	(Won)	333,459	10,041
Other long-term employee benefits			16,031
Long-term unearned revenues		16,958	
Long-term other accounts payable		226,496	306,475
	(Won)	576,913	332,547

Table of Contents19. CommitmentsFactoring and securitization of accounts receivable

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

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

In June 2009 and January 2011, LG Display Singapore Pte. Ltd., the Controlling Company's subsidiary, entered into agreements with Standard Chartered Bank and Citibank for accounts receivable sales negotiating facilities of up to an aggregate of USD250 million ((Won)288,325 million) and USD100 million ((Won)115,330 million), respectively, and as of December 31, 2011, accounts and notes receivable amounting to USD110 million ((Won)127,561 million) and USD100 million ((Won)115,325 million) were sold, with none of the underlying accounts and notes receivable being past due, respectively. In June 2009, June 2011 and July 2011, LG Display Taiwan Co., Ltd. entered into agreements with Taishin International Bank, BNP Paribas and Chinatrust Commercial Bank for accounts receivable sales negotiating facilities of up to an aggregate of USD1,093 million ((Won)1,243,257 million), USD65 million ((Won)74,965 million) and USD78 million ((Won)89,957 million), respectively, and, as of December 31, 2011, accounts and notes receivable amounting to USD387 million ((Won)446,341 million), USD47 million ((Won)55,009 million) were sold, with none of the underlying accounts and notes receivable being past due under the agreements with Taishin International Bank and Chinatrust Commercial Bank, respectively. In addition, in December 2010, LG Display Taiwan Co., Ltd. entered into agreements with Citibank and Standard Chartered Bank for accounts receivable sales negotiating facilities of up to an aggregate of USD112 million ((Won)129,170 million) and USD200 million ((Won)230,660 million), respectively, and, as of December 31, 2011, accounts and notes receivable amounting to USD50 million ((Won)57,948 million) and USD150 million ((Won)172,995 million) were sold to Citibank, with none of the underlying accounts and notes receivable being past due. In December 2010, LG Display Shanghai Co., Ltd. entered into an agreement with BNP Paribas for accounts receivable sales negotiating facilities of up to an aggregate of USD130 million ((Won)149,929 million), and, as of December 31, 2011, accounts and notes receivable amounting to USD4 million ((Won)4,511 million) were sold, with none of the underlying accounts and notes receivable being past due. In July 2009, LG Display Shenzhen Co., Ltd. and LG Display Shanghai Co., Ltd. entered into agreements with Bank of China Limited, and, as of December 31, 2011, accounts and notes receivable amounting to USD154 million ((Won)177,588 million) were sold, with none of the underlying accounts and notes receivable being past due. In June 2010, LG Display Germany GmbH entered into an agreement with Citibank for accounts receivable sales negotiating facilities of up to an aggregate of USD307 million ((Won)354,063 million), and, as of December 31, 2011, accounts and notes receivable amounting to USD236 million ((Won)271,959 million) were sold, with none of the underlying accounts and notes receivable being past due. In addition, LG Display Germany GmbH started forfaiting and accounts and notes receivable amounting to USD27 million ((Won)31,486 million) were sold, with none of the underlying accounts and notes receivable being past due. In March 2011, LG Display America, Inc. entered into agreements with Australia and New Zealand Banking Group Limited and Standard Chartered Bank for accounts receivable sales negotiating facilities of up to an aggregate of USD80 million ((Won)92,264 million) and USD50 million ((Won)57,665 million), respectively, and, as of December 31, 2011, the amount of accounts and notes receivable amounting to USD61 million ((Won)69,822 million) and USD17 million ((Won)20,038 million) were sold but not past due, respectively. In addition, in June 2011, LG Display America, Inc. has entered into an agreement with Citibank for accounts receivable sales negotiating facilities of up to an aggregate of USD300 million ((Won)345,990 million) and as of December 31, 2011, no accounts and notes receivable were sold, with none of the underlying accounts and notes receivable being past due. In August 2011, LG Display Japan Co., Ltd. entered into an agreement with Sumitomo Mitsui Bank for accounts receivable sales negotiating facilities of up to an aggregate of USD90 million ((Won)103,797 million) and, as of December 31, 2011, the amount of accounts and notes receivable amounting to USD8 million ((Won)8,729 million) were sold, with none of the underlying accounts and notes receivable being past due.

Table of Contents19. Commitments, Continued

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

Letters of credit

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

Payment guarantees

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

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

License agreements

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

Table of Contents19. Commitments, ContinuedLong-term supply agreement

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

Pledged Assets

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

20. ContingenciesPatent infringement lawsuit against Chimei Innolux Corp. and others

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

Anvik Corporation's lawsuit for infringement of patent

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

Antitrust investigations and litigations

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

Table of Contents20. Contingencies, Continued

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

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

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

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

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

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

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

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20. Contingencies, Continued

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

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

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

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

21. Capital and Reserves

(a) Share capital

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

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

(b) Reserves

Translation reserve

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

Fair value reserve

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

Table of Contents22. Related Parties

(a) Key management personnel compensation

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

(In millions of won)

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

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

(b) Significant transactions with related companies

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

(In millions of won)

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

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

(In millions of won)

		Trade accounts and notes receivable and others		Trade accounts and notes payable and others	
		December	December	December	December
		31, 2011	31, 2010	31, 2011	31, 2010
Joint ventures	(Won)	130,217	145,093	340,073	478,009
Associates		3		697,539	243,357
LG Electronics		497,747	634,570	98,487	138,484
Other related parties				3,632	3,870
	(Won)	627,967	779,663	1,139,731	863,720

Table of Contents23. **Geographic and Other Information**

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

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

(a) Revenue by geography

(In millions of won)

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

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

(b) Non-current assets by geography

(In millions of won)

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

(In millions of won)

Region		December 31, 2010	
		Property, plant and equipment	Intangible assets
Domestic	(Won)	11,690,716	520,152
Foreign			
China		945,864	19,105

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Others		178,821	644
Sub total	(Won)	1,124,685	19,749
Total	(Won)	12,815,401	539,901

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Table of Contents23. Geographic and Other Information, Continued

(c) Revenue by product

(In millions of won)

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

24. Revenue

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

(In millions of won)

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

Table of Contents25. Other Income and Other Expenses

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

(In millions of won)

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

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

(In millions of won)

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

26. Personnel Expenses

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

(In millions of won)

		2011	2010
Salaries and wages	(Won)	1,719,035	1,569,137
Other employee benefits		383,197	297,366
Contributions to National Pension plan		54,118	40,553
Expenses related to defined benefit plan		113,970	102,471
Stock compensation cost		(469)	157
	(Won)	2,269,851	2,009,684

Table of Contents27. Share-based Payment

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

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

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

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

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

Table of Contents27. Share-based Payment, Continued

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

<i>(In number of shares)</i>	2011	2010
Balance at beginning of year	110,000	110,000
Forfeited or cancelled		
Outstanding at end of year	110,000	110,000
Exercisable at end of year	110,000	110,000

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

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

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

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

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

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

Table of Contents28. Finance Income and Finance Costs

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

(In millions of won)

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

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

(In millions of won)

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

Table of Contents29. Income Taxes

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

(In millions of won)

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

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

(In millions of won)

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

(In millions of won)

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

Table of Contents29. Income Taxes, Continued

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

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

30. Deferred Tax Assets and Liabilities

(a) Unrecognized deferred tax liabilities

As of December 31, 2011, in relation to the temporary differences on investments in subsidiaries amounting to W221,073 million, the Controlling Company did not recognize deferred tax liabilities since the Controlling Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

(b) Unrecognized deferred tax assets

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

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

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

	December 31			
	2012	2013	2014	2015~

Tax credit carryforwards	(Won)	21,579	146,394	41,118
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Table of Contents30. Deferred Tax Assets and Liabilities. Continued

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

(In millions of won)

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

Table of Contents30. Deferred Tax Assets and Liabilities. Continued

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

(In millions of won)

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

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

Table of Contents31. Earnings (loss) per Share

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

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

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

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

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

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

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

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31. Earnings per Share, Continued

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

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

32. Supplemental Cash Flow Information

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

(In millions of won)

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

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LG DISPLAY CO., LTD.

Financial Statements

For the Years Ended December 31, 2011 and 2010

(With Independent Auditors' Report Thereon)

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Independent Auditors Report

Based on a report originally issued in Korean

To the Board of Directors and Shareholders

LG Display Co., Ltd.:

We have audited the accompanying statements of financial position of LG Display Co., Ltd (the Company) as of December 31, 2011 and 2010 and the related statements of comprehensive income, changes in equity and cash flows for the years then ended. Management is responsible for the preparation and fair presentation of these financial statements in accordance with Korean International Financial Reporting Standards. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2011 and 2010 and its financial performance and its cash flows for the years then ended, in accordance with Korean International Financial Reporting Standards.

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

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

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/s/ KPMG Samjong Accounting Corp.

Seoul, Korea

February 22, 2012

This report is effective as of February 22, 2012, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying 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.

Statements of Financial Position

As of December 31, 2011 and 2010

<i>(In millions of won)</i>	Note		December 31, 2011	December 31, 2010
Assets				
Cash and cash equivalents	6	(Won)	604,890	889,784
Deposits in banks	6, 13		815,000	1,503,000
Trade accounts and notes receivable, net	7, 13, 19, 23		3,789,332	3,883,433
Other accounts receivable, net	7, 13		102,097	301,543
Other current financial assets	9, 13		2,976	34,828
Inventories	8		1,912,710	1,759,965
Other current assets	7		99,759	127,320
Total current assets			7,326,764	8,499,873
Investments	10		1,386,313	1,279,831
Other non-current financial assets	9, 13		75,080	64,020
Deferred tax assets	30		1,329,905	979,323
Property, plant and equipment, net	11		13,522,553	11,688,061
Intangible assets, net	12		479,510	483,260
Other non-current assets	7, 13		153,839	163,630
Total non-current assets			16,947,200	14,658,125
Total assets		(Won)	24,273,964	23,157,998
Liabilities				
Trade accounts and notes payable	23	(Won)	3,752,724	2,986,383
Current financial liabilities	13, 14		808,576	1,906,112
Other accounts payable			3,690,913	2,373,083
Accrued expenses			342,973	374,177
Income tax payable				104,044
Provisions			278,179	634,815
Advances received			593,436	57,498
Other current liabilities	18		18,532	17,757
Total current liabilities			9,485,333	8,453,869
Non-current financial liabilities	13, 14		3,714,001	2,470,667
Non-current provisions			5,419	8,773
Employee benefits	17		146,266	78,406
Long-term advances received	19		668,914	945,287
Other non-current liabilities	18		567,114	330,321
Total non-current liabilities			5,101,714	3,833,454
Total liabilities			14,587,047	12,287,323
Equity				
Share capital	21		1,789,079	1,789,079

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Share premium		2,251,113	2,251,113
Reserves	21	(3,944)	(7,795)
Retained earnings	22	5,650,669	6,838,278
Total equity		9,686,917	10,870,675
Total liabilities and equity	(Won)	24,273,964	23,157,998

See accompanying notes to the financial statements.

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LG DISPLAY CO., LTD.

Statements of Comprehensive Income (Loss)

For the years ended December 31, 2011 and 2010

<i>(In millions of won, except earnings per share)</i>	Note	2011	2010
Revenue	23, 24 (Won)	23,471,309	25,004,257
Cost of sales	8, 23	(22,982,517)	(22,011,362)
Gross profit		488,792	2,992,895
Other income	25	858,670	967,229
Selling expenses	16	(400,531)	(484,714)
Administrative expenses	16	(467,547)	(434,825)
Research and development expenses		(672,225)	(670,912)
Other expenses	25	(1,058,242)	(1,345,279)
Results from operating activities		(1,251,083)	1,024,394
Finance income	28	173,106	242,917
Finance costs	28	(248,381)	(200,672)
Other non-operating loss, net		(15,617)	(14,634)
Profit (loss) before income tax		(1,341,975)	1,052,005
Income tax expense (benefit)	29	(350,943)	49,357
Profit (loss) for the year		(991,032)	1,002,648
Other comprehensive income (loss)			
Net change in fair value of available-for-sale financial assets	28, 29	4,790	12,270
Defined benefit plan actuarial gain (loss)	17, 29	(23,728)	4,480
Income tax benefit (expense) on other comprehensive income items	29	5,120	(4,013)
Other comprehensive income (loss) for the year, net of income tax		(13,818)	12,737
Total comprehensive income (loss) for the year	(Won)	(1,004,850)	1,015,385
Earning (loss) per share			
Basic earnings (loss) per share	31 (Won)	(2,770)	2,802
Diluted earnings (loss) per share	31 (Won)	(2,770)	2,726

See accompanying notes to the financial statements.

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LG DISPLAY CO., LTD.

Statements of Changes in Equity

For the years ended December 31, 2011 and 2010

<i>(In millions of won)</i>	Note	Share capital	Share premium	Fair value reserve	Retained earnings	Total equity
Balances at January 1, 2010	(Won)	1,789,079	2,251,113	(17,366)	6,011,372	10,034,198
Total comprehensive income for the year						
Profit for the year					1,002,648	1,002,648
Other comprehensive income						
Net change in fair value of available-for-sale financial assets, net of tax				9,571		9,571
Defined benefit plan actuarial gain, net of tax					3,166	3,166
Total other comprehensive income				9,571	3,166	12,737
Total comprehensive income for the year	(Won)			9,571	1,005,814	1,015,385
Transaction with owners, recorded directly in equity						
Dividends to equity holders	22				(178,908)	(178,908)
Balances at December 31, 2010	(Won)	1,789,079	2,251,113	(7,795)	6,838,278	10,870,675
Balances at January 1, 2011	(Won)	1,789,079	2,251,113	(7,795)	6,838,278	10,870,675
Total comprehensive loss for the year						
Loss for the year					(991,032)	(991,032)
Other comprehensive income (loss)						
Net change in fair value of available-for-sale financial assets, net of tax				3,851		3,851
Defined benefit plan actuarial loss, net of tax					(17,669)	(17,669)
Total other comprehensive income (loss)				3,851	(17,669)	(13,818)
Total comprehensive income (loss) for the year	(Won)			3,851	(1,008,701)	(1,004,850)
Transaction with owners, recorded directly in equity						
Dividends to equity holders	22				(178,908)	(178,908)
Balances at December 31, 2011	(Won)	1,789,079	2,251,113	(3,944)	5,650,669	9,686,917

See accompanying notes to the financial statements.

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LG DISPLAY CO., LTD.

Statements of Cash Flows

For the years ended December 31, 2011 and 2010

<i>(In millions of won)</i>	Note	2011	2010
Cash flows from operating activities:			
Profit (loss) for the year	(Won)	(991,032)	1,002,648
Adjustments for:			
Income tax expense (benefit)	29	(350,943)	49,357
Depreciation	11	3,150,862	2,487,743
Amortization of intangible assets	12	230,119	161,298
Gain on foreign currency translation		(52,612)	(62,443)
Loss on foreign currency translation		99,680	33,591
Gain on disposal of property, plant and equipment		(642)	(2,289)
Loss on disposal of property, plant and equipment		96	211
Loss on disposal of intangible assets		1,588	
Impairment loss on intangible assets		4,535	
Finance income		(97,671)	(236,293)
Finance costs		219,511	153,341
Other income		(25,027)	(50,427)
Other expenses		321,196	708,493
Other non-operating losses		7	275
		2,509,667	4,245,505
Change in trade accounts and notes receivable		126,849	(635,100)
Change in other accounts receivable		9,114	(648)
Change in other current assets		90,349	(21,366)
Change in inventories		(152,745)	(455,550)
Change in other non-current assets		(39,524)	(53,742)
Change in trade accounts and notes payable		739,969	978,120
Change in other accounts payable		104,642	26,032
Change in accrued expenses		(86,631)	29,812
Change in other current liabilities		(40,671)	30,134
Change in long-term advance received		281,975	379,105
Change in other non-current liabilities		18,161	8,417
Change in provisions		(208,391)	(290,536)
Change in defined benefit obligation		(69,535)	(103,575)
Cash generated from operating activities		3,283,229	4,136,608
Income taxes paid		(106,735)	(202,283)
Interest received		62,704	109,820
Interest paid		(135,480)	(101,984)
Net cash from operating activities	(Won)	3,103,718	3,942,161

See accompanying notes to the financial statements.

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LG DISPLAY CO., LTD.

Statements of Cash Flows, Continued

For the years ended December 31, 2011 and 2010

<i>(In millions of won)</i>	Note	2011	2010
Cash flows from investing activities:			
Dividends received	(Won)	42,620	78,191
Proceeds from withdrawal of deposits in banks		2,401,500	5,400,000
Increase in deposits in banks		(1,713,500)	(4,403,000)
Increase in short-term loans			(66,051)
Proceeds from collection of short-term loans		67,195	
Acquisition of investments		(214,114)	(349,080)
Proceeds from disposal of investments		2,045	20,530
Acquisition of property, plant and equipment		(3,790,353)	(4,500,591)
Proceeds from disposal of property, plant and equipment		857	3,735
Acquisition of intangible assets		(207,961)	(210,853)
Grant received		1,605	46
Receipt from (payment for) settlement of derivatives		23,784	(14,781)
Acquisition of other non-current financial assets		(58,526)	(46,979)
Proceeds from disposal of other non-current financial assets		167,059	8,375
Acquisition of businesses, net of cash acquired			(72,472)
Net cash used in investing activities		(3,277,789)	(4,152,930)
Cash flows from financing activities:			
Proceeds from short-term borrowings		1,024,026	786,896
Repayment of short-term borrowings		(2,116,604)	(457,754)
Issuance of debentures		1,145,209	1,117,437
Proceeds from long-term borrowings		941,921	445,589
Repayment of long-term borrowings			(120,000)
Repayment of current portion of long-term debt		(926,467)	(1,197,031)
Payment of cash dividend	22	(178,908)	(178,908)
Net cash provided by (used in) financing activities		(110,823)	396,229
Net increase (decrease) in cash and cash equivalents		(284,894)	185,460
Cash and cash equivalents at 1 January		889,784	704,324
Cash and cash equivalents at 31 December	(Won)	604,890	889,784

See accompanying notes to the financial statements.

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1. **Organization and Description of Business**

LG Display Co., Ltd. (the 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 Company. The main business of the Company is to manufacture and sell TFT-LCD panels. The Company is a stock company (Jusikhoesa) domiciled in the Republic of Korea with its address at 128, Yeouidae-ro, Yeongdeungpo-gu, Seoul, the Republic of Korea, to which the Company moved in December 2011. In July 1999, LG Electronics Inc. and Koninklijke Philips Electronics N.V. (Philips) entered into a joint venture agreement. Pursuant to the agreement, the Company changed its name to LG.Philips LCD Co., Ltd. However, on February 29, 2008, the Company changed its name to LG Display Co., Ltd. based upon the approval of shareholders at the general shareholders meeting on the same date as a result of the decrease in Philips' share interest in the Company and the possibility of its business expansion to Organic Light-Emitting Diode (OLED) and Flexible Display products. As of December 31, 2011, LG Electronics Inc. owns 37.9% (135,625,000 shares) of the Company's common shares.

As of December 31, 2011, the Company has its TFT-LCD manufacturing plants, OLED manufacturing plant and LCD Research & Development Center in Paju and TFT-LCD manufacturing plants and OLED manufacturing plant in Gumi. The Company has overseas subsidiaries located in the United States of America, Europe and Asia.

The Company's common stock is listed on the Korea Exchange under the identifying code 034220. As of December 31, 2011, there are 357,815,700 shares of common stock outstanding. The Company's common stock is also listed on the New York Stock Exchange in the form of American Depositary Shares (ADSs) under the symbol LPL. One ADS represents one-half of one share of common stock. As of December 31, 2011, there are 20,924,578 ADSs outstanding.

2. **Basis of Presenting Financial Statements**

(a) **Statement of Compliance**

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

These financial statements are separate financial statements prepared in accordance with K-IFRS No.1027 Consolidated and Separate Financial Statements presented by a parent, an investor in an associate or a venture in a jointly controlled entity, in which the investments are accounted for on the basis of the direct equity interest rather than on the basis of the reported results and net assets of the investees.

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

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2. Basis of Presenting Financial Statements, Continued

(b) Basis of Measurement

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

derivative financial instruments measured at fair value

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

available-for-sale financial assets measured at fair value

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

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

(c) Functional and Presentation Currency

The financial statements are presented in Korean won, which is the 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 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 financial statements is included in the following notes:

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

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

Recognition and measurement of provision (note 3.(i) and 20)

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Measurement of defined benefit obligations (note 17)

Deferred tax assets and liabilities (note 30)

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3. **Summary of Significant Accounting Policies**

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

(a) **Foreign Currency Transactions and Translation**

Transactions in foreign currencies are translated to the respective functional currencies of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency at the exchange rate on the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was originally determined. Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on available-for-sale equity instruments and a financial asset and liability designated as a cash flow hedge, which are recognized in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the original transaction. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or previous financial statements shall be recognized in profit or loss in the period in which they arise.

(b) **Inventories**

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

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated selling expenses.

(c) **Financial Instruments**

(i) Non-derivative financial assets

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

The Company 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 Company is recognized as a separate asset or liability. If a transfer does not result in derecognition because the Company has retained substantially all the risks and rewards of ownership of the transferred asset, the Company continues to recognize the transferred asset and recognizes a financial liability for the consideration received. In subsequent periods, the Company recognizes any income on the transferred assets and any expense incurred on the financial liability.

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3. Summary of Significant Accounting Policies, Continued

(c) Financial Instruments, Continued

(i) Non-derivative financial assets, Continued

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company 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 Company has the following non-derivative financial assets: loans and receivables and available-for-sales financial assets.

Financial assets at fair value through profit or loss

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

Cash and cash equivalents

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

Deposits in banks

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

Table of Contents3. Summary of Significant Accounting Policies, Continued(c) Financial Instruments, Continued(i) Non-derivative financial assets, ContinuedLoans 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 Company measures them at their fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables comprise trade accounts and notes receivable and other accounts receivable.

Available-for-sale financial assets

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

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

(ii) Non-derivative financial liabilities

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

Financial liabilities at fair value through profit or loss include financial liabilities held for trading or designated as such upon initial recognition at fair value through profit or loss. After initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. Upon initial recognition, transaction costs that are directly attributable to acquisition are recognized in profit or loss as incurred. As of December 31, 2011, financial liabilities at fair value through profit or loss of the Company consist of convertible bonds.

Non-derivative financial liabilities other than financial liabilities classified as fair value through profit or loss are classified as other financial liabilities and measured initially at fair value minus transaction costs that are directly attributable to the issue. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. As of December 31, 2011, non-derivative financial liabilities comprise borrowings, bonds and others.

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

Table of Contents3. Summary of Significant Accounting Policies, Continued(c) Financial Instruments, Continued(iii) Ordinary share capital

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

(iv) Derivative financial instruments, including hedge accounting

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

The Company 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, the Company's 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. The Company's 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 statement of comprehensive income. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

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

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

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

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

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

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

(ii) Subsequent costs

Subsequent expenditure on an item of property, plant and equipment is recognized as part of its cost only if it is probable that future economic benefits associated with the item will flow to the Company 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 Company. The residual value of property, plant and equipment is zero. Land is not depreciated.

Estimated useful lives of the assets are as follows:

	Useful lives (years)
Buildings and structures	20, 40
Machinery	4
Furniture and fixtures	4
Equipment, tools and vehicles	4, 12

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate. The changes are accounted for as changes in accounting estimates.

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3. Summary of Significant Accounting Policies. Continued

(e) Borrowing Costs

The Company capitalizes borrowing costs, which includes exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs, directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. To the extent that the Company borrows funds specifically for the purpose of obtaining a qualifying asset, the Company 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 Company immediately recognizes other borrowing costs as an expense.

(f) Government Grants

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

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

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

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

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

(iii) Other government grants

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

(g) 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 Company's share of the net fair value of the identifiable assets acquired and liabilities assumed. Any deficit is a bargain purchase that is recognized in profit or loss. Goodwill is measured at cost less accumulated impairment losses.

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3. Summary of Significant Accounting Policies, Continued

(g) 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 Company 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 Company can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset,

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

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

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

(iii) Other intangible assets

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

(iv) Subsequent costs

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

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

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

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

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

(h) Impairment(i) Financial assets

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

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

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3. Summary of Significant Accounting Policies, Continued

(h) Impairment, Continued

(i) Financial assets, Continued

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

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

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

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

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

Table of Contents3. Summary of Significant Accounting Policies. Continued(h) Impairment. Continued(ii) Non-financial assets

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

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

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

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

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

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3. Summary of Significant Accounting Policies, Continued

(i) Provisions

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

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

(j) Employee Benefits

(i) Short-term employee benefits

Short-term employee benefits that are due to be settled within twelve months after the end of the period in which the employees render the related service are recognized in profit or loss on an undiscounted basis. The expected cost of profit-sharing and bonus plans are recognized when the Company 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 Company'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.

Table of Contents3. Summary of Significant Accounting Policies, Continued(j) 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 Company'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 Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The Company recognizes all actuarial gains and losses arising from defined benefit plans in retained earnings immediately.

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

(v) Share-based payment transactions

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

(k) 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 statements of comprehensive income.

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3. Summary of Significant Accounting Policies. Continued

(l) Operating Segments

In accordance with K-IFRS 1108, entity wide disclosures of geographic and product revenue information are provided in the consolidated financial statements, not in these financial statements.

(m) Finance Income and Finance Costs

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

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

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

(n) Income Tax

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

(i) Current tax

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

Table of Contents3. Summary of Significant Accounting Policies, Continued(n) 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 Company 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 Company 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 Company is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. A deferred tax asset is recognized for all deductible temporary differences to the extent that it is probable that the differences relating to investments in subsidiaries, associates and jointly controlled entities will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

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

An entity offsets deferred tax assets and deferred tax liabilities if, and only if, the entity has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same authority.

(o) Earnings (Loss) per Share

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

(p) New Standards and Interpretations Not Yet Adopted

The following accounting standards, interpretations and amendments will be effective for annual periods beginning after January 1, 2012, and have not been applied in preparing these financial statements.

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

The amendments require disclosing the nature of transferred assets, their carrying amount, and the description of risks and rewards for each class of transferred financial assets that are not derecognized in their entirety. If the Company derecognizes transferred financial assets but still has their specific risks and rewards, the amendments require additional disclosures on their effect of the risks. The amendments will be applied prospectively for the Company's annual periods beginning on or after July 1, 2011.

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3. Summary of Significant Accounting Policies, Continued

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

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

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

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

4. Determination of Fair Value

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

(a) Current Assets and Liabilities

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

(b) Trade Receivables and Other Receivables

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

(c) Investments in Equity and Debt Securities

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

(d) Derivatives

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

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

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

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4. Determination of Fair Value. Continued

(e) Non-derivative Financial Liabilities

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

(f) Share-based Payment Transactions

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

(g) Assets Acquired in a Business Combination

(i) Inventories

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

(ii) Property, plant and equipment

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

(iii) Intangible assets

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

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5. Risk Management

(a) Financial Risk Management

The Company is exposed to credit risk, liquidity risk and market risks. The Company 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 Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

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

The Company 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 Company does not establish allowances for receivables under insurance and receivables from customers with a high credit rating. For the rest of the receivables, the Company 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 Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company'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 Company's reputation.

The Company has historically been able to satisfy its cash requirements from cash flows from operations and debt and equity financing. To the extent that the Company does not generate sufficient cash flows from operations to meet its capital requirements, the Company 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 Company maintains a line of credit with various banks.

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5. Risk Management, Continued

(a) Financial Risk Management, Continued

(iii) Market risk

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

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

Currency risk

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

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

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

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

Interest rate risk

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

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

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

(In millions of won)

		December 31, 2011	December 31, 2010
Total liabilities	(Won)	14,587,047	12,287,323
Total equity		9,686,917	10,870,675
Cash and deposits in banks (*)		1,419,890	2,392,784
Borrowings		4,515,608	4,375,823
Total liabilities to equity ratio		151%	113%
Net borrowings to equity ratio		32%	18%

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

6. Cash and Cash Equivalents and Deposits in Banks

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

(In millions of won)

		December 31, 2011	December 31, 2010
Current assets			
Cash and cash equivalents			
Demand deposits	(Won)	604,890	889,784
Deposits in banks			
Time deposits	(Won)	800,000	1,500,000
Restricted cash		15,000	3,000
	(Won)	815,000	1,503,000

Table of Contents7. Receivables and Other Current Assets

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

(In millions of won)

		December 31, 2011	December 31, 2010
Trade, net	(Won)	146,255	95,642
Due from related parties		3,643,077	3,787,791
	(Won)	3,789,332	3,883,433

As of December 31, 2011, trade accounts and notes receivable sold to financial institutions, but current and outstanding, amount to (Won)71,543 million. For the years ended December 31, 2011 and 2010, the Company recognized loss on disposal of trade accounts and notes receivable of (Won)228 million and (Won)358 million, respectively.

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

(In millions of won)

		December 31, 2011	December 31, 2010
Current assets			
Non-trade accounts receivable, net	(Won)	86,630	209,889
Accrued income		15,467	24,459
Short-term loans			67,195
	(Won)	102,097	301,543

Due from related parties included in other accounts receivable, as of December 31, 2011 and 2010 is (Won)2,691 million and (Won)78,511 million, respectively.

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

(In millions of won)

		December 31, 2011	December 31, 2010
Current assets			
Advance payments	(Won)	8,913	5,905
Prepaid expenses		36,990	39,532
Value added tax refundable		45,685	81,883
Prepaid income taxes		8,171	
	(Won)	99,759	127,320
Non-current assets			
Long-term prepaid expenses	(Won)	153,839	163,630

Table of Contents8. Inventories

Inventories at the reporting date are as follows:

(In millions of won)

		December 31, 2011	December 31, 2010
Finished goods	(Won)	592,247	630,374
Work-in-process		767,056	606,486
Raw materials		415,009	364,160
Supplies		138,398	158,945
	(Won)	1,912,710	1,759,965

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

(In millions of won)

		December 31, 2011	December 31, 2010
Inventories recognized as cost of sales	(Won)	22,982,517	22,011,362
Including: (reversals of) inventory write-downs		(26,563)	56,241

Table of Contents9. Other Financial Assets

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

(In millions of won)

		December 31, 2011	December 31, 2010
Current assets			
Deposits	(Won)	2,976	25,574
Derivatives not used for hedging			9,254
	(Won)	2,976	34,828
Non-current assets			
Guarantee deposits with banks	(Won)	13	13
Financial assets at fair value through profit or loss			8,927
Available-for-sale financial assets		11,830	38,132
Long-term loans		600	
Deposits		62,637	16,948
	(Won)	75,080	64,020

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

(In millions of won)

		Acquisition cost	Fair value
Everlight Electronics Co. Ltd.	(Won)	7,628	8,927

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

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

(In millions of won)

		December 31, 2011	December 31, 2010
Non-current assets			
Debt securities			
Government bonds	(Won)	2,838	2,346
Hydis Technologies Co., Ltd.			26,085
Equity securities			
E Ink Holdings, Inc. (formerly, Prime View International Co., Ltd)	(Won)	6,319	9,701
Intellectual Discovery, Ltd.		2,673	
	(Won)	11,830	38,132

Table of Contents10. Investments

(a) Investments in subsidiaries consist of the following:

<i>(In millions of won)</i>		December 31, 2011			December 31, 2010	
Overseas			Percentage of ownership	Book value	Percentage of ownership	Book value
Subsidiaries	Location	Selling or Manufacturing				
LG Display America, Inc.(*1)	California, U.S.A.	Sell TFT-LCD products	100%	(Won)	100%	(Won)
LG Display Germany GmbH	Dusseldorf, Germany	Sell TFT-LCD products	100%	19,373	100%	19,373
LG Display Japan Co., Ltd.	Tokyo, Japan	Sell TFT-LCD products	100%	15,686	100%	15,686
LG Display Taiwan Co., Ltd.	Taipei, Taiwan	Sell TFT-LCD products	100%	35,230	100%	35,230
LG Display Nanjing Co., Ltd.(*2)	Nanjing, China	Manufacture and Sell TFT-LCD products	100%	509,277	100%	459,296
LG Display Shanghai Co., Ltd.	Shanghai, China	Sell TFT-LCD products	100%	9,093	100%	9,093
LG Display Poland Sp. zo. o.	Wroclaw, Poland	Manufacture and Sell TFT-LCD products	80%	157,864	80%	157,864
LG Display Guangzhou Co., Ltd.	Guangzhou, China	Manufacture and Sell TFT-LCD products	90%	157,268	90%	157,268
LG Display Shenzhen Co., Ltd.	Shenzhen, China	Sell TFT-LCD products	100%	3,467	100%	3,467
LG Display Singapore Pte. Ltd.	Singapore	Sell TFT-LCD products	100%	1,250	100%	1,250
L&T Display Technology (Xiamen)Limited	Xiamen, China	Manufacture LCD module and TV sets	51%	7,146	51%	7,146
L&T Display Technology (Fujian) Limited	Fujian, China	Manufacture LCD module and LCD monitor sets	51%	10,123	51%	10,123
LG Display Yantai Co., Ltd.	Yantai, China	Manufacture and Sell TFT-LCD products	100%	44,628	100%	44,628
L&I Electronic Technology (Dongguan) Limited	Dongguan, China	Manufacture and Sell e-Book devices	51%	2,885	51%	2,885
Image&Materials, Inc.(*3)	Domestic	Manufacture EPD materials	100%	41,000	100%	35,000
LUCOM Display Technology (Kunshan) Limited(*4)	Kunshan, China	Manufacture notebook borderless hinge-up	51%	8,594	51%	2,652
LG Display U.S.A Inc. (*5)	Texas, U.S.A	Manufacture TFT-LCD products	100%	12,353		Incorporated in 2011
LG Display Reynosa S.A.de C.V.(*5)	Reynosa, Mexico	Manufacture TFT-LCD products	1%	92		Incorporated in 2011
				(Won)		(Won)
				1,035,329		960,961

Table of Contents10. Investments, Continued

- (*1) LG Display America, Inc. (LGDUS) was sentenced to pay a fine of USD400 million by the U.S. Government in 2008, which LGDUS recorded as a loss. The Company recorded the cumulative loss of LGDUS, mostly related to the fine, in excess of the Company's investment in LGDUS as long-term other accounts payable. In June 2011, the Company contributed (Won)86,520 million in cash for the capital increase of LG Display America, Inc. (LGDUS). There was no change in the Company's ownership percentage in LGDUS as a result of this additional investment.
- (*2) In January and June 2011, the Company contributed (Won)14,363 million and (Won)35,618 million, respectively, in cash for the capital increase of LG Display Nanjing Co., Ltd. (LGDNJ). There were no changes in the Company's ownership percentage in LGDNJ as a result of these additional investments.
- (*3) In June and September 2011, the Company contributed (Won)3,000 million each, an aggregate of (Won)6,000 million, in cash for the capital increase of Image & Materials, Inc. (I&M). There were no changes in the Company's ownership percentage in I&M as a result of these additional investments.
- (*4) In February and April 2011, the Company contributed (Won)3,417 million and (Won)2,525 million, respectively, in cash for the capital increase of LUCOM Display Technology (Kunshan) Limited (LUCOM). There were no changes in the Company's ownership percentage in LUCOM as a result of these additional investments.
- (*5) In October and November 2011, LG Display U.S.A Inc. (LGDUH) and LG Display Reynosa S.A.de C.V (LGDRS) were incorporated in Texas, U.S.A and Reynosa, Mexico, respectively, for LCD module production. As of December 31, 2011, the Company wholly owns LGDUH and LGDRS as the Company has 1% equity of LGDRS in which LGDUH has 99% equity. As of December 31, 2011, the capital stock of LGDUH and LGDRS amounts to (Won)12,353 million and (Won)9,200 million, respectively.

(b) Investments in joint ventures consist of the following:

(In millions of won)

Joint Ventures	Location	Selling or Manufacturing	December 31, 2011			December 31, 2010		
			Percentage of ownership	Book value	Percentage of ownership	Book value		
Suzhou Raken Technology Ltd.	China	Manufacture and sell LCD modules and LCD TV set	51%	(Won) 108,266	51%	(Won) 108,266		
Guangzhou New Vision Technology Research and Development Ltd.	China	R&D on design of LCD modules and LCD TV set	50%	4,569	50%	4,569		
Global OLED Technology LLC	U.S.A.	Managing and utilizing OLED patents	33%	53,282	33%	53,282		
				(Won) 166,117		(Won) 166,117		

Table of Contents10. Investments, Continued

(c) Investments in associates consist of the following:

(In millions of won)

Associates	Location	Selling or Manufacturing	December 31, 2011		December 31, 2010	
			Percentage of ownership	Book value	Percentage of ownership	Book value
Paju Electric Glass Co., Ltd. (*1)	Domestic	Manufacture electric glass for flat-panel displays	40%	(Won) 45,089	40%	(Won) 40,689
TLI Inc.	Domestic	Manufacture and sell semiconductor parts	12%	12,565	12%	12,565
AVACO Co., Ltd.	Domestic	Manufacture and sell equipment for flat-panel displays	20%	6,021	20%	6,021
New Optics Ltd.	Domestic	Manufacture back light parts for TFT-LCDs	42%	14,221	42%	14,221
LIG ADP Co., Ltd.	Domestic	Develop and manufacture the equipment for flat-panel display	13%	6,330	13%	6,330
WooRee LED Co., Ltd. (*2)	Domestic	Manufacture LED back light unit packages	30%	11,900	30%	11,900
Dynamic Solar Design Co., Ltd. (*3)	Domestic	Manufacture and sell solar battery and flat-panel displays	40%	1,538	40%	6,067
RPO, Inc. (*3)	Australia	Develop digital waveguide touch technology	26%		26%	14,538
LB Gemini New Growth Fund No.16(*4)	Domestic	Invest in small and middle sized companies and to benefit from M&A opportunities	31%	14,461	31%	8,280
Can Yang Investments Limited(*5)	China	Develop and manufacture and sell TFT-OLEDs	12%	17,516	15%	17,516
YAS Co., Ltd.(*6)	Domestic	Develop and manufacture deposition equipment for OLEDs	19%	10,000	20%	10,000
Eralite Optoelectronics (Jiangsu) Co., Ltd.	China	Manufacture LED Packages	20%	4,626	20%	4,626
Narenanotech Corporation (*7)	Domestic	Manufacture and sell equipment for flat-panel displays	23%	30,000		Acquired in 2011
Avatec. Co., Ltd. (*8)	Domestic	Manufacture and sell glass for flat-panel displays	20%	10,600		Acquired in 2011
				(Won) 184,867		(Won) 152,753

Table of Contents10. Investments, Continued

- (*1) In April 2011, the Company acquired 440,000 common shares of Paju Electric Glass Co., Ltd.(PEG) at (Won)4,400 million in cash. There were no changes in the Company's ownership percentage in PEG as a result of this additional investment.
- (*2) As of December 31, 2011, the Company's percentage ownership in the investee represents the Company's holdings of common shares over total common shares issued.
- (*3) In 2011, the entire carrying amount of the investment in RPO, Inc. amounting to (Won)14,538 million, which was acquired for research and development on Digital Waveguide Touch technology in 2009, has been fully impaired as the recovery of the investment is no longer probable. In addition, the Company recognized an impairment loss of (Won)4,529 million for the difference between the carrying amount of and the recoverable amount from the investment in Dynamic Solar Design Co., Ltd., which was acquired to develop, manufacture and sell solar battery and flat-panel display in 2009.
- (*4) The Company is a member of limited partnership in the LB Gemini New Growth Fund No.16 (the Fund). The Company was paid (Won)1,356 million and (Won)689 million in February and June 2011, respectively, by the Fund and made an additional cash investment of (Won)8,226 million in the Fund during the year ended December 31, 2011. As of December 31, 2011, the Company has a 31% equity interest in the Fund and is committed to make investments of up to an aggregate of (Won)30,000 million.
- (*5) In 2011, the Company's ownership in Can Yang Investments Limited was reduced from 15% to 12% since the Company did not participate in Can Yang Investments Limited's capital increase. The Company has the right to assign a director in the board of directors of Can Yang Investments Limited.
- (*6) In 2011, the Company's ownership in YAS Co., Ltd. was reduced from 20% to 19% since the Company did not participate in YAS Co., Ltd.'s capital increase. The Company has the right to assign a director in the board of directors of YAS Co., Ltd.
- (*7) In April 2011, the Company acquired 1,600,000 common shares of Narenanotech Corporation (NARENANOTECH), which manufactures and sells equipment for flat panel displays, for (Won)20,000 million in cash. In June 2011, the Company acquired an additional 800,000 common shares for (Won)10,000 million in cash. As of December 31, 2011, 23% of NARENANOTECH is owned by the Company and the Company has the right to assign a director in the board of directors of NARENANOTECH.
- (*8) In December 2011, the Company acquired 2,650,000 common shares (20%) of Avatec. Co., Ltd., which manufactures and sells glass for flat panel displays, for (Won)10,600 million. The Company has the right to assign two directors in the board of directors of Avatec. Co., Ltd.

For the years ended December 31, 2011 and 2010, the received dividends from subsidiaries, joint ventures and associates are (Won)42,620 million and (Won)78,191 million, respectively.

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

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

(In millions of won)

		Land	Buildings and structures	Machinery and equipment	Furniture and fixtures	Construction- in-progress (*1)	Others	Total
Acquisition cost as of January 1, 2011	(Won)	442,322	3,172,426	22,851,385	586,548	2,659,934	149,529	29,862,144
Accumulated depreciation as of January 1, 2011			(760,584)	(16,819,046)	(478,715)		(115,738)	(18,174,083)
Book value as of January 1, 2011		442,322	2,411,842	6,032,339	107,833	2,659,934	33,791	11,688,061
Additions						4,987,278		4,987,278
Depreciation			(157,106)	(2,936,115)	(47,410)		(10,231)	(3,150,862)
Disposals				(215)	(104)			(319)
Others(*2)		1,290	208,973	3,966,766	55,506	(4,256,907)	24,372	
Subsidy decrease (increase)			(22)	(1,583)				(1,605)
Book value as of December 31, 2011	(Won)	443,612	2,463,687	7,061,192	115,825	3,390,305	47,932	13,522,553
Acquisition cost as of December 31, 2011	(Won)	443,612	3,381,625	26,729,966	615,078	3,390,305	162,961	34,723,547
Accumulated depreciation as of December 31, 2011	(Won)		(917,938)	(19,668,774)	(499,253)		(115,029)	(21,200,994)

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

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

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

Changes in property, plant and equipment for the year ended December 31, 2010 are as follows:

(In millions of won)

		Land	Buildings and structures	Machinery and equipment	Furniture and fixtures	Construction- in-progress (*1)	Others	Total
Acquisition cost as of January 1, 2010	(Won)	394,804	2,983,532	19,039,283	508,860	1,503,599	139,954	24,570,032
Accumulated depreciation as of January 1, 2010			(615,891)	(14,671,649)	(443,541)		(108,688)	(15,839,769)
Book value as of January 1, 2010		394,804	2,367,641	4,367,634	65,319	1,503,599	31,266	8,730,263
Additions						5,443,912		5,443,912
Depreciation			(145,463)	(2,296,986)	(36,735)		(8,559)	(2,487,743)
Disposals		(128)	(288)	(1,451)	(63)		(4)	(1,934)
Others(*2)		47,646	189,670	3,960,097	79,312	(4,287,577)	10,852	
Acquisition in the business combination				2,990			236	3,226
Subsidy decrease (increase)			282	55				337
Book value as of December 31, 2010	(Won)	442,322	2,411,842	6,032,339	107,833	2,659,934	33,791	11,688,061
Acquisition cost as of December 31, 2010	(Won)	442,322	3,172,426	22,851,385	586,548	2,659,934	149,529	29,862,144
Accumulated depreciation as of December 31, 2010	(Won)		(760,584)	(16,819,046)	(478,715)		(115,738)	(18,174,083)

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

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

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

(In millions of won)

		2011	2010
Capitalized borrowing costs	(Won)	21,903	21,214
Capitalization rate		3.65%	3.97%

Table of Contents12. Intangible Assets

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

(In millions of won)

		Intellectual property rights	Software	Member- ships	Develop- ment costs	Construction in-progress (software)	Customer relation- ships	Techno- logy	Good- will	Others (*2)	Total
Acquisition cost as of January 1, 2011	(Won)	507,851	272,515	47,146	237,535	11,442	24,011	11,074	14,593	13,076	1,139,243
Accumulated amortization as of January 1, 2011		(436,151)	(93,613)		(113,395)		(2,300)	(742)		(9,782)	(655,983)
Book value as of January 1, 2011		71,700	178,902	47,146	124,140	11,442	21,711	10,332	14,593	3,294	483,260
Additions-internally developed					123,688						123,688
Other additions		21,890		2,931		83,983					108,804
Amortization (*1)		(11,496)	(78,191)		(134,826)		(3,424)	(1,110)		(1,072)	(230,119)
Disposals		(1,588)									(1,588)
Impairment loss				(4,535)							(4,535)
Transfer from construction-in-progress			84,606			(84,606)					
Book value as of December 31, 2011	(Won)	80,506	185,317	45,542	113,002	10,819	18,287	9,222	14,593	2,222	479,510
Acquisition cost as of December 31, 2011	(Won)	523,849	357,121	50,077	361,223	10,819	24,011	11,074	14,593	13,076	1,365,843
Accumulated amortization as of December 31, 2011	(Won)	(443,343)	(171,804)		(248,221)		(5,724)	(1,852)		(10,854)	(881,798)
Accumulated impairment loss as of December 31, 2011	(Won)			(4,535)							(4,535)
Remaining amortization period (year)		7.46	2.49	N/A	0.55	N/A	5.33	8.33	N/A	2.60	

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

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

Table of Contents12. Intangible Assets, Continued

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

(In millions of won)

		Intellectual property rights	Software	Member- ships	Develop- ment costs	Construction- in-progress (software)	Customer relation- ships	Tech- nology	Good- will	Others (*2)	Total
Acquisition cost as of January 1, 2010	(Won)	488,682	170,139	44,993	100,672	18,008				13,076	835,570
Accumulated amortization as of											
January 1, 2010		(426,084)	(39,674)		(20,218)					(8,709)	(494,685)
Book value as of January 1, 2010		62,598	130,465	44,993	80,454	18,008				4,367	340,885
Additions-internally developed					135,090						135,090
Other additions		19,169		2,153		95,696					117,018
Acquisition in the business combination			114		1,773		24,011	11,074	14,593		51,565
Amortization (*1)		(10,067)	(53,939)		(93,177)		(2,300)	(742)		(1,073)	(161,298)
Transfer from construction-in-progress			102,262			(102,262)					
Book value as of December 31, 2010	(Won)	71,700	178,902	47,146	124,140	11,442	21,711	10,332	14,593	3,294	483,260
Acquisition cost as of December 31, 2010	(Won)	507,851	272,515	47,146	237,535	11,442	24,011	11,074	14,593	13,076	1,139,243
Accumulated amortization as of December 31, 2010	(Won)	(436,151)	(93,613)		(113,395)		(2,300)	(742)		(9,782)	(655,983)
Remaining amortization period (year)		7.57	2.20	N/A	0.75	N/A	6.33	9.33	N/A	3.43	

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

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

Table of Contents13. Financial Instruments

(a) Credit Risk

(i) Exposure to credit risk

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

(In millions of won)

		December 31, 2011	December 31, 2010
Cash and cash equivalents	(Won)	604,890	889,784
Trade accounts and notes receivable, net		3,789,332	3,883,433
Other accounts receivable, net		102,097	301,543
Available-for-sale financial assets		2,838	28,431
Financial assets at fair value through profit or loss			8,927
Deposits		65,613	42,522
Derivatives not used for hedging			9,254
Deposits in banks		815,000	1,503,000
Guarantee deposits with banks		613	13
	(Won)	5,380,383	6,666,907

In addition to the financial assets above, as of December 31, 2011 and 2010, the Company provides payment guarantees of (Won)50,606 million and (Won)188,155 million, respectively, for its subsidiaries.

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

(In millions of won)

		December 31, 2011	December 31, 2010
Domestic	(Won)	56,200	79,275
Euro-zone countries		612,236	713,217
Japan		138,265	246,753
United States		828,959	710,026
China		1,195,899	1,167,903
Taiwan		829,171	815,360
Others		128,602	150,899
	(Won)	3,789,332	3,883,433

Table of Contents13. Financial Instruments, Continued

(ii) Impairment loss

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

<i>(In millions of won)</i>	December 31, 2011		December 31, 2010	
	Book value	Impairment loss	Book value	Impairment loss
Not past due	(Won) 3,777,383	(49)	3,864,433	(20)
Past due 1-15 days	953	(1)	10,833	
Past due 16-30 days	4,885	(1)	6,098	(1)
Past due 31-60 days	5,762	(1)	228	(1)
Past due more than 60 days	403	(2)	1,865	(2)
	(Won) 3,789,386	(54)	3,883,457	(24)

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

<i>(In millions of won)</i>	2011	2010
Balance at the beginning of the year	(Won) 24	33
Bad debt expenses (reversal of allowance for doubtful accounts)	30	(9)
Balance at the end of the year	(Won) 54	24

Table of Contents13. Financial Instruments, Continued

(b) Liquidity Risk

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

(In millions of won)

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years	
Non-derivative financial liabilities								
Secured bank loan (Won)	57,665	60,730	681	681	30,195	29,173		
Unsecured bank loans	1,578,628	1,723,213	248,566	58,150	438,843	974,509	3,145	
Unsecured bond issues	2,791,976	3,161,309	61,512	509,064	697,063	1,893,670		
Financial liabilities at fair value through profit or loss	87,339	88,883	88,883					
Trade accounts and notes payables	3,752,724	3,752,724	3,752,724					
Other accounts payable	3,690,913	3,690,913	3,690,913					
Payment guarantee		50,967	26,687	16,211	8,069			
Derivative financial liabilities								
Forward exchange contracts not used for hedging:								
Outflow	6,969	185,423	185,423					
Inflow		(178,400)	(178,400)					
	(Won)	11,966,214	12,535,762	7,876,989	584,106	1,174,170	2,897,352	3,145

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

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

Table of Contents13. Financial Instruments, Continued

(c) Currency Risk

(i) Exposure to currency risk

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

(In millions)

	USD	December 31, 2011			
		JPY	TWD	PLN	EUR
Cash and cash equivalents	284	14,269		5	14
Trade accounts and notes receivable	3,080	6,493			31
Other accounts receivable	2		159		
Available-for-sale financial assets	5				
Other assets denominated in foreign currencies		51			
Trade accounts and notes payable	(2,263)	(33,375)			(5)
Other accounts payable	(55)	(25,815)			(7)
Debts	(1,020)	(6,000)			
Bonds	(347)	(9,987)			
Financial liabilities at fair value through profit or loss	(76)				
Gross statement of financial position exposure	(390)	(54,364)	159	5	33
Forward exchange contracts	(160)				
Net exposure	(550)	(54,364)	159	5	33

Table of Contents13. Financial Instruments, Continued*(In millions)*

	December 31, 2010				
	USD	JPY	TWD	PLN	EUR
Cash and cash equivalents	389	133		6	
Trade accounts and notes receivable	3,328	4,659			2
Other accounts receivable	11	7	3,170		
Available-for-sale financial assets	9				
Financial assets at fair value through profit or loss			228		
Other assets denominated in foreign currencies	59	72		67	
Trade accounts and notes payable	(1,618)	(15,683)			(1)
Other accounts payable	(45)	(15,430)			(9)
Debts	(1,085)	(71,889)			
Bonds	(345)	(9,965)			
Financial liabilities at fair value through profit or loss	(74)				
Gross statement of financial position exposure	629	(108,096)	3,398	73	(8)
Forward exchange contracts	(420)				
Net exposure	209	(108,096)	3,398	73	(8)

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

(In won)

	Average rate		Reporting date spot rate	
	2011	2010	December 31, 2011	December 31, 2010
USD	(Won) 1,108.12	1,156.62	(Won) 1,153.30	1,138.90
JPY	13.91	13.20	14.85	13.97
TWD	37.71	36.71	38.13	39.08
EUR	1,541.88	1,533.33	1,494.10	1,513.60
PLN	375.28	383.99	338.65	381.77

Table of Contents13. Financial Instruments, Continued

(ii) Sensitivity analysis

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

(In millions of won)

		2011		2010	
		Equity	Profit or loss	Equity	Profit or loss
USD (5 percent weakening)	(Won)	(24,041)	(24,280)	9,022	8,633
JPY (5 percent weakening)		(30,601)	(30,601)	(57,236)	(57,236)
TWD (5 percent weakening)		230	230	5,033	5,033
PLN (5 percent weakening)		64	64	1,056	1,056
EUR (5 percent weakening)		1,869	1,869	(459)	(459)

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

(d) Interest Rate Risk

(i) Profile

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

(In millions of won)

		December 31, 2011	December 31, 2010
Fixed rate instruments			
Financial assets	(Won)	1,422,728	2,527,662
Financial liabilities		(2,685,174)	(1,583,522)
	(Won)	(1,262,446)	944,140
Variable rate instruments			
Financial assets	(Won)	600	67,195
Financial liabilities		(1,830,434)	(2,792,301)
	(Won)	(1,829,834)	(2,725,106)

Table of Contents13. Financial Instruments, Continued

(ii) Fair value sensitivity analysis for fixed rate instruments

The Company has recognized fixed rate convertible bonds as financial liabilities at fair value through profit or loss. As of December 31, 2011, the increase of the interest rate by 100 basis points would have decreased the Company's equity and profit or loss by W187 million and the decrease of the interest rate by 100 basis points would have increased the Company's equity and profit or loss by (Won)189 million.

(iii) Cash flow sensitivity analysis for variable rate instruments

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

(In millions of won)

		Equity		Profit or loss	
		1% increase	1% decrease	1% increase	1% decrease
December 31, 2011					
Variable rate instruments	(Won)	(13,870)	13,870	(13,870)	13,870
December 31, 2010					
Variable rate instruments	(Won)	(20,656)	20,656	(20,656)	20,656

Table of Contents13. Financial Instruments, Continued

(e) Fair Values

(i) Fair values versus carrying amounts

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

(In millions of won)

		December 31, 2011		December 31, 2010	
		Carrying amounts	Fair values	Carrying amounts	Fair values
Assets carried at fair value					
Available-for-sale financial assets	(Won)	9,157	9,157	38,132	38,132
Financial assets at fair value through profit or loss				8,927	8,927
Derivatives				9,254	9,254
	(Won)	9,157	9,157	56,313	56,313
Assets carried at amortized cost					
Cash and cash equivalents	(Won)	604,890	604,890	889,784	889,784
Trade accounts and notes receivable		3,789,332	3,789,332	3,883,433	3,883,433
Other accounts receivable		102,097	102,097	301,543	301,543
Deposits in banks		815,000	815,000	1,503,000	1,503,000
Deposits		65,613	65,613	42,522	42,522
Others		613	613	13	13
	(Won)	5,377,545	5,377,545	6,620,295	6,620,295
Liabilities carried at fair value					
Financial liabilities at fair value through profit or loss	(Won)	87,339	87,339	84,338	84,338
Derivatives		6,969	6,969	956	956
	(Won)	94,308	94,308	85,294	85,294
Liabilities carried at amortized cost					
Secured bank loans	(Won)	57,665	57,665	56,945	56,945
Unsecured bank loans		1,578,628	1,525,251	2,406,046	2,405,690
Unsecured bond issues		2,791,976	2,829,206	1,828,494	1,859,102
Trade accounts and notes payable		3,752,724	3,752,724	2,986,383	2,986,383
Other accounts payable		3,690,913	3,690,913	2,373,083	2,373,083
	(Won)	11,871,906	11,855,759	9,650,951	9,681,203

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

Table of Contents13. Financial Instruments, Continued

(ii) Interest rates used for determining fair value

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

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

(iii) Fair value hierarchy

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

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

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

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

(In millions of won)

		Level 1	Level 2	Level 3	Total
December 31, 2011					
Available-for-sale financial assets	(Won)	9,157			9,157
Financial liabilities at fair value through profit or loss	(Won)	(87,339)			(87,339)
Derivative financial liabilities			(6,969)		(6,969)
	(Won)	(87,339)	(6,969)		(94,308)

(In millions of won)

		Level 1	Level 2	Level 3	Total
December 31, 2010					
Available-for-sale financial assets	(Won)	12,047		26,085	38,132
Financial assets at fair value through profit or loss		8,927			8,927
Derivative financial assets			9,254		9,254
	(Won)	20,974	9,254	26,085	56,313
Financial liabilities at fair value through profit or loss	(Won)	(84,338)			(84,338)
Derivative financial liabilities			(956)		(956)

Table of Contents13. Financial Instruments, Continued

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

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

(In millions of won)

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

(In millions of won)

		January 1, 2010	Purchases, disposal and others	Net realized/unrealized gains included in Profit or loss	Other comprehensive income	Transfer to other levels	December 31, 2010
December 31, 2010							
Available-for-sale financial assets	(Won)	91,394	(56,548)	(380)	(8,381)		26,085
Financial assets at fair value through profit or loss		9,227		(300)		(8,927)	

Table of Contents14. Financial Liabilities

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

(In millions of won)

		December 31, 2011	December 31, 2010
Current			
Short-term borrowings	(Won)		1,092,579
Current portion of long-term debt		714,268	812,577
Current portion of financial liabilities at fair value through profits or loss		87,339	
Derivatives not used for hedging		6,969	956
	(Won)	808,576	1,906,112
Non-current			
Won denominated borrowings	(Won)	366,629	19,143
Foreign currency denominated borrowings		1,003,371	738,692
Bonds		2,344,001	1,628,494
Financial liabilities at fair value through profits or loss			84,338
	(Won)	3,714,001	2,470,667

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

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

(In millions of won, USD and JPY)

Lender	Annual interest rate as of		
	December 31, 2011	December 31, 2011	December 31, 2010
Korea Development Bank and others(*)	(Won)		12,139
Shinhan Bank and others			643,215
Bank of Tokyo-Mitsubishi UFJ			139,708
Mizuho Bank			55,574
Bank of China			41,943
Woori Bank			200,000
Foreign currency equivalent			JPY63,889
	(Won)		1,092,579

(*) The Company accounts for proceeds from sale of accounts receivables to this financial institutions as short term borrowings. As of December 31, 2011, no trade accounts and notes receivable, arising from export sales to the Company's subsidiaries, were sold to financial

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institutions. The Company recognized (Won)1,545 million as interest expense in relation to the short-term borrowings resulted from the sale of accounts receivable from the subsidiaries during 2011.

Table of Contents14. Financial Liabilities, Continued

(c) Long-term debt at the reporting date is as follows:

(In millions of won, USD and JPY)

Lender	Annual interest rate as of December 31, 2011(*)	December 31, 2011	December 31, 2010
Local currency loans			
Shinhan Bank	3-year Korean Treasury Bond rate less 1.25% (Won)	12,212	16,008
Woori Bank	3-year Korean Treasury Bond rate less 1.25%	4,048	4,048
	2.75%	4,557	2,883
Kookmin Bank	5.05%	50,000	
National Agricultural Cooperative Federation	5.21%	200,000	
Korea Exchange Bank	5.07%	100,000	
Less current portion of long-term debt		(4,188)	(3,796)
	(Won)	366,629	19,143
Foreign currency loans			
The Export-Import Bank of Korea	6ML+0.69% (Won)	40,366	51,251
	6ML+1.78%	57,665	56,945
Korea Development Bank	3ML+0.66%~2.79%	423,567	271,212
Kookmin Bank and others	3ML+1.70%~1.90%	455,553	683,340
Sumitomo Bank Ltd.	3ML+1.80%	288,325	284,725
Foreign currency equivalent		USD1,020	USD1,085
		JPY6,000	JPY8,000
Less current portion of long-term debt		(262,105)	(608,781)
	(Won)	1,003,371	738,692

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

Table of Contents14. Financial Liabilities, Continued

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

<i>(In millions of won and USD)</i>	Maturity	Annual interest rate as of December 31, 2011		December 31, 2011	December 31, 2010
Local currency debentures(*)					
Publicly issued debentures	November 2012~				
	October 2016	4.24%~5.89%	(Won)	2,250,000	1,100,000
Privately issued debentures					200,000
Less discount on debentures				(6,721)	(3,699)
Less current portion of debentures				(299,658)	(200,000)
			(Won)	1,943,621	1,096,301
Foreign currency debentures					
Floating-rate bonds	August 2012~				
	April 2013	3ML + 1.80%~2.40%	(Won)	552,171	538,323
Foreign currency equivalent				USD350 JPY10,000	USD350 JPY10,000
Less discount on bonds				(3,474)	(6,130)
Less current portion of debentures				(148,317)	
			(Won)	400,380	532,193
Financial liabilities at fair value through profit or loss					
Convertible bonds	April 2012	Zero coupon	(Won)	87,339	84,338
Foreign currency equivalent				USD76	USD74
Less current portion of convertible bonds				(87,339)	
			(Won)		84,338
			(Won)	2,344,001	1,712,832

Table of Contents14. Financial Liabilities. Continued

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

(In millions of won)

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

- (e) Details of the convertible bonds are as follows:

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

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

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

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

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

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

Table of Contents**14. Financial Liabilities, Continued**

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

<i>(In won and share)</i>		December 31, 2011	December 31, 2010
Convertible bonds (*)	(Won)	61,617,600,000	61,617,600,000
Conversion price	(Won)	47,892	48,075
Common shares to be issued		1,286,594	1,281,697

(*) The exchange rate for the conversion is fixed at W933.6 to USD1. The face value of the convertible bonds amounted to USD66 million as of December 31, 2011 and 2010.

15. The Nature of Expenses and Others

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

<i>(In millions of won)</i>		2011	2010
Changes in inventories	(Won)	(152,745)	(473,660)
Purchase of raw material and merchandise		13,254,841	14,037,784
Depreciation and amortization		3,380,981	2,649,041
Outsourcing fee		3,362,392	2,822,652
Labor costs		1,795,052	1,628,264
Supplies and others		861,899	925,556
Utility expense		528,464	436,085
Fees and commissions		344,857	287,000
Shipping costs		174,860	223,945
After-sale service expenses		47,995	184,908
Others		1,080,066	1,190,437
	(Won)	24,678,662	23,912,012

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

For the year ended December 31, 2011, other income and other expenses contained exchange differences amounting to (Won)839,497 million and (Won)902,400 million, respectively (for the year ended December 31, 2010 : (Won)929,703 million and (Won)1,035,080 million, respectively).

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

Table of Contents16. Selling and Administrative Expenses

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

<i>(In millions of won)</i>		2011	2010
Salaries	(Won)	120,640	132,562
Expenses related to defined benefit plan		18,201	13,628
Other employee benefits		31,902	29,560
Shipping costs		126,945	145,069
Fees and commissions		124,170	103,771
Depreciation		180,869	129,586
Taxes and dues		2,356	2,086
Advertising		135,988	87,868
After-sale service expenses		47,995	184,908
Others		79,012	90,501
	(Won)	868,078	919,539

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

Table of Contents17. **Employee Benefits**

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

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

<i>(In millions of won)</i>		December 31, 2011	December 31, 2010
Present value of partially funded defined benefit obligations	(Won)	486,519	360,231
Fair value of plan assets		(340,253)	(281,825)
	(Won)	146,266	78,406

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

<i>(In millions of won)</i>		2011	2010
Opening defined benefit obligations	(Won)	360,231	260,029
Current service cost		107,036	87,757
Interest cost		18,985	14,711
Actuarial losses(gains) on plan liabilities (before tax)		24,984	(2,983)
Benefit payment		(24,190)	(13,866)
Transfers from related parties		(527)	1,805
Past service cost			12,778
Closing defined benefit obligations	(Won)	486,519	360,231

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

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

<i>(In millions of won)</i>		2011	2010
Opening fair value of plan assets	(Won)	281,825	175,869
Expected return on plan assets		12,353	12,946
Actuarial gains on plan assets(before tax)		1,256	1,497
Contributions by employer directly to plan assets		60,000	100,000
Contributions directly from employer cash flow		9,009	5,379
Benefit payment		(24,190)	(13,866)
Closing fair value of scheme assets	(Won)	340,253	281,825

Table of Contents17. Employee Benefits, Continued

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

(In millions of won)

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

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

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

(In millions of won)

		2011	2010
Current service cost	(Won)	107,036	87,757
Interest cost		18,985	14,711
Expected return on plan assets		(12,353)	(12,946)
Past service cost			12,778
	(Won)	113,668	102,300

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

(In millions of won)

		2011	2010
Cost of sales	(Won)	87,044	81,225
Selling expenses		8,086	6,097
Administrative expenses		10,115	7,531
Research and development expenses		8,423	7,447
	(Won)	113,668	102,300

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

(In millions of won)

		2011	2010
Cumulative amount at January 1.	(Won)	(11,240)	(14,406)
Recognized during the period		(17,669)	3,166

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Cumulative amount at December 31	(Won)	(28,909)	(11,240)
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(g) Principal actuarial assumptions for the reporting period (expressed as weighted averages) are as follows:

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

Table of Contents17. Employee Benefits, Continued

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

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

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

18. Other Liabilities

Other liabilities at the reporting date are as follows:

(In millions of won)

		December 31, 2011	December 31, 2010
Current liabilities			
Withholdings	(Won)	13,784	17,284
Unearned revenues		4,744	
Share-based payment liabilities		4	473
	(Won)	18,532	17,757
Non-current liabilities			
Long-term accrued expenses	(Won)	327,661	
Long-term other accounts payable		222,495	314,290
Long-term unearned revenues		16,958	
Other long-term employee benefits			16,031
	(Won)	567,114	330,321

Table of Contents19. CommitmentsFactoring and securitization of accounts receivable

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

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

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

Letters of credit

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

Payment guarantees

The Company obtained payment guarantees amounting to USD8.5 million ((Won)9,803 million) and EUR215 million((Won)321,232 million) from Royal Bank of Scotland and other various banks for a number of occasions including value added tax payments in Poland. As of December 31, 2011, the Company is providing a payment guarantee to a syndicate of banks including Kookmin Bank and Societe Generale in connection with a EUR27 million ((Won)40,226 million) term loan credit facility of LG Display Poland Sp. zo. o. In addition, the Company provides a payment guarantee in connection with the term loan credit facilities of LG Display America, Inc. with an aggregate amount of USD7 million ((Won)8,073 million) for principals and related interests. The Company provides payment guarantees on the accounts payable of L&T Display Technology (Xiamen) Limited up to the amount of USD2 million ((Won)2,307 million).

License agreements

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

Table of Contents19. Commitments, ContinuedLong-term supply agreement

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

Pledged Assets

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

20. ContingenciesPatent infringement lawsuit against Chimei Innolux Corp. and others

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

Anvik Corporation's lawsuit for infringement of patent

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

Anti-trust investigations and litigations

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

Table of Contents**20. Contingencies, Continued**

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

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

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

On August 8, 2011, the Korea Fair Trade Commission issued an Examination Report finding that the Company engaged in anti-competitive activities in violation of Korean fair trade laws and a hearing was held on October 26, 2011. On December 2, 2011, the Korea Fair Trade Commission imposed a fine on the Company and certain of its subsidiaries of approximately W31,378 million, and the Company filed an appeal of the decision with the Seoul Appellate Court on December 30, 2011.

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

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

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

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20. Contingencies, Continued

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

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

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

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

21. Capital and Reserves

(a) Share capital

The Company is authorized to issue 500,000,000 shares of capital stock (par value W5,000), and as of December 31, 2011, the number of issued common shares is 357,815,700. There have been no changes in the capital stock from January 1, 2010 to December 31, 2011.

(b) Reserves

Reserve is comprised of the fair value reserve which is the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognized or impaired.

Table of Contents22. Retained Earnings

(a) Retained earnings at the reporting date are as follows:

(In millions of won)

		December 31, 2011	December 31, 2010
Legal reserve	(Won)	140,594	122,703
Other reserve		68,251	68,251
Defined benefit plan actuarial loss		(28,909)	(11,240)
Retained earnings		5,470,733	6,658,564
	(Won)	5,650,669	6,838,278

(b) For the years ended December 31, 2011 and 2010, details of the Company's appropriations of retained earnings are as follows:

(In millions of won, except for cash dividend per an ordinary share)

		2011	2010
Retained earnings before appropriations			
Unappropriated retained earnings carried over from prior year	(Won)	6,461,765	5,655,916
Net income (loss)		(991,032)	1,002,648
		5,470,733	6,658,564
Appropriation of retained earnings (*)			
Legal reserve			17,891
Cash dividend (W500 per an ordinary share in 2010)			178,908
	(Won)		196,799
Unappropriated retained earnings carried forward to the following year	(Won)	5,470,733	6,461,765

(*) For the years ended December 31, 2011 and 2010, the date of appropriation is March 9, 2012 and March 11, 2011, respectively.

Table of Contents23. **Related Parties**

(a) Key management personnel compensation

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

(In millions of won)

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

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

(b) Significant transactions with related companies

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

(In millions of won)

		Sales and others		Purchases and others	
		2011	2010	2011	2010
Subsidiaries	(Won)	20,696,144	21,025,952	3,842,628	3,237,224
Joint ventures		755,643	1,163,265	1,174	27,605
Associates		6,158	7	1,540,397	1,550,269
LG Electronics		1,001,844	1,113,747	344,465	553,493
Other related parties		41	174,521	23,859	304,492
	(Won)	22,459,830	23,477,492	5,752,523	5,673,083

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

(In millions of won)

		Trade accounts and notes receivable and others		Trade accounts and notes payable and others	
		December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Subsidiaries	(Won)	3,428,624	3,609,801	859,659	405,814
Joint ventures		130,217	145,093	340,073	478,009
Associates		3		434,692	243,357
LG Electronics		86,924	111,408	98,232	138,479
Other related parties				3,042	1,847
	(Won)	3,645,768	3,866,302	1,735,698	1,267,506

Table of Contents24. Revenue

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

(In millions of won)

		2011	2010
Sales of goods	(Won)	23,347,515	24,900,837
Royalties		60,594	22,552
Others		63,200	80,868
	(Won)	23,471,309	25,004,257

25. Other Income and Other Expenses

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

(In millions of won)

		2011	2010
Rental income	(Won)	4,032	3,338
Foreign currency gain		839,497	929,703
Gain on disposal of property, plant and equipment		642	2,289
Reversal of allowance for doubtful accounts for other receivables		170	9
Reversal of stock compensation cost		469	
Commission earned		8,587	5,415
Others		5,273	26,475
	(Won)	858,670	967,229

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

(In millions of won)

		2011	2010
Other bad debt expenses	(Won)		13
Foreign currency loss		902,401	1,035,080
Loss on disposal of property, plant and equipment		96	211
Loss on disposal of intangible assets		1,588	
Impairment loss on intangible assets		4,535	
Anti-trust related expenses and others		149,622	309,975
	(Won)	1,058,242	1,345,279

Table of Contents**26. Personnel Expenses**

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

<i>(In millions of won)</i>			
		2011	2010
Salaries and wages	(Won)	1,441,766	1,364,658
Other employee benefits		263,494	218,825
Contributions to National Pension plan		54,118	40,553
Expenses related to defined benefit plan		113,668	102,300
Stock compensation cost		(469)	157
	(Won)	1,872,577	1,726,493

27. Share-based Payment

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

Settlement method	Descriptions
Type of arrangement	Stock appreciation rights (granted to senior executives)
Date of grant	April 7, 2005
Weighted-average exercise price (*1)	W44,050
Number of rights granted	450,000
Number of rights forfeited (*2)	230,000
Number of rights cancelled (*3)	110,000
Number of rights outstanding	110,000
Exercise period	From April 8, 2008 to April 7, 2012
Remaining contractual life	0.25 years
Vesting conditions	Two years of service from the date of grant

(*1) The exercise price at the grant date was W44,260 per stock appreciation right (SARs). However, the exercise price was subsequently adjusted to W44,050 due to additional issuance of common shares in 2005.

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

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

Table of Contents27. Share-based Payment, Continued.

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

<i>(In number of shares)</i>	2011	2010
Balance at beginning of year	110,000	110,000
Forfeited or cancelled		
Outstanding at end of year	110,000	110,000
Exercisable at end of year	110,000	110,000

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

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

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

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

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

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

Table of Contents28. Finance Income and Finance Costs

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

(In millions of won)

		2011	2010
Finance income			
Interest income	(Won)	54,998	90,938
Dividend income		42,620	78,191
Foreign currency gain		75,488	71,564
Gain on disposal of available-for-sale securities			1,562
Gain on valuation of financial assets at fair value through profit or loss			662
	(Won)	173,106	242,917
Finance costs			
Interest expense	(Won)	134,526	86,752
Foreign currency loss		91,852	106,073
Loss on valuation of financial assets at fair value through profit or loss			932
Loss on valuation of financial liabilities at fair value through profit or loss		1,935	2,419
Loss on disposal of financial assets at fair value through profit or loss		774	
Loss on redemption of debentures			4,138
Impairment loss on investments		19,066	
Loss on sale of trade accounts and notes receivable		228	358
	(Won)	248,381	200,672

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

(In millions of won)

		2011	2010
Net change in fair value of available-for-sale financial assets	(Won)	4,790	12,270
Tax effect		(939)	(2,699)
	(Won)	3,851	9,571

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29. Income Taxes

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

(In millions of won)

		2011	2010
Current tax expense (benefit)	(Won)	(5,481)	186,120
Deferred tax benefit		(345,462)	(136,763)
Income tax expense (benefit)	(Won)	(350,943)	49,357

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

(In millions of won)

		Before tax	2011 Tax (expense) benefit	Net of tax
Gain on valuation of available-for-sale securities	(Won)	4,790	(939)	3,851
Defined benefit plan actuarial loss		(23,728)	6,059	(17,669)
	(Won)	(18,938)	5,120	(13,818)

(In millions of won)

		Before tax	2010 Tax (expense) benefit	Net of tax
Gain on valuation of available-for-sale securities	(Won)	12,270	(2,699)	9,571
Defined benefit plan actuarial gain		4,480	(1,314)	3,166
	(Won)	16,750	(4,013)	12,737

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

(In millions of won)

		2011		2010
Profit (loss) for the period	(Won)	(991,032)		1,002,648
Income tax expense (benefit)		(350,943)		49,357
Profit (loss) excluding income tax		(1,341,975)		1,052,005
Income tax using the Company's domestic tax rate	24.20%	(324,785)	24.20%	254,559
Non-deductible expenses	(1.38%)	18,504	7.90%	83,126
Tax credits	16.54%	(221,990)	(27.18%)	(285,913)

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Change in unrecognized deferred tax assets	(14.02%)	188,190	0.00%	
Change in tax rates	0.54%	(7,259)	0.00%	
Others	0.27%	(3,603)	(0.23%)	(2,415)
Income tax expense (benefit)	(Won)	(350,943)		49,357
Effective tax rate		26.15%		4.69%

Table of Contents30. Deferred Tax Assets and Liabilities

(a) Unrecognized deferred tax liabilities

As of December 31, 2011, in relation to the temporary differences on investments in subsidiaries amounting to W211,423 million, the Company did not recognize deferred tax liabilities since the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

(b) Unrecognized deferred tax assets

The Company did not recognize deferred income taxes on temporary differences related to the cumulative loss of subsidiary, as the possibility of recovering the deferred tax assets amounting to W434,526 million, through events such as disposal of the related investments in the foreseeable future, is remote.

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

Realization of deferred tax assets related to tax credit carryforwards is dependent on whether sufficient taxable income will be generated prior to their expiration. As of December 31, 2011, the Company recognized deferred tax assets of W829,048 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)

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

Table of Contents30. Deferred Tax Assets and Liabilities, Continued

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

(In millions of won)

	Assets		Liabilities		Total	
	December, 31, 2011	December, 31, 2010	December, 31, 2011	December, 31, 2010	December, 31, 2011	December, 31, 2010
Other accounts receivable, net (Won)			(3,738)	(5,919)	(3,738)	(5,919)
Inventories, net	14,484	15,039			14,484	15,039
Available-for-sale financial assets	1,259	2,199		(6,983)	1,259	(4,784)
Defined benefit obligation	21,877	3,829			21,877	3,829
Derivative instruments				(2,008)		(2,008)
Accrued expenses	72,965	78,396			72,965	78,396
Property, plant and equipment	50,602	40,685			50,602	40,685
Intangible assets	1,105				1,105	
Provisions	11,618	17,962			11,618	17,962
Gain or loss on foreign currency translation, net	13,616	81,075	(31,313)	(61,031)	(17,697)	20,044
Debentures	6,059	5,049			6,059	5,049
Others	13,970	15,783	(715)		13,255	15,783
Tax losses	329,068				329,068	
Tax credit carryforwards	829,048	795,247			829,048	795,247
Deferred tax assets						
(liabilities) (Won)	1,365,671	1,055,264	(35,766)	(75,941)	1,329,905	979,323

Table of Contents30. Deferred Tax Assets and Liabilities, Continued

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

(In millions of won)

		January 1, 2010	Profit or loss	Other compre- hensive income	December 31, 2010	Profit or loss	Other compre- hensive income	December 31, 2011
Other accounts receivable, net	(Won)	(11,512)	5,593		(5,919)	2,181		(3,738)
Inventories, net		18,165	(3,126)		15,039	(555)		14,484
Available-for-sale financial assets		409	(2,494)	(2,699)	(4,784)	6,982	(939)	1,259
Defined benefit obligation		5,052	91	(1,314)	3,829	11,989	6,059	21,877
Derivative instruments		(647)	(1,361)		(2,008)	2,008		
Accrued expenses		56,758	21,638		78,396	(5,431)		72,965
Property, plant and equipment		54,690	(14,005)		40,685	9,917		50,602
Intangible assets		(19,470)	19,470			1,105		1,105
Provisions		16,806	1,156		17,962	(6,344)		11,618
Gain or loss on foreign currency translation, net		7,414	12,630		20,044	(37,741)		(17,697)
Debentures		45,874	(40,825)		5,049	1,010		6,059
Others		8,862	6,921		15,783	(2,528)		13,255
Tax losses						329,068		329,068
Tax credit carry forwards		664,172	131,075		795,247	33,801		829,048
Deferred tax assets (liabilities)	(Won)	846,573	136,763	(4,013)	979,323	345,462	5,120	1,329,905

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

Table of Contents31. Earnings (Loss) per Share

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

(In won and No. of shares)

		2011	2010
Profit (loss) for the period	(Won)	(991,032,212,443)	1,002,648,296,363
Weighted-average number of common shares outstanding		357,815,700	357,815,700
Earnings (loss) per share	(Won)	(2,770)	2,802

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

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

(In won and No. of shares)

		For the year ended December 31, 2010
Profit for the period	(Won)	1,002,648,296,363
Interest on convertible bond, net of tax		(18,345,174,214)
Adjusted income		984,303,122,149
Weighted-average number of common shares outstanding and common equivalent shares(*)		361,080,224
Diluted earnings per share	(Won)	2,726

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

	For the year ended December 31, 2010
Weighted-average number of common shares (basic)	357,815,700
Effect of conversion of convertible bonds	3,264,524
Weighted-average number of common shares (diluted) at December 31, 2010	361,080,224

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31. Earnings (Loss) per Share, Continued

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

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

32. Supplemental Cash Flow Information

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

(In millions of won)

	2011	2010
Non-cash investing and financing activities:		
Changes in other accounts payable arising from the purchase of property, plant and equipment	(Won) 1,175,022	922,107

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Independent Accountants Review Report on Internal Accounting Control System

English translation of a Report Originally Issued in Korean

To the President of

LG Display Co., Ltd.:

We have reviewed the accompanying Report on the Operation of Internal Accounting Control System (IACS) of LG Display Co., Ltd. (the Company) as of December 31, 2011. The Company s management is responsible for designing and maintaining effective IACS and for its assessment of the effectiveness of IACS. Our responsibility is to review management s assessment and issue a report based on our review. In the accompanying report of management s assessment of IACS, the Company s management stated: Based on the assessment on the operations of the IACS, the Company s IACS has been effectively designed and is operating as of December 31, 2011, in all material respects, in accordance with the IACS Framework issued by the Internal Accounting Control System Operation Committee.

We conducted our review in accordance with IACS Review Standards, issued by the Korean Institute of Certified Public Accountants. Those Standards require that we plan and perform the review to obtain assurance of a level less than that of an audit as to whether Report on the Operations of Internal Accounting Control System is free of material misstatement. Our review consists principally of obtaining an understanding of the Company s IACS, inquiries of company personnel about the details of the report, and tracing to related documents we considered necessary in the circumstances. We have not performed an audit and, accordingly, we do not express an audit opinion.

A company s IACS is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, however, IACS may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on our review, nothing has come to our attention that Report on the Operations of Internal Accounting Control System as of December 31, 2011 is not prepared in all material respects, in accordance with IACS Framework issued by the Internal Accounting Control System Operation Committee.

This report applies to the Company s IACS in existence as of December 31, 2011. We did not review the Company s IACS subsequent to December 31, 2011. This report has been prepared for Korean regulatory purposes, pursuant to the External Audit Law, and may not be appropriate for other purposes or for other users.

/s/ KPMG Samjong Accounting Corp.

Seoul, Korea

February 22, 2012

Notice to Readers

This report is annexed in relation to the audit of the separate financial statements as of and for the year ended December 31, 2011 and the review of internal accounting control system pursuant to Article 2-3 of the Act on External Audit for Stock Companies of the Republic of Korea.

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Report on the Operation of Internal Accounting Control System

To the Board of Directors and Audit Committee of LG Display Co., Ltd.

I, as the Internal Control over Financial Reporting (ICFR) Officer of LG Display (the Company), assessed the effectiveness of the design and operation of the Company s ICFR for the year ending December 31, 2011.

The Company s management, including myself, is responsible for designing and operating an ICFR. I assessed the design and operational effectiveness of the ICFR in the prevention and detection of an error or fraud which may cause a misstatement in the preparation and disclosure of reliable financial statements. I followed the Best Practice Guideline to evaluate the effectiveness of the ICFR design and operation.

Based on the assessment results, I believe that the Company s ICFR, as of December 31, 2011, is effectively designed and operating, in all material respects, in conformity with the Best Practice Guideline.

January 16, 2012

/s/ James (Hoyoung) Jeong

Internal Control over Financial Reporting Officer

/s/ Young Soo Kwon

Chief Executive Officer

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SIGNATURES

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

LG Display Co., Ltd.

(Registrant)

Date: March 29, 2012

By: /s/ Heeyeon Kim
(Signature)

Name: Heeyeon Kim

Title: Head of IR/IR Division