

LG Display Co., Ltd.  
Form 6-K  
March 30, 2016

**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 2016**

**LG Display Co., Ltd.**

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

**LG Twin Towers, 128 Yeoui-daero, Yeongdeungpo-gu, Seoul 07336, 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

## ANNUAL REPORT

(From January 1, 2015 to December 31, 2015)

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. REFERENCES TO Q1 , Q2 , Q3 and Q4 OF A FISCAL YEAR ARE REFERENCES TO THE THREE-MONTH PERIODS ENDED MARCH 31, JUNE 30, SEPTEMBER 30 AND DECEMBER 31, RESPECTIVELY, OF SUCH FISCAL YEAR.

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Attachment: 1. Financial Statements in accordance with K-IFRS

**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 07336, Republic of Korea, and our telephone number is +82-2-3777-1010. Our website address is <http://www.lgdisplay.com>.

B. Domestic credit rating

(1) Corporate bonds

| Subject instrument | Month of rating | Credit rating <sup>(1)</sup>        | Rating agency (Rating range)                 |   |
|--------------------|-----------------|-------------------------------------|--|---|
| Corporate bonds    | March 2013      | AA-                                 | NICE Information Service Co., Ltd. (AAA ~ D) |   |
|                    | June 2013       |                                     |  |   |
|                    | October 2013    |                                     |  |   |
|                    | April 2014      | AA                                  |  |   |
|                    | September 2014  |                                     |  |   |
|                    | April 2015      |                                     |  |   |
|                    | June 2013       | AA-                                 |  | Korea Investors Service, Inc. (AAA ~ D) |
|                    | October 2013    |                                     |  |   |
|                    | March 2014      | AA                                  |  |   |
|                    | April 2015      |                                     |  |   |
| March 2013         | AA-             | Korea Ratings Corporation (AAA ~ D) |  |   |
| June 2013          |                 |                                     |  |   |
| March 2014         | AA              |                                     |  |   |
| September 2014     |                 |                                     |  |   |
| May 2015           |                 |                                     |  |   |

(1) Domestic corporate bond credit ratings are generally defined to indicate the following:

| Subject instrument | Credit rating | Definition  |
|--------------------|---------------|---|
|                    | AAA           | Strongest capacity for timely repayment.  |
|                    | AA+/AA/AA-    | Very strong capacity for timely repayment. This capacity may, nevertheless, be slightly inferior than is the case for the highest rating category |

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|                 |               |  |
|-----------------|---------------|--|
|                 | A+/A/A-       | Strong capacity for timely repayment. This capacity may, nevertheless, be more vulnerable to adverse changes in circumstances or in economic conditions than is the case for higher rating categories. |
|                 | BBB+/BBB/BBB- | Capacity for timely repayment is adequate, but adverse changes in circumstances and in economic conditions are more likely to impair this capacity.  |
| Corporate bonds | BB+/BB/BB-    | Capacity for timely repayment is currently adequate, but that there are some speculative characteristics that make the repayment uncertain over time.  |
|                 | B+/B/B-       | Lack of adequate capacity for repayment and speculative characteristics. Interest payment in time of unfavorable economic conditions is uncertain.   |
|                 | CCC           | Lack of capacity for even current repayment and high risk of default.  |
|                 | CC            | Greater uncertainties than higher ratings.   |
|                 | C             | High credit risk and lack of capacity for timely repayment.  |
|                 | D             | Insolvency.  |

(2) Commercial paper

Subject

| instrument       | Month of rating | Credit rating <sup>(1)</sup> | Rating agency (Rating range)                |
|------------------|-----------------|------------------------------|---|
| Commercial paper | October 2015    | A1                           | Korea Investors Service, Inc. (A1 ~ D)      |
|                  | October 2015    | A1                           | NICE Information Service Co., Ltd. (A1 ~ D) |

(1) Domestic commercial paper credit ratings are generally defined to indicate the following:

Subject

| instrument       | Credit rating | Definition  |
|------------------|---------------|---|
| Commercial paper | A1            | Timely repayment capability is at the highest level with extremely low investment risk and is stable such that it will not be influenced by any reasonably foreseeable changes in external factors. |
|                  | A2            | Strong capacity for timely repayment with very low investment risk. This capacity may, nevertheless, be slightly inferior than is the case for the highest rating category.                         |
|                  | A3            | Capacity for timely repayment is adequate with low investment risk. This capacity may, nevertheless, be somewhat influenced by sudden changes in external factors.                                  |
|                  | B             | Capacity for timely repayment is acknowledged, but there are some speculative characteristics.  |
|                  | C             | Capacity for timely repayment is questionable.  |
|                  | D             | Insolvency.   |

∅ + or - modifier can be attached to ratings A2 through B to differentiate ratings within broader rating categories.

C. Capitalization

(1) Change in capital stock (as of December 31, 2015)

There were no changes to our issued capital stock during the annual reporting period ended December 31, 2015.

(2) Convertible bonds

Not applicable.



## D. Voting rights (as of December 31, 2015)

| Description   | (Unit: share)                |             |
|---|------------------------------|-------------|
|   | Number of shares             |             |
| A. Total number of shares issued: <sup>(1)</sup>  | Common shares <sup>(1)</sup> | 357,815,700 |
|   | Preferred shares             |             |
| B. Shares without voting rights:  | Common shares                |             |
|   | Preferred shares             |             |
| C. Shares subject to restrictions on voting rights pursuant to our articles of incorporation: | Common shares                |             |
|   | Preferred shares             |             |
| D. Shares subject to restrictions on voting rights pursuant to regulations:                   | Common shares                |             |
|   | Preferred shares             |             |
| E. Shares with restored voting rights:  | Common shares                |             |
|   | Preferred shares             |             |
| Total number of issued shares with voting rights  | Common shares                | 357,815,700 |
| (=A B C D + E):   | Preferred shares             |             |

(1) Authorized: 500,000,000 shares

## E. Dividends

Dividends for the three most recent fiscal years

| Description (unit)                                       | 2015             | 2014    | 2013    |
|--|------------------|---------|---------|
| Par value (Won)  | 5,000            | 5,000   | 5,000   |
| Profit for the year (million Won) <sup>(1)</sup>         | 966,553          | 904,268 | 426,118 |
| Earnings per share (Won) <sup>(2)</sup>                  | 2,701            | 2,527   | 1,191   |
| Total cash dividend amount for the period (million Won)  | 178,908          | 178,908 |         |
| Total stock dividend amount for the period (million Won) |                  |         |         |
| Cash dividend payout ratio (%)                           | 18.51%           | 19.78%  |         |
| Cash dividend yield (%) <sup>(3)</sup>                   | Common shares    | 1.97%   | 1.47%   |
|  | Preferred shares |         |         |
| Stock dividend yield (%)                                 | Common shares    |         |         |
|  | Preferred shares |         |         |
| Cash dividend per share (Won)                            | Common shares    | 500     | 500     |
|  | Preferred shares |         |         |

|                                  |                  |
|----------------------------------|------------------|
| Stock dividend per share (share) | Common shares    |
|                                  | Preferred shares |

- (1) Based on profit for the year attributable to us as owners of the controlling company.
- (2) Earnings per share is based on par value of 5,000 per share and is calculated by dividing net income by weighted average number of common shares.
- (3) Cash dividend yield is the percentage that is derived by dividing cash dividend by the arithmetic average of the daily closing prices of our common shares during the one-week period ending two trading days prior to the closing of the register of shareholders for the purpose of determining the shareholders entitled to receive annual dividends.

## 2. Business

### A. Business overview

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

As of December 31, 2015, in Korea we operated TFT-LCD and OLED production facilities and a research center in Paju and TFT-LCD production facilities in Gumi. We have also established subsidiaries in the Americas, Europe and Asia.

As of December 31, 2015, our business consisted of the manufacture and sale of display and display related products utilizing TFT-LCD, OLED and other technologies under a single reporting business segment.

In order to achieve synergies and strengthen the competitiveness of our OLED business, we acquired the OLED light business of LG Chem on December 15, 2015 for an acquisition price of approximately 160 billion. Such transaction was approved at a meeting of our board of directors in October 2015.

2015 consolidated operating results highlights

| 2015             | (Unit: In billions of Won) |
|------------------|----------------------------|
|                  | Display business           |
| Sales Revenue    | 28,384                     |
| Gross Profit     | 4,314                      |
| Operating Profit | 1,626                      |

B. Industry

(1) Industry characteristics and growth potential

The entry barriers to manufacture display panels are relatively high due to the technology and capital intensive nature of the mass manufacturing process that is required to achieve economies of scale, among other factors.

While growth in the market for displays used in notebook computer, monitor and other traditional IT products has stagnated or declined, the market for small- and medium-sized displays (including those used in smartphones) in the rapidly evolving IT environment has shown steady growth. The display market for televisions has also shown steady growth mainly due to growing demand from developing countries as well as from consumers in general for larger sized display panels. As for displays used in industrial, automobile and other value added products, we expect to see growth in these markets.

(2) Cyclicalities

The display panel business is highly cyclical and sensitive to fluctuations in the general economy. The industry experiences recurring volatility caused by imbalances between supply and demand due to capacity expansion and changing production utilization rates within the industry.

Macroeconomic factors and other causes of business cycles can affect the rate of growth in demand for display panels. Accordingly, if supply exceeds demand, average selling prices of display panels may decrease. Conversely, if growth in demand outpaces growth in supply, average selling prices may increase.

(3) Market conditions

Overall, while there have been some variations in rates of production capacity growth among individual display panel manufacturers, display panel manufacturers have generally slowed their respective rates of production capacity growth since 2011 due to a slowdown in growth of the display panel industry.

Most display panel manufacturers are located in Asia.

- a. Korea: LG Display, Samsung Display, etc.
- b. Taiwan: AU Optronics, Innolux, CPT, HannStar, etc.
- c. Japan: Japan Display, Sharp, Panasonic LCD, etc.
- d. China: BOE, CSOT, CEC Panda, etc.

(4) Market shares

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

|  | 2015         | 2014         | 2013         |
|--|--------------|--------------|--------------|
| Panels for Televisions <sup>(1)</sup>        | 25.4%        | 25.0%        | 24.7%        |
| Panels for Monitors                          | 39.0%        | 32.7%        | 34.0%        |
| Panels for Notebook Computers <sup>(2)</sup> | 27.3%        | 27.5%        | 32.3%        |
| Panels for Tablet Computers                  | 22.5%        | 27.0%        | 32.0%        |
| <b>Total</b>                                 | <b>27.7%</b> | <b>26.9%</b> | <b>27.8%</b> |

Source: Large-Area Display Market Tracker (IHS Technology)

- (1) Includes panels for public displays.
- (2) 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, timely investments, adaptable production capabilities, development of new and premium products through technological advances, competitive production costs, 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 various technologies and products, including display panels with IPS, Advanced In-cell Touch, OLED and other technologies. With respect to TFT-LCD panels, we are leading the market with our differentiated products with IPS technology, such as our slim and light ultra-high definition ( Ultra HD ) television panels and 21:9 screen aspect ratio ultra-wide IPS curved monitors, and have prepared our production facilities to produce products with Advanced In-cell Touch technology. With respect to OLED panels, following our supply of the world's first 55-inch OLED 3D panels for televisions in January 2013, we have supplied Ultra HD OLED panels for televisions, flexible plastic OLED panels for smartphones, round OLED panels for wearable devices among others and have shown that we are technologically a step ahead of the competition.

Moreover, we entered into long-term sales contracts with major global firms to secure customers and expand partnerships for technology development.

### C. New businesses

For our continued growth, we are actively exploring and preparing for new business opportunities that may arise in the changing market environment. As such, we are continually reviewing and looking at opportunities in the display and promising new industries.

## 3. Major Products and Raw Materials

### A. Major products

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

(Unit: In billions of Won, except percentages)

| Business area | Sales type                          | Items (Market)                           | Usage  | Major trademark | Sales in 2015 (%)      |
|---------------|-------------------------------------|--|--|-----------------|------------------------|
| Display       | Product/<br>Service/<br>Other sales | Display panel (Overseas <sup>(1)</sup> ) | Panels for notebook computers, monitors, televisions, smartphones, tablets, etc. | LG Display      | 26,166 (92.2%)         |
|               |                                     | Display panel (Korea <sup>(1)</sup> )    | Panels for notebook computers, monitors, televisions, smartphones, tablets, etc. | LG Display      | 2,218 (7.8%)           |
| <b>Total</b>  |                                     |  |  |                 | <b>28,384 (100.0%)</b> |

- Period: January 1, 2015 ~ December 31, 2015.

(1) Based on ship-to-party.

### B. Average selling price trend of major products

The average selling price of LCD panels per square meter of net display area shipped in the fourth quarter of 2015 increased slightly compared to the third quarter of 2015 due to improvements in our product mix attributable to the launch of new small- and medium-sized products, despite a general decline in average selling prices, while average selling prices of LCD panels exhibited varying trends according to demand by product category. There is no assurance that the average selling prices of LCD panels will not fluctuate in the future due to changes in market conditions.

(Unit: US\$ / m<sup>2</sup>)

| Description                     | 2015 Q4 | 2015 Q3 | 2015 Q2 | 2015 Q1 |
|---------------------------------|---------|---------|---------|---------|
| Display panel <sup>(1)(2)</sup> | 632     | 622     | 620     | 652     |

- (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, except percentages)

| Business area | Purchase type | Items                  | Usage                       | Cost <sup>(1)</sup> | Ratio (%) | Suppliers                 |
|---------------|---------------|------------------------|-----------------------------|---------------------|-----------|---------------------------|
| Display       | Raw materials | Glass                  | Display panel manufacturing | 1,534               | 9.82%     | NEG, Asahi Glass, etc.    |
|               |               | Backlights             |                             | 3,221               | 20.63%    | HeeSung Electronics, etc. |
|               |               | Polarizers             |                             | 2,433               | 15.58%    | LG Chem, etc.             |
|               |               | Printed circuit boards |                             | 1,500               | 9.61%     | Korea SMT, etc.           |
|               |               | Others                 |                             | 6,925               | 44.36%    |                           |
| Total         |               |                        | 15,613                      | 100.0%              |           |                           |

- Period: January 1, 2015 ~ December 31, 2015.

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

#### 4. Production and Equipment

##### A. Production capacity and output

###### (1) Production capacity

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

(Unit: 1,000 glass sheets)

| Business area | Items         | Location of facilities        | 2015 <sup>(1)</sup> | 2014 <sup>(1)</sup> | 2013 <sup>(1)</sup> |
|---------------|---------------|-------------------------------|---------------------|---------------------|---------------------|
| Display       | Display panel | Gumi, Paju, Guangzhou, Ochang | 9,781               | 9,573               | 8,562               |

(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, Paju and Guangzhou facilities in the periods indicated.

(Unit: 1,000 glass sheets)

| Business area | Items | Location of facilities | 2015 | 2014 | 2013 |
|---------------|-------|------------------------|------|------|------|
|---------------|-------|------------------------|------|------|------|

|         |               |                                  |       |       |       |
|---------|---------------|----------------------------------|-------|-------|-------|
| Display | Display panel | Gumi, Paju,<br>Guangzhou, Ochang | 8,609 | 8,425 | 7,670 |
|---------|---------------|----------------------------------|-------|-------|-------|

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

B. Production performance and utilization ratio

| Production facilities | (Unit: Hours, except percentages)  |                                 |                           |
|-----------------------|------------------------------------|---------------------------------|---------------------------|
|                       | Available working hours<br>in 2015 | Actual working hours in<br>2015 | Average utilization ratio |
| Gumi                  | 8,760 <sup>(1)</sup>               | 8,450 <sup>(1)</sup>            |                           |
|                       | (365 days) <sup>(2)</sup>          | (352 days) <sup>(2)</sup>       | 96.5%                     |
| Paju                  | 8,760 <sup>(1)</sup>               | 8,760 <sup>(1)</sup>            |                           |
|                       | (365 days) <sup>(2)</sup>          | (365 days) <sup>(2)</sup>       | 100.0%                    |
| Guangzhou             | 8,760 <sup>(1)</sup>               | 8,760 <sup>(1)</sup>            |                           |
|                       | (365 days) <sup>(2)</sup>          | (365 days) <sup>(2)</sup>       | 100.0%                    |
| Ochang <sup>(3)</sup> | 384 <sup>(1)</sup>                 | 288 <sup>(1)</sup>              |                           |
|                       | (16 days) <sup>(2)</sup>           | (12 days) <sup>(2)</sup>        | 75.0%                     |

- (1) Based on the assumption that all 24 hours in a day have been fully utilized.
- (2) Number of days is calculated by averaging the number of working days for each facility.
- (3) Working hours and utilization ratio for the Ochang facility is indicated for the period from our acquisition of the OLED light business on December 15, 2015 to the end of the reporting period.

C. Investment plan

In 2015, our total capital expenditures on a cash out basis was 2.4 trillion. In 2016, we plan to continue capital expenditures in anticipation of funding the production of future display products and leading the market for OLED panels, as well as investing in our production facilities to respond to increases in demand for large-sized panels.

## 5. Sales

A. Sales performance

| Business area | Sales types    | Items (Market) | (Unit: In billions of Won) |        |        |        |
|---------------|----------------|----------------|----------------------------|--------|--------|--------|
|               |                |                | 2015                       | 2014   | 2013   |        |
| Display       | Products, etc. | Display panel  | Overseas <sup>(1)</sup>    | 26,166 | 23,847 | 24,341 |
|               |                |                | Korea <sup>(1)</sup>       | 2,218  | 2,609  | 2,692  |
|               |                |                | Total                      | 28,384 | 26,456 | 27,033 |

- (1) Based on ship-to-party.

B. Sales route and sales method

- (1) Sales organization

As of December 31, 2015, each of our television, IT, mobile and OLED businesses 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

As part of our sales strategy, we have secured stable sales to major personal computer manufacturers and leading consumer electronics manufacturers globally, led the television market with our OLED and other market leading television panels, increased the proportion of sales of our differentiated television panels, such as our Ultra HD and large television panels, in our product mix and strengthened sales of high-resolution, IPS, narrow bezel and other high-end display panels in the monitor, notebook computer and tablet markets.

In the smartphone, industrial products (including aviation and medical equipment) and automobile displays segment, we have continued to build a strong and diversified business portfolio by expanding our business with customers with a global reach on the strength of our differentiated products applying IPS, plastic OLED, high-resolution, Advanced In-cell Touch and other technologies.

(5) Purchase orders

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

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

## 6. Market Risks and Risk Management

### A. Market risks

The display industry continues to experience continued declines in the average selling prices of TFT-LCD and OLED 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 display 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 manufacturers in Korea, Taiwan, China and Japan coupled with changes in the production mix of such manufacturers. Our main competitors in the industry include Samsung Display, AU Optronics, Innolux, Sharp, BOE, CSOT, Japan Display, CPT, HannStar, Panasonic LCD and CEC Panda.

Our ability to compete successfully depends on factors both within and outside our control, including product pricing, performance and reliability, timely investments, adaptable production capabilities, utilization of differentiated technologies in 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 foreign currency denominated purchases of raw materials are denominated mainly in U.S. dollars and Japanese Yen. Seeking to achieve stable management, we take every precaution in our foreign currency risk management to minimize the risk of foreign currency fluctuations on our foreign currency denominated assets and liabilities.

### B. Risk management

As the average selling prices of TFT-LCD and OLED panels can continue to decline over time irrespective of industry-wide cyclical fluctuations, we may find it hard to manage risks associated with certain factors that are outside

our control. However, we counteract such declines in average selling prices by increasing the proportion of high value added panels in our product mix while also implementing various cost reduction measures. In addition, in order to manage our risk against foreign currency fluctuations, we continually monitor our currency position and risk, and when needed, 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 Japanese Yen and the Chinese Yuan.

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 and the Chinese Yuan.

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.

As of December 31, 2015, we had not entered into any such contract for currency related derivative products.

### B. Interest rate risks

Our exposure to interest rate risks relates primarily to our floating rate long term loan obligations. We have established and are managing interest rate risk policies to minimize uncertainty and costs associated with interest rate fluctuations by monitoring cyclical interest rate fluctuations and enacting countermeasures.

As of December 31, 2015, we have entered into a 200 billion interest rate swap agreement with Shinhan Bank, for which we have not applied hedge accounting.

We recognized a loss on derivatives transactions and recorded a derivative instruments liability in the amount of 85 million with respect to derivative instruments held as of December 31, 2015.

## 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                        | October 2005 ~ | Patent licensing of LCD and OLED related technology |
|                                | Energy Laboratory<br>Hewlett-Packard | January 2011 ~ |   |

|                                       |                              |                 |  |
|---------------------------------------|------------------------------|-----------------|--|
|                                       |                              |                 | Patent licensing of semi-conductor device technology                                       |
|                                       | HannStar Display Corporation | December 2013 ~ |  |
| Technology licensing/supply agreement | AU Optronics Corporation     | August 2011~    | Patent cross-licensing of LCD technology   |
|                                       | Innolux Corporation          | July 2012 ~     | Patent cross-licensing of LCD technology<br>Patent cross-licensing of LCD technology, etc. |



## 9. Research & Development

### A. Summary of R&D-related expenditures

| (Unit: In millions of Won, except percentages)   |                                      |                  |                  |                  |
|--|--------------------------------------|------------------|------------------|------------------|
| Items  |                                      | 2015             | 2014             | 2013             |
| Material Cost  |                                      | 679,603          | 762,008          | 586,901          |
| Labor Cost   |                                      | 510,455          | 542,857          | 500,705          |
| Depreciation Expense   |                                      | 196,799          | 249,306          | 319,854          |
| Others   |                                      | 159,983          | 233,422          | 267,320          |
| <b>Total R&amp;D-Related Expenditures</b>  |                                      | <b>1,546,840</b> | <b>1,787,593</b> | <b>1,674,780</b> |
|  | Selling & Administrative Expenses    | 1,217,929        | 1,164,294        | 1,095,727        |
| Accounting Treatment <sup>(1)</sup>  | Manufacturing Cost                   | 101,844          | 356,218          | 456,818          |
|  | Development Cost (Intangible Assets) | 227,067          | 267,081          | 122,235          |
| <b>R&amp;D-Related Expenditures / Revenue Ratio</b><br>(Total R&D-Related Expenditures ÷ Revenue for the period × 100) |                                      | <b>5.4%</b>      | <b>6.8%</b>      | <b>6.2%</b>      |

(1) For accounting purposes, R&D-related expenditures are recognized in accordance with our financial statements.

### B. R&D achievements

#### *Achievements in 2013*

#### (1) Developed 19.5-inch desktop monitor product

Developed new display panel size for desktop monitor products

Increased yield of glass panel area per glass substrate by cutting glass substrates at 19.5 inches

#### (2) Developed 11.6-inch Tab Book product applying GF2 touch technology

Applied GF2 direct bonding process

- (3) Developed 5.0-inch and 5.5-inch high resolution (over 400 PPI) smartphone products applying AH-IPS technology

Luminance increased by 10% compared to conventional panels (5.0-inch FHD panel has 403 PPI and 5.5-inch FHD panel has 440 PPI)

Developed new source D-IC to drive 4 lanes of MIPI with speeds of up to 1 Gbps per lane

- (4) Developed the world's first 60-inch three-side borderless product

Made possible by removing the forward-facing case top, resulting in zero bezel on three sides with a borderless like bottom design

- (5) Developed the world's first 47-inch and 55-inch FHD TV product with 2.3 mm narrow bezels

Achieved optimal slim design by minimizing bezel width to 2.3 mm

- (6) Developed 55-inch and 65-inch Ultra HD products with narrow bezels

Ultra HD (55-inch model has 80 PPI and 65-inch model has 68 PPI)

Achieved high transmittance panel by applying 1 Gate 1 Data structure

Achieved narrow bezels (55-inch model has 6.9 mm and 65-inch has 7.5 mm) by optimizing panel and mechanical design

- (7) Developed 42-inch, 47-inch and 55-inch FHD three-side borderless products with direct backlight units

Borderless design made possible by removing the forward-facing case top, resulting in zero bezel on three sides

- (8) Developed 5-inch HD smartphone product utilizing oxide cell technology

Reduced energy consumption and achieved narrower bezels by using indium gallium zinc oxide (IGZO) cell technology (energy consumption reduced by 26.7% and bezel size reduced by 23.0% compared to products utilizing conventional silicon (a-Si) cell technology)



- (9) Developed FHD a-Si AH-IPS technology for use in smartphone products (more than 400 PPI)

Improved structure and technology compared to conventional FHD panels (luminance increased by 30%, achieved 443 PPI in 5.0-inch FHD panel)

Developed new D-IC and IC bonding materials and processes

- (10) Developed new line of 19.5-inch HD+ monitor products with IPS technology

Developed new line of display panels for desktop monitor products

Increased yield of glass panel area per glass substrate by cutting glass substrates at 19.5 inches

- (11) Developed 19.5-inch HD+ ultra-light monitor product

The world's lightest (at the time) 19.5-inch HD+ IPS monitor product with slim concept design

Reduced weight by 55% from 1520g to 830g and thickness from 7.6t to 5.4t compared to a conventional 19.5-inch HD+ IPS monitor product

- (12) Developed the world's first borderless monitor product with 3.5 mm narrow bezel (23.8-inch FHD)

Developed 23.8-inch FHD Neo Blade1 monitor product with the world's narrowest (at the time) bezel (3.5 mm)

- (13) Introduced 9.2-inch WXGA high resolution / high luminance automotive display product

The first automotive display product to apply EPI interface (800Mbps high speed transmission with Real 8it)

High luminance (800 nit) and high color gamut (70%)

Developed T-con with improved reliability and resolution

- (14) Developed 49-inch FHD four sided borderless like product

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Achieved narrow borders by applying 4.9 mm GIP technology and developed a new PSJ mechanical structure

Developed new resin technology to apply to the bottom base decoration

(15) Developed 55-inch FHD wide color gamut ( WCG ) LCM product

Achieved life like colors with WCG by combining panel and optical technologies

Developed differentiated case top set design

(16) Developed our first 60-inch FHD product

Achieved narrow panel bezel size (7.8 mm)

New size in our product lineup

(17) Developed the world's first 23.8-inch Ultra HD monitor product

The world's first Ultra HD AH-IPS monitor product (23.8-inch Ultra HD: 185 ppi)

Applied PAC panel technology and developed Ultra HD T-con/D-IC driver

Developed high luminance dual LED array structure

(18) Expanded product lineup of 21:9 screen aspect ratio monitors

Expanded product lineup of 21:9 screen aspect ratio monitors to include 25-inch, 29-inch and 34-inch monitors

Borderless on three sides by removing case top

(19) Developed the world's first 13.3-inch FHD notebook model with 1.9 mm narrow bezel

Development slim notebook design by utilizing panel GLA structure and minimizing bezel size to 1.9 mm

Achieved slim (3.0 mm) and ultra-light (230 g) LCM by utilizing 0.25 mm glass PPP LGP technology

(20) Developed our first quad HD ( QHD ) notebook model (13.3-inch, 222 ppi / 14.0-inch / 210 ppi)

Increased transmittance rate by utilizing 3<sup>rd</sup> metal, coop CS, red eye 12 um technology and improving aperture ratio

Achieved slim (2.6 mm) and ultra-light (235 g) LCM by utilizing 0.3 mm glass PPP LGP technology

- (21) Introduced product applying PPP LGP to maximize light collimation

Developed PPP technology for light collimation (improved luminance by 44% compared to conventional panels) for a more energy efficient panel model

Used 2 sheet structure to reduce thickness

- (22) Developed 12.3-inch FHD full cluster automotive product

The world's first full cluster product to apply IPS technology

Ultra-high luminance (800 nit) and high color gamut (85%). High color PR and developed RG LED for high light collimation

Applied the highest resolution (1920 x 720), at the time, for clusters

- (23) Developed 5.5-inch QHD LTPS smartphone panel applying AH-IPS technology with the world's highest resolution, at the time, for smartphone panels (more than 500 ppi)

Designed and developed QHD, the world's highest resolution, at the time, for smartphone panels (538 ppi)

The world's first QHD module applying 1 chip D-IC driver

*Achievements in 2014*

- (1) Developed the world's first green plus structure television panel products (42-inch, 49-inch and 55-inch Ultra HD)

Added white pixels to increase transmittance by 55% compared to conventional display panels

Developed energy conservation technology for Ultra HD products

- (2) Developed the world's narrowest, at the time, bezel (BtB 3.5 mm) videowall product (55-inch FHD)

The world's narrowest, at the time, bezel (BtB 3.5 mm) videowall product

Reduced panel PAD parts and minimized bezel size

- (3) Developed our first 79-inch Ultra HD product

New size in our product lineup

Achieved narrow bezel (On 9.9 mm) and slim depth (13.9 mm)

- (4) Developed the world's first 4 sided borderless like product (49-inch, 55-inch and 60-inch FHD)

Removed front case top and narrowed gap between the panel and front deco cabinet (set side reduced from 2.0 mm to 0.5 mm)

- (5) Developed the world's first a-Si AF-IPS 5Mask panel product for smartphones (5.0 WVGA)

Reduced production cost and simplified manufacturing process by reducing the number of mask steps from 6 to 5

Same level of performance as 6Mask panels

- (6) Developed the world's first LTPS AH-IPS photo alignment and negative LC panel product for smartphones (5.0-inch FHD)

LTPS AH-IPS photo alignment and negative LC panel product for smartphones developed in March 2014

Improved luminance and contrast ratio through improvement in panel transmittance (450 nit to 515 nit; 1,000:1 to 1500:1).

- (7) Developed the world's first 23.8-inch FHD ultra slim and light monitor product

Achieved ultra-light design (reduced LCM weight from 2,270g to 1,280g compared to conventional LCMs)

Achieved ultra slim design by using slim component parts (7.6t reduced to 5.5t)

- (8) Developed LTPS AH-IPS QHD smartphone product (5.5-inch QHD, 538 ppi, LG Electronics G3 model smartphone)



LTPS AH-IPS QHD smartphone product developed in April 2014

Width of panel bezel: 0.95 mm (L/R); luminance: 500 nit; G1F Touch Direct Bonded LCM

- (9) Developed our first curved Ultra HD product (65-inch and 55-inch Ultra HD)

The curved LCM retains the same panel transmissivity as a conventional flat LCM through application of BM-less COT structure with a double pigment lamination

Realized curved LCM technology by applying Frame (Horizontal / Vertical / Center) Structure and Curved C/T & Guide Panel Technologies

(10) Developed the world's first 6-inch plastic OLED product

Developed the world's first curved display with a curvature radius ( R ) of 700

Precursor to the development of future bendable, foldable and rollable display products

(11) Developed the world's first 34-inch curved monitor product (3,800R)

Launched the world's first blade type 21:9 screen aspect ratio 34-inch wide QHD 3,800R curved monitor product and created a new market and standard for curved monitor products

Achieved curvature of 3,800R by using annealing process and setting up assembly equipment utilizing 0.4t glass for curved panels and pol edge type curved backlight

(12) Developed the world's first AH-IPS FHD GIP/DRD product (15.6-inch notebook product)

The world's first AH-IPS FHD (more than 142 ppi) GIP/DRD product developed in September 2014

Increased cost competitiveness by developing GIP/DRD technology

(13) Developed the world's first Advanced In-cell Touch LTPS smartphone product (4.5-inch HD product)

Completed development of an AH-IPS LTPS product applying LG Display's own in-cell touch technology, which utilizes the AH-IPS Vcom electrodes in an all point sensing self-capacitive manner in July 2014 (450 nit luminance; L/R panel bezel of 1.00 mm; module thickness of 2.28 mm)

Simplified SCM and provided a cost competitive and differentiated valued product with touch functionality

(14) Developed the world's first Advanced In-cell Touch a-Si smartphone product (4.5-inch WVGA product)

Completed development of an AH-IPS a-Si product applying LG Display's own in-cell touch technology, which utilizes the AH-IPS Vcom electrodes in an all point sensing self-capacitive manner in August 2014 (450 nit luminance; L/R panel bezel of 1.35 mm; module thickness of 2.6 mm)

Simplified SCM and provided a cost competitive and differentiated valued product with touch functionality

- (15) Developed the world's first Ultra HD+ curved (6,000R) product (105-inch Ultra HD)

The world's first large 105-inch 21:9 screen aspect ratio Ultra HD curved (6,000R) display product

- (16) Developed our first 98-inch Ultra HD product

Our new line of 98-inch Ultra HD products

Achieved ultra-high definition through utilizing the direct BLU local dimming and FCIC circuit compensation algorithm.

- (17) Developed four sided product with even bezels (5.9 mm) for commercial use (42-inch, 49-inch and 55-inch FHD product)

Developed our first 4 sided even bezel product (off bezel: 5.9 mm)

Reduced panel PAD and lower bezel thickness

Improved PAC transmittance and after image reliability

- (18) Developed our first 60-inch Ultra HD product

Our new line of 60-inch Ultra HD products

Achieved narrow panel bezel of 7.8 mm

- (19) Developed the world's first circular plastic OLED product (1.3 F)

Developed the world's first circular plastic OLED product in September 2014

Developed ultrathin display module of 559  $\mu\text{m}$  (without cover window)

Lowered power consumption by developing Power Save Mode algorithm

Display can be turned on without powering the P-IC

(20) Developed the world's first four sided borderless OLED television product (55-inch)

Product developed using the world's first four sided borderless technology utilizing reverse tab bonding manufacturing process in September 2014

(21) Developed the world's first ultra-slim OLED television products (49-inch, 55-inch and 65-inch Ultra HD)

Achieved LCM thickness of 7.5 mm

Reduced thickness by combining exterior set with LCM parts (B/cover, M/cabinet)

(22) Developed the world's first 1:1 screen aspect ratio New Platform Monitor (26.5-inch; 1920 x 1920 resolution)

Creation of new market through the development of new 1:1 screen aspect ratio platform display

Development of high resolution display with four sided even bezels (on bezel: 8 mm)

(23) Development of 14-inch FHD notebook product with three sided even bezels (3.9 mm)

World's first notebook panel with three sided narrow bezels (top and side bezels: 3.9 mm)

Reduced GIP area by 50% compared to conventional GIP area

(24) Development of 12.3-inch new display size UXGA tablet product

Developed new display panel size for tablet products: 12.3-inch UXGA (4:3 screen aspect ratio)

Increased yield of glass panel area per glass substrate by cutting glass substrates at 12.3 inches

*Achievements in 2015*

(1) Developed the world's narrowest, at the time, module bezel (0.7mm) LTPS smartphone display (5.3-inch FHD AIT)

Developed the world's first FHD Advanced In-cell Touch display (LTPS 5.3-inch FHD) applying the Neo Edge module process (new manufacturing technology) in January 2015

Set-up glue & laser cutting process, 0.6mm panel bezel (L/R)

(2) Developed the world's first QHD Advanced In-cell Touch LTPS smartphone display (5.5-inch QHD)

Developed LTPS 5.5-inch QHD display applying LG Display's new capacitive type in-cell touch technology with all points sensing in March 2015; luminance: 500nit, contrast ratio: 1500:1 (using photo alignment & negative LC), 0.95mm panel bezel (L/R)

Delivered differentiated value proposition based on touch performance, simplified SCM process and competitive cost innovation

- (3) Developed the world's narrowest, at the time, bezel videowall product (49-inch FHD)

Developed the world's narrowest bezel videowall product (bezel to bezel 3.5mm)

Optimized sizing of panel PAD and mechanical bezel

- (4) Developed our first 43-inch Ultra HD slim and light LED television product

Achieved LCD module thickness of 8.4mm

Reduced thickness through publication of set LCM parts (back cover and middle cabinet)

- (5) Developed the world's first Ultra HD OLED television product (55-inch, 65-inch and 77-inch Ultra HD)

Developed the world's first Ultra HD television product lineup

- (6) Developed the world's first Ultra HD television product applying DRD technology (55-inch, 49-inch and 43-inch Ultra HD)

World's first application of Ultra HD DRD technology based on an RGBW(M+) pixel structure

Utilized RGBW(M+) technology to optimize picture quality (high definition, high luminance, low energy consumption and High Dynamic Range (HDR))

- (7) Developed our first Ultra HD asymmetric RGBW(M+) structure product (15.6-inch)

Improved panel transmittance, lowered energy consumption and enhanced outdoor visibility compared to previous models

- (8) Developed the world's first second display LTPS smartphone product (5.7-inch QHD+)

Delivered differentiated set design through the realization of a second display by applying a panel exterior manufacturing process

Developed panel and instrumental optics technology for the independent operation of main display and second display

Developed advanced power consumption technology for the realization of Always On Display functionality for the second display

- (9) Developed the world's first four sided borderless monitor product (23.8-inch FHD and 27-inch QHD)

Developed the world's first four sided borderless design LCD module

Improved design by reducing lower bezel size from 12.6mm to 6.15mm (23.8-inch FHD)

- (10) Developed the world's first Advanced In-cell Touch notebook product (15.6-inch and 14-inch FHD)

Improved touch functionality and cost competitiveness through world's first application of Advanced In-cell Touch technology on notebook products

Simplified customer supply chain management by providing touch total solution

- (11) Developed the world's first 15.6-inch FHD notebook narrow bezel (2.9mm) product

Ultra-light and narrow concept project for 15.6-inch line extension to LG Electronics 13.3-inch and 14-inch Gram products

Delivered differentiated design utilizing 2.9mm bezels (Top/L/R)

Ultra slim and light design (225g, 2.3t)

- (12) Developed 1900R curved monitor product (34-inch, 21:9 screen aspect ratio)

Strengthened product competitiveness by improving the curvature radius of 21:9 screen aspect ratio monitors (3800 reduced to 1900R)

Applied 0.25T etching to address looseness and backlight bleeding attributable to curved screen

Applied COT structure to enhance panel transmittance and address color mixing defects

- (13) Developed the world's first four sided borderless 55-inch Ultra HD LED television product



Developed panel reverse structure in order to deliver a four sided borderless product

(14) Developed the world's first a-Si 98-inch Quad Ultra HD 120Hz television product

Developed the world's first drive technology for a-Si based extra-large 8K 120Hz panels

(15) Developed the world's first 65-inch 8K M+ product

Achieved cost competitiveness and maximized 8K transmittance by applying GIP/Source single bank for the first time in the world

Developed super resolution (4K enhanced to 8K) and M+ algorithm technologies

(16) Developed our first 75-inch Ultra HD Signage product

Delivered 11.9mm thickness on large-size LCD module

## **10. Intellectual Property**

As of December 31, 2015, our cumulative patent portfolio (including patents that have already expired) included a total of 28,811 patents, consisting of 13,909 in Korea and 14,902 in other countries.

## **11. Environmental and Safety Matters**

We are subject to a variety of environmental laws and 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 relevant laws and regulations in each area of the environment, including with respect to the treatment of chemical by-products. 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.

In accordance with the Framework Act on Low Carbon, Green Growth, we implemented the greenhouse gas emission and energy consumption target system from 2012 to 2014. Starting from 2015, we plan on implementing the greenhouse gas trading system, under which we will be responsible to meet our emission targets based on the emission credits allocated to us by the Ministry of Environment of the Korean government. As a result, we may need to invest in additional equipment and there may be other costs associated with meeting reduction targets, which may have a negative effect on our profitability or production activities. As a designated company subject to greenhouse gas emission targets under the Framework Act on Low Carbon, Green Growth, if we fail to meet a reduction target and are unable to comply with the government's subsequent enforcement notice relating to such failure, we may be subject to fines. Furthermore, as a designated company subject to the Act on Allocation and Trading of Greenhouse Gas Emissions, if do not have enough emission credits, we may be required to purchase additional credits or be subject to fines.

In connection with the greenhouse gas emission and energy reduction target system, we submitted a statement of our domestic emissions and energy usage for the year ended 2014 to the Korean government (i.e., the Ministry of Environment and the Ministry of Trade, Industry & Energy) in March 2015 after it was certified by BSI Korea, a government-designated certification agency. The table below sets forth yearly levels of our greenhouse gases emissions and energy usage in the statement submitted to the Korean government:

| Category         | (Unit: thousand tonnes of CO <sub>2</sub> equivalent; Tetra Joules) |        |        |
|------------------|---|--------|--------|
|                  | 2014  | 2013   | 2012   |
| Greenhouse gases | 7,537   | 6,922  | 6,161  |
| Energy           | 60,002  | 61,092 | 61,169 |

Operations at our manufacturing plants are subject to regulation and periodic scheduled and unscheduled on-site inspections by the 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 to manage our water and air pollution, toxic materials and waste. In December 2013, to ensure safe water quality and reduce costs, we entered into a contract with a specialist company to operate our waste water treatment facilities. In stages beginning in November 1997, we have obtained environmental management system ISO 14001 certifications for our domestic panel and module production facilities and our overseas module production plants in Nanjing, Yantai and Guangzhou, China, and with respect to our domestic panel and module production plants, we received ISO 50001 certification in December 2013 for our energy management system.

In addition, in August 2014, GP1, our newest eighth-generation panel fabrication facility located in Guangzhou, China, was the first electronics plant in China to receive the Green Plant designation under China's Green China Policy, in addition to receiving ISO 14001, ISO 50001, OHSAS 18001, ISO 9001, PAS 2050 and ISO 14064-1 certifications. Furthermore, with respect to our production facilities in Gumi, we have been certified by the Ministry of Environment as a Green Company for P1 and our Gumi module production plant since 1997, P2 and P3 since 2006 and P4, P5 and P6 since 2008. Also, we received certification to self-inspect designated waste products with respect to our Paju plant by the Ministry of Environment in 2011, which was recertified in 2013. In recognition of our efforts to reduce greenhouse gas emissions, we were awarded a commendation from the Minister of Environment in the efforts against climate change category in the 2013 Green Management Awards, which was jointly hosted by the Ministry of Environment and the Ministry of Trade, Industry & Energy. In addition, in recognition of our efforts to improve recycling and reduce waste, we received a citation in 2014 for being a leading recycling company from the Prime

Minister of Korea and, in recognition of our continued greenhouse gas emission reduction activities, we received a special carbon management award in 2015 from the Carbon Disclosure Project, which was presided over by the Carbon Disclosure Project Korea Committee.

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

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

In February 2015, we were issued a corrective order and assessed a fine of 276 million, which we subsequently followed and paid, respectively, for violating the Occupational Health and Safety Act in connection with an accidental nitrogen gas exposure at one of our production facilities in Paju, Korea in January 2015. To prevent such accidents happening again in the future, we have strengthened our safety standards and management and employee education.

## 12. Financial Information

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

| Description                               | (Unit: In millions of Won) |                         |                         |
|---|----------------------------|-------------------------|-------------------------|
|   | As of December 31, 2015    | As of December 31, 2014 | As of December 31, 2013 |
| Current assets                            | 9,531,634                  | 9,240,629               | 7,731,788               |
| Quick assets                              | 7,179,965                  | 6,486,531               | 5,798,547               |
| Inventories                               | 2,351,669                  | 2,754,098               | 1,933,241               |
| Non-current assets                        | 13,045,526                 | 13,726,394              | 13,983,496              |
| Investments in equity accounted investees | 384,755                    | 407,644                 | 406,536                 |
| Property, plant and equipment, net        | 10,546,020                 | 11,402,866              | 11,808,334              |
| Intangible assets                         | 838,730                    | 576,670                 | 468,185                 |
| Other non-current assets                  | 1,276,021                  | 1,339,214               | 1,300,441               |
| <b>Total assets</b>                       | <b>22,577,160</b>          | <b>22,967,023</b>       | <b>21,715,284</b>       |
| Current liabilities                       | 6,606,712                  | 7,549,556               | 6,788,919               |
| Non-current liabilities                   | 3,265,492                  | 3,634,057               | 4,128,945               |
| <b>Total liabilities</b>                  | <b>9,872,204</b>           | <b>11,183,613</b>       | <b>10,917,864</b>       |
| Share capital                             | 1,789,079                  | 1,789,079               | 1,789,079               |
| Share premium                             | 2,251,113                  | 2,251,113               | 2,251,113               |
| Reserves                                  | (5,766)                    | (63,843)                | (91,674)                |
| Retained earnings                         | 8,158,526                  | 7,455,063               | 6,662,655               |
| Non-controlling interest                  | 512,004                    | 351,998                 | 186,247                 |
| <b>Total equity</b>                       | <b>12,704,956</b>          | <b>11,783,410</b>       | <b>10,797,420</b>       |

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

| Description                                 | For the year<br>ended<br>December 31, 2011 | For the year<br>ended<br>December 31, 2012 | For the year<br>ended<br>December 31, 2013 |
|---|--|--|--|
| Revenue                                     | 28,383,884                                 | 26,455,529                                 | 27,033,035                                 |
| Operating profit                            | 1,625,566                                  | 1,357,255                                  | 1,163,314                                  |
| Operating profit from continuing operations | 1,023,456                                  | 917,404                                    | 418,973                                    |
| Profit for the period                       | 1,023,456                                  | 917,404                                    | 418,973                                    |
| Profit (loss) attributable to:              |  |  |  |
| Owners of the Company                       | 966,553                                    | 904,268                                    | 426,118                                    |
| Non-controlling interest                    | 56,903                                     | 13,136                                     | (7,145)                                    |
| Basic earnings per share                    | 2,701                                      | 2,527                                      | 1,191                                      |
| Diluted earnings per share                  | 2,701                                      | 2,527                                      | 1,191                                      |
| Number of consolidated entities             | 18   | 18   | 18   |

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

| Description                        | (Unit: In millions of Won) |                   |                   |
|------------------------------------|----------------------------|-------------------|-------------------|
|                                    | As of December 31, 2015    | December 31, 2014 | December 31, 2013 |
| Current assets                     | 8,246,330                  | 8,291,088         | 6,877,367         |
| Quick assets                       | 6,396,117                  | 6,244,413         | 5,290,725         |
| Inventories                        | 1,850,213                  | 2,046,675         | 1,586,642         |
| Non-current assets                 | 11,964,363                 | 12,720,749        | 13,767,226        |
| Investments                        | 2,543,205                  | 2,301,881         | 1,820,806         |
| Property, plant and equipment, net | 7,719,022                  | 8,700,301         | 10,294,740        |
| Intangible assets                  | 607,398                    | 548,078           | 461,620           |
| Other non-current assets           | 1,094,738                  | 1,170,489         | 1,190,060         |
| <b>Total assets</b>                | <b>20,210,693</b>          | <b>21,011,837</b> | <b>20,644,593</b> |
| Current liabilities                | 6,505,979                  | 7,550,330         | 6,754,175         |
| Non-current liabilities            | 2,375,131                  | 2,837,432         | 4,127,993         |
| <b>Total liabilities</b>           | <b>8,881,110</b>           | <b>10,387,762</b> | <b>10,882,168</b> |
| Share capital                      | 1,789,079                  | 1,789,079         | 1,789,079         |
| Share premium                      | 2,251,113                  | 2,251,113         | 2,251,113         |
| Reserves                           | 58                         | 276               | (305)             |
| Retained earnings                  | 7,289,333                  | 6,583,607         | 5,722,538         |
| <b>Total equity</b>                | <b>11,329,583</b>          | <b>10,624,075</b> | <b>9,762,425</b>  |

| Description                                 | (Unit: In millions of Won, except for per share data) |   |   |
|---|---|---|---|
|   | For the year ended<br>December 31, 2015               | For the year ended<br>December 31, 2014 | For the year ended<br>December 31, 2013 |
| Revenue                                     | 25,856,426  | 25,383,670                              | 25,854,183                              |
| Operating profit                            | 770,856   | 984,790                                 | 753,550                                 |
| Operating profit from continuing operations | 968,209   | 973,118                                 | 99,672                                  |
| Profit for the period                       | 968,209   | 973,118                                 | 99,672                                  |
| Basic earnings per share                    | 2,706   | 2,720                                   | 279                                     |
| Diluted earnings per share                  | 2,706   | 2,720                                   | 279                                     |

## C. Consolidated subsidiaries (as of December 31, 2015)

| Company Interest           | Primary Business | Location | Equity |
|----------------------------|------------------|----------|--------|
| LG Display America, Inc.   | Sales            | U.S.A.   | 100%   |
| LG Display Japan Co., Ltd. | Sales            | Japan    | 100%   |
| LG Display Germany GmbH    | Sales            | Germany  | 100%   |

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|   |                                |           |      |
|---|--------------------------------|-----------|------|
| 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    | 100% |
| LG Display Guangzhou Co., Ltd.          | Manufacturing and sales        | China     | 100% |
| LG Display Shenzhen Co., Ltd.           | Sales                          | China     | 100% |
| LG Display Singapore Pte. Ltd.          | Sales                          | Singapore | 100% |
| L&T Display Technology (Fujian) Limited | Manufacturing                  | China     | 51%  |
| LG Display Yantai Co., Ltd.             | Manufacturing and sales        | China     | 100% |
| LG Display (China) Co., Ltd.            | Manufacturing and sales        | China     | 70%  |
| LG Display U.S.A. Inc.                  | Manufacturing and sales        | U.S.A.    | 100% |
| Nanumnuri Co., Ltd.                     | Workplace services             | Korea     | 100% |
| Unified Innovative Technology, LLC      | Managing intellectual property | U.S.A.    | 100% |
| Global OLED Technology LLC              | Managing intellectual property | U.S.A.    | 100% |
| LG Display Guangzhou Trading Co., Ltd.  | Sales                          | China     | 100% |

## D. Status of equity investments (as of December 31, 2015)

| Company <sup>(1)</sup>                                | Investment Amount | Initial Equity Investment Date | Equity Interest |
|---|-------------------|--------------------------------|-----------------|
| LG Display America, Inc.                              | US\$ 411,000,000  | September 24, 1999             | 100%            |
| LG Display Germany GmbH                               | EUR 960,000       | 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.                          | CNY 2,936,759,345 | July 15, 2002                  | 100%            |
| LG Display Shanghai Co., Ltd.                         | CNY 4,138,650     | January 16, 2003               | 100%            |
| LG Display Poland Sp. zo.o.                           | PLN 511,071,000   | September 6, 2005              | 100%            |
| LG Display Guangzhou Co., Ltd.                        | CNY 1,654,693,079 | August 7, 2006                 | 100%            |
| LG Display Shenzhen Co., Ltd.                         | CNY 3,775,250     | August 28, 2007                | 100%            |
| LG Display Singapore Pte. Ltd.                        | SGD 1,400,000     | January 12, 2009               | 100%            |
| L&T Display Technology (Fujian) Limited               | CNY 59,197,026    | January 5, 2010                | 51%             |
| LG Display Yantai Co., Ltd. <sup>(2)</sup>            | CNY 1,007,720,600 | April 19, 2010                 | 100%            |
| LG Display U.S.A. Inc. <sup>(3)</sup>                 | US\$ 201,116      | December 8, 2011               | 100%            |
| Nanumnuri Co., Ltd.                                   | 800,000,000       | March 19, 2012                 | 100%            |
| LG Display (China) Co., Ltd. <sup>(4)</sup>           | CNY 5,703,466,124 | December 27, 2012              | 70%             |
| Unified Innovative Technology, LLC                    | US\$ 9,000,000    | March 21, 2014                 | 100%            |
| Global OLED Technology LLC <sup>(5)</sup>             | US\$ 152,767,000  | May 7, 2015                    | 100%            |
| LG Display Guangzhou Trading Co., Ltd. <sup>(6)</sup> | CNY 1,223,960     | May 27, 2015                   | 100%            |
| Suzhou Raken Technology Co., Ltd.                     | CNY 637,079,715   | October 7, 2008                | 51%             |
| Paju Electric Glass Co., Ltd.                         | 33,648,000,000    | March 25, 2005                 | 40%             |
| TLI Co., Ltd.   | 14,073,806,250    | May 16, 2008                   | 10%             |
| AVACO Co., Ltd.                                       | 6,172,728,120     | June 9, 2008                   | 16%             |
| New Optics Ltd.                                       | 12,199,600,000    | July 30, 2008                  | 46%             |
| LIG Invenia Co., Ltd. (formerly LIG ADP Co., Ltd.)    | 6,330,000,000     | February 24, 2009              | 13%             |
| Wooree E&L Co., Ltd. (formerly Wooree LED Co., Ltd.)  | 11,900,000,000    | May 22, 2009                   | 21%             |
| LB Gemini New Growth Fund No. 16 <sup>(7)</sup>       | 7,659,704,518     | December 7, 2009               | 31%             |
| Can Yang Investments Limited <sup>(8)</sup>           | CNY 93,740,124    | January 27, 2010               | 9%              |
| YAS Co., Ltd. <sup>(9)</sup>                          | 10,000,000,000    | September 16, 2010             | 19%             |
| Narae Nanotech Corporation                            | 30,000,000,000    | April 22, 2011                 | 23%             |
| Avatec Co., Ltd.                                      | 10,600,000,000    | December 6, 2011               | 16%             |
| Fuhu, Inc. <sup>(10)</sup>                            | US\$ 26,006,159   | July 27, 2015                  | 10%             |

Changes since December 31, 2014:



- (1) In August 2015, we completed the dissolution of L&T Display Technology (Xiamen) Limited and in December 2015, we disposed of our entire investment in Glonix Co., Ltd., which we had acquired for LCD manufacturing and sales, for 498 million. We conducted money market trust acquisitions and dispositions during the reporting period and had no outstanding amounts in money market trusts as of December 31, 2015.
- (2) In December 2015, we invested CNY52 million in cash for the capital increase of LG Display Yantai Co., Ltd. The investment did not affect our shareholding percentage interest.
- (3) As of December 31, 2015, LG Display U.S.A. Inc. was in the liquidation process, and in December 2015, we divested US\$10.7 million from LG Display U.S.A. Inc. The divestment did not affect our shareholding percentage interest.
- (4) In January and August 2015, we invested CNY1,414 million and CNY35 million, respectively, in cash for the capital increase of LG Display (China) Co., Ltd. The investment did not affect our shareholding percentage interest.

- (5) In May 2015, we invested US\$103 million to acquire an additional 67% interest in Global OLED Technology LLC in order to strengthen our intellectual property portfolio for our OLED business. Our shareholding percentage interest in such company is 100%.
- (6) In April 2015, we founded LG Display Guangzhou Trading Co. Ltd. in Guangzhou, China for the purpose of sales of TFT-LCD products. Our shareholding percentage interest in such company is 100%.
- (7) In March 2015, we invested 360 million in LB Gemini New Growth Fund No. 16, and in April, July and August 2015, we divested 2,490 million, 2,100 million and 2,175 million, respectively. The investment and divestment did not affect our shareholding percentage interest.
- (8) In 2015, Can Yang Investments Limited conducted a rights offering in which we did not participate. As a result, our shareholding percentage interest in such company decreased from 9.4% as of December 31, 2014 to 8.9% as of December 31, 2015.
- (9) In 2015, the number of outstanding shares of YAS Co., Ltd. was increased due to the exercises of stock options. As a result, our shareholding percentage interest in such company decreased from 19.2% as of December 31, 2014 to 18.5% as of December 31, 2015.
- (10) In July 2015, we invested US\$26 million to acquire 500,000 common shares and 1,011,280 voting preferred shares of Fuhu, Inc., a producer of tablets and contents for children. As of December 31, 2015, we determined that the recoverability of such investment was uncertain and we recognized an impairment loss of 26,791 million, an amount equal to the difference between the carrying amount and the recoverable amount of such investment. Our shareholding percentage interest in such company is 10% and we have the right to appoint one member of such company's board of directors.

### 13. Audit Information

#### A. Audit service

(Unit: In millions of Won, hours)

| Description                 | 2015                         | 2014                         | 2013                         |
|-----------------------------|------------------------------|------------------------------|------------------------------|
| Auditor                     | KPMG Samjong                 | KPMG Samjong                 | KPMG Samjong                 |
| Activity                    | Audit by independent auditor | Audit by independent auditor | Audit by independent auditor |
| Compensation <sup>(1)</sup> | 990 (400) <sup>(2)</sup>     | 910 (326) <sup>(2)</sup>     | 910 (325) <sup>(2)</sup>     |
| Time required               | 17,530                       | 16,380                       | 16,202                       |

- (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.

#### B. Non-audit service

(Unit: In millions of Won)

| Fiscal year | Contract date | Service description                                      | Service period            | Compensation |
|-------------|---------------|--|---------------------------|--------------|
| 2013        | July 29, 2013 | Advisory services in establishing a compliance system in | July 2013 to October 2013 | 126          |

connection with our  
disclosure obligations  
under the U.S.  
Securities and  
Exchange  
commission's conflict  
mineral rule.

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

### A. Risk relating to forward-looking statements

This 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 2015, the display industry faced a persistently difficult business environment due to weak demand and increased supply. However, we increased our profits compared to 2014 by increasing the proportion of differentiated technologies and products, including M+ technology, Ultra HD television panels, IT products utilizing IPS technology, Advanced In-cell Touch technology-based mobile panels and other differentiated display panels. We also strengthened the foundation for our future through our OLED panels business, which are the next generation display products.

With respect to each of our business areas:

*Television.* In this business area, we expanded our offering of Ultra HD television panels with IPS and M+ technologies. Ultra HD television panels accounted for approximately 20% of our sales volume in this business area in 2015 compared to approximately 9% in 2014.

*IT/Mobile.* In this business area, the proportion of Advanced In-cell Touch technology-based panels among monitor panels and notebook panels increased from 69% and 22% in 2014 to 77% and 38% in 2015, respectively. In the case of mobile panels, the proportion of Advanced In-cell Touch technology-based panels among smartphone panels increased from 4% in 2014 to 38% in 2015.

*OLED.* We achieved expansions in this business area by increasing our OLED panel production capacities and launching new products. We increased production of large-sized OLED television panels while solidifying our foundation in the market for small-sized OLED panels by introducing new small- and medium-sized panels for smartphones and wearable devices.

In addition, we continued to increase our activities in new business areas and sales of panels for automotive, signage and industrial applications increased by approximately 31% from 2014 to 2015.

As a result of these accomplishments, we were able to record an annual revenue of 28,384 billion and an operating profit of 1,626 billion for the year ended 2015.

### C. Financial condition and results of operations

(1) Results of operations

In 2015, the display industry faced a persistently difficult business environment due to weak demand and increased supply. However, we improved our profitability by increasing the proportion of differentiated products, such as Ultra HD television panels utilizing M+ technology, monitor panels utilizing IPS technology and high-definition mobile panels and other differentiated display panels. In addition, with respect to OLED technology, which is the next generation in display panel technology, we were a step ahead of our competition with our technology and production know-how and were the first to introduce 65-inch and 77-inch Ultra HD OLED television panels to the market. As for small-sized OLED panels, we were also able to introduce smartphone and wearable panels based on our plastic OLED technology and are quickly preparing ourselves for the future markets for OLED panels.

Through our increased sales of differentiated products, our revenue increased by 7% from 26,456 billion in 2014 to 28,384 billion in 2015. In addition, our operating profit increased by 20% from 1,357 billion in 2014 to 1,626 billion in 2015, and profit for the year increased by 12% from 917 billion in 2014 to 1,024 billion in 2015 mainly due to our efforts to increase the proportion of high value added, technologically competitive products in our product mix and decrease costs.

| Description                       | (Unit: In millions of Won) |              |             |
|-----------------------------------|----------------------------|--------------|-------------|
|                                   | 2015                       | 2014         | Changes     |
| Revenue                           | 28,383,884                 | 26,455,529   | 1,928,355   |
| Cost of sales                     | (24,069,572)               | (22,667,134) | (1,402,438) |
| Gross profit                      | 4,314,312                  | 3,788,395    | 525,917     |
| Selling expenses                  | (878,300)                  | (746,686)    | (131,614)   |
| Administrative expenses           | (592,517)                  | (520,160)    | (72,357)    |
| Research and development expenses | (1,217,929)                | (1,164,294)  | (53,635)    |
| Operating profit                  | 1,625,566                  | 1,357,255    | 268,311     |
| Finance income                    | 158,829                    | 105,443      | 53,386      |
| Finance costs                     | (316,229)                  | (215,536)    | (100,693)   |
| Other non-operating income        | 1,273,833                  | 1,071,903    | 201,930     |
| Other non-operating expenses      | (1,326,782)                | (1,095,071)  | (231,711)   |
| Equity income on investment, net  | 18,765                     | 17,963       | 802         |
| Profit before income tax          | 1,433,982                  | 1,241,957    | 192,025     |
| Income tax expense                | 410,526                    | 324,553      | 85,973      |
| Profit for the period             | 1,023,456                  | 917,404      | 106,052     |

## (a) Selected financial ratios

| Ratios   | Calculation   | 2015 Ratio | 2014 Ratio | Percentage Point Change |
|--|---|------------|------------|-------------------------|
| Current ratio                                      | $(\text{current assets} \div \text{current liabilities}) \times 100$              | 144.3%     | 122.4%     | 21.9%                   |
| Debt to equity ratio                               | $(\text{total liabilities} \div \text{total equity}) \times 100$                  | 77.7%      | 94.9%      | (17.2)%                 |
| Operating margin                                   | $(\text{results from operating activities} \div \text{revenue}) \times 100$       | 5.7%       | 5.1%       | 0.6%                    |
| Net margin   | $(\text{profit for the period} \div \text{revenue}) \times 100$                   | 3.6%       | 3.5%       | 0.1%                    |
| Return on assets                                   | $(\text{profit for the period} \div \text{total assets}) \times 100$              | 4.5%       | 4.0%       | 0.5%                    |
| Return on equity                                   | $(\text{profit for the period} \div \text{total equity}) \times 100$              | 8.1%       | 7.8%       | 0.3%                    |
| Net cash from operating activities to assets ratio | $(\text{net cash from operating activities} \div \text{total assets}) \times 100$ | 12.1%      | 12.5%      | (0.4)%                  |

| Ratios         | Calculation   | 2015 Ratio |
|----------------|---|------------|
| Revenue growth | $(\text{current year revenue} \div \text{prior year revenue}) \times 100 - 1$ | 7.3%       |

|                         |  |         |
|-------------------------|--|---------|
| Operating profit growth | (current year results from operating activities ÷ prior year results from operating activities) x 100 -1 | 19.8%   |
| Net profit growth       | (current year profit ÷ prior year profit) x 100 -1   | 11.6%   |
| Total assets growth     | (current year end total assets ÷ prior year end total assets) x 100 -1                                   | (1.7) % |
| Asset turnover          | Revenue ÷ ((total assets at beginning of year + total assets at end of year) ÷ 2)                        | 1.2     |

## (b) Revenue and cost of sales

Our cost of sales as a percentage of revenue decreased by 0.9 percentage points from 85.7% in 2014 to 84.8% in 2015 primarily due to our continued efforts to reduce costs and increase the proportion of high value added products, which tend to command higher margins, in our product mix.

(Unit: In millions of Won, except percentages)

| Description                            | 2015       | 2014       | Changes   |            |
|--|------------|------------|-----------|------------|
|  |            |            | Amount    | Percentage |
| Revenue                                | 28,383,884 | 26,455,529 | 1,928,355 | 7.3%       |
| Cost of sales                          | 24,069,572 | 22,667,134 | 1,402,438 | 6.2%       |
| Gross profit                           | 4,314,312  | 3,788,395  | 525,917   | 13.9%      |
| Cost of sales as a percentage of sales | 84.8%      | 85.7%      | (0.9)%    | N/A        |

## (c) Sales by category

Revenue attributable to sales of panels for mobile applications and others as a percentage of total revenue increased by 8.6 percentage points in 2015 compared to 2014 due to an increase in demand for larger high resolution smartphone panels during the same period. Revenue attributable to sales of panels for tablet computers as a percentage of total revenue decreased during the same period due to continued negative sales growth of tablet computers attributable in part to the expanded offering of hybrid personal computer products, such as two-in-one notebook computers.

| Categories                                | 2015  | 2014  | Difference |
|---|-------|-------|------------|
| Panels for televisions                    | 38.2% | 39.4% | (1.2)%     |
| Panels for desktop monitors               | 16.0% | 17.6% | (1.6)%     |
| Panels for notebook computers             | 8.8%  | 10.1% | (1.3)%     |
| Panels for tablet computers               | 8.9%  | 13.4% | (4.5)%     |
| Panels for mobile applications and others | 28.1% | 19.5% | 8.6%       |

## (d) Production capacity

Our annual production capacity increased by 2% in 2015 compared to 2014, in large part due to capacity increases in China in anticipation of the global trend toward increased demand for larger display panels.

## (2) Financial condition

Our current assets increased by 291 billion from 9,241 billion as of December 31, 2014 to 9,532 billion as of December 31, 2015, and our non-current assets decreased by 681 billion from 13,726 billion as of December 31, 2014 to 13,046 billion as of December 31, 2015. Our current liabilities decreased by 943 billion from 7,550 billion as of December 31, 2014 to 6,607 billion as of December 31, 2015, and our non-current liabilities decreased by 369 billion from 3,634 billion as of December 31, 2014 to 3,265 billion as of December 31, 2015. Our total equity increased by 922 billion from 11,783 billion as of December 31, 2014 to 12,705 billion as of December 31, 2015.

| Description         | (Unit: In millions of Won) |            |           |
|---------------------|----------------------------|------------|-----------|
|                     | 2015                       | 2014       | Changes   |
| Current assets      | 9,531,634                  | 9,240,629  | 291,005   |
| Non-current assets  | 13,045,526                 | 13,726,394 | (680,868) |
| Total assets        | 22,577,160                 | 22,967,023 | (389,863) |
| Current liabilities | 6,606,712                  | 7,549,556  | (942,844) |



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|                              |            |            |             |
|------------------------------|------------|------------|-------------|
| Non-current liabilities      | 3,265,492  | 3,634,057  | (368,565)   |
| Total liabilities            | 9,872,204  | 11,183,613 | (1,311,409) |
| Share capital                | 1,789,079  | 1,789,079  |             |
| Share premium                | 2,251,113  | 2,251,113  |             |
| Reserves                     | (5,766)    | (63,843)   | 58,077      |
| Retained earnings            | 8,158,526  | 7,455,063  | 703,463     |
| Non-controlling interest     | 512,004    | 351,998    | 160,006     |
| Total equity                 | 12,704,956 | 11,783,410 | 921,546     |
| Total liabilities and equity | 22,577,160 | 22,967,023 | (389,863)   |

Due in part to steady consumption of our inventories in the fourth quarter of 2015 and changes to our product mix in anticipation of weakening demand in the first half of 2016, our inventory decreased by 402 billion from 2,754 billion as of December 31, 2014 to 2,352 billion as of December 31, 2015.

Net trade accounts and notes receivable as of December 31, 2015 was 4,098 billion, an increase of 653 billion from net trade accounts and notes receivable as of December 31, 2014. Such increase was attributable mainly to a decrease in trade accounts and notes receivable which were sold to financial institutions, but current and outstanding, from approximately 1,690 billion (US\$1,537 million) as of December 31, 2014 to approximately 291 billion (US\$248 million) as of December 31, 2015.

The book value of our total tangible assets as of December 31, 2015 was 10,546 billion, a decrease of 857 billion from the book value of our total tangible assets as of December 31, 2014. The decrease was primarily due to the depreciation of certain of our existing production facilities which outpaced increases resulting from investments in production facilities.

Trade accounts and notes payable as of December 31, 2015 was 2,765 billion, a decrease of 627 billion from trade accounts and notes payable as of December 31, 2014.

Other accounts payable as of December 31, 2014 was 1,500 billion, a decrease of 8 billion from other accounts payable as of December 31, 2014.

### (3) Liquidity and capital resources

In 2015, our net cash from operating activities amounted to 2,727 billion, our net cash provided by financing activities, including the incurrence of short- and long-term borrowings as well as the issuance of corporate debentures, amounted to 175 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 2,732 billion.

In 2015, our capital expenditures on a cash out basis was approximately 2.4 trillion, which was used primarily to fund the expansion of our OLED and LTPS-based panel production capacities for larger panels, as well as to fund the expansion of GPI in anticipation of increasing demand from China.

| Description   | (Unit: In millions of Won) |             |           |
|---|----------------------------|-------------|-----------|
|   | 2015                       | 2014        | Changes   |
| Results from operating activities                   | 1,625,566                  | 1,357,255   | 268,311   |
| Net cash provided by operating activities           | 2,726,577                  | 2,864,521   | (137,944) |
| Net cash provided by (used in) financing activities | (174,498)                  | 404,659     | (579,157) |
| Net cash used in investing activities               | (2,731,929)                | (3,451,279) | 719,350   |
| Cash and cash equivalents at December 31,           | 751,622                    | 889,839     | (138,177) |

## 15. Board of Directors

### A. Members of the board of directors

As of December 31, 2015 our board of directors consisted of two non-outside directors, one non-standing director and three outside directors.

| (As of December 31, 2015)     |  |                                    |
|-------------------------------|--|------------------------------------|
| Name                          | Position   | Primary responsibility             |
| Yu Sig Kang <sup>(1)</sup>    | Director (non-standing)  | Chairman of the board of directors |
| Sang Beom Han <sup>(2)</sup>  | Representative Director (non-outside), Chief Executive Officer and President | Overall head of management         |
| Sangdon Kim                   | Director (non-outside), Chief Financial Officer and Senior Vice President    | Overall head of finances           |
| Jin Jang                      | Outside Director   | Related to the overall management  |
| Joon Park                     | Outside Director   | Related to the overall management  |
| Sung-Sik Hwang <sup>(3)</sup> | Outside Director   | Related to the overall management  |

(1) Yu Sig Kang is also a registered executive of LG Electronics.

(2) Sang Beom Han was reappointed for another term as a non-outside director at the annual general meeting of shareholders held on March 13, 2015.

(3) Sung-Sik Hwang was appointed as an outside director by the courts on January 22, 2015. Mr. Hwang was reappointed for a full term at the annual general meeting of shareholders held on March 13, 2015.

Tae Sik Ahn stepped down as an outside director on January 15, 2015 before the end of his term.

Dongil Kwon stepped down as an outside director on September 25, 2015 before the end of his term.

As of the date of this report, our board of directors consist of two non-outside directors, one non-standing director and four outside directors.

| (As of the date of this report) |  |                                    |
|---------------------------------|--|------------------------------------|
| Name                            | Position   | Primary responsibility             |
| Yu Sig Kang <sup>(1)</sup>      | Director (non-standing)  | Chairman of the board of directors |
| Sang Beom Han                   | Representative Director (non-outside), Chief Executive Officer and President | Overall head of management         |
| Sangdon Kim                     | Director (non-outside), Chief Financial Officer and Senior Vice President    | Overall head of finances           |
| Jin Jang                        | Outside Director   | Related to the overall management  |
| Joon Park <sup>(2)</sup>        | Outside Director   | Related to the overall management  |
| Sung-Sik Hwang                  | Outside Director   | Related to the overall management  |
| Kun Tai Han <sup>(3)</sup>      | Outside Director   | Related to the overall management  |

- (1) Yu Sig Kang is also a registered executive of LG Electronics.
- (2) Joon Park was reappointed for another term as an outside director at the annual general meeting of shareholders held on March 11, 2016.
- (3) Kun Tai Han was appointed as an outside director at the annual general meeting of shareholders held on March 11, 2016.

### B. Committees of the board of directors

As of December 31, 2015, we have the following committees that serve under our board of directors: Audit Committee, Outside Director Nomination Committee and Management Committee.

|                                       |   |   | (As of December 31, 2015) |
|---------------------------------------|---|---|---------------------------|
| Committee                             | Composition                                     | Member  |                           |
| Audit Committee                       | 3 outside directors                             | Joon Park, Jin Jang, Sung-Sik Hwang <sup>(1)</sup>              |                           |
| Outside Director Nomination Committee | 1 non-standing director and 2 outside directors | Yu Sig Kang, Jin Jang <sup>(2)</sup> , Joon Park <sup>(2)</sup> |                           |
| Management Committee                  | 2 non-outside directors                         | Sang Beom Han, Sangdon Kim                                      |                           |

- (1) Sung-Sik Hwang was appointed as a member of the audit committee of the board of directors by the courts on January 22, 2015. Mr. Hwang was reappointed for a full term at the annual general meeting of shareholders held on March 13, 2015.
- (2) Jin Jang and Joon Park were appointed as members of the outside director nomination committee of the board of directors by the board of directors on January 27, 2015.  
Tae Sik Ahn stepped down as a member of the audit committee and the outside director nomination committee of the board of directors on January 15, 2015 before the end of his term.

As of the date of this report, we have the following committees that serve under our board of directors: Audit Committee, Outside Director Nomination Committee and Management Committee.

|                                       |   |  | (As of the date of this report) |
|---------------------------------------|---|--|---------------------------------|
| Committee                             | Composition                                     | Member   |                                 |
| Audit Committee                       | 3 outside directors                             | Joon Park <sup>(1)</sup> , Jin Jang, Sung-Sik Hwang  |                                 |
| Outside Director Nomination Committee | 1 non-standing director and 2 outside directors | Yu Sig Kang, Jin Jang, Sung-Sik Hwang <sup>(2)</sup> |                                 |
| Management Committee                  | 2 non-outside directors                         | Sang Beom Han, Sangdon Kim                           |                                 |

- (1) Joon Park was reappointed for another term as a member of the audit committee of the board of directors at the annual general meeting of shareholders held on March 11, 2016
- (2) Sung-Sik Hwang was appointed as a member of the outside director nomination committee of the board of directors by the board of directors on January 26, 2016.

### C. Independence of directors

Directors are appointed in accordance with the procedures of the Commercial Act and other relevant laws and regulations. Following Dongil Kwon's stepping down from his role as an outside director on September 25, 2015, three out of the six directors that comprised the board as of the end of the reporting period were outside directors. As of the date of this report, our board of directors is independent as four out of the seven directors that comprise the board are outside directors. Outside directors candidates are nominated for appointment at a shareholders' meeting after undergoing rigorous review by the Outside Director Nomination Committee.

All of our current outside directors were nominated by the Outside Director Nomination Committee, and all of our current non-outside directors were nominated by the board of directors.

**16. Information Regarding Shares**

A. Total number of shares

- (1) Total number of shares authorized to be issued (as of December 31, 2015): 500,000,000 shares.
- (2) Total shares issued and outstanding (as of December 31, 2015): 357,815,700 shares.

B. Shareholder list

- (1) Largest shareholder and related parties as of December 31, 2015:

| Name                         | Relationship        | Number of shares of common stock | Equity interest |
|------------------------------|---------------------|----------------------------------|-----------------|
| LG Electronics               | Largest Shareholder | 135,625,000                      | 37.9%           |
| Sang Beom Han <sup>(1)</sup> | Related Party       | 13,014                           | 0.0%            |
| Sangdon Kim <sup>(1)</sup>   | Related Party       | 1,500                            | 0.0%            |

(1) As a result of acquisitions of additional shares in March 2016, Sang Beom Han and Sangdon Kim owned 23,014 shares and 2,500 shares of our common stock, respectively, as of the date of this report.

(2) Shareholders who are known to us to own 5% or more of our shares as of December 31, 2015:

| Beneficial owner                  | Number of shares of common stock | Equity interest |
|-----------------------------------|----------------------------------|-----------------|
| LG Electronics                    | 135,625,000                      | 37.9%           |
| National Pension Service          | 30,051,473                       | 8.40%           |
| The Capital Group Companies, Inc. | 18,211,000                       | 5.09%           |

## 17. Directors and Employees

### A. Directors

(1) Remuneration for directors in 2015

| Classification  | No. of directors <sup>(1)</sup> | (Unit: person, in millions of Won) |   |
|---|---------------------------------|------------------------------------|---|
|   |                                 | Amount paid <sup>(2)</sup>         | Per capita average remuneration paid <sup>(4)</sup> |
| Non-outside directors                                 | 3                               | 2,611 <sup>(3)</sup>               | 870   |
| Outside directors who are not audit committee members | 0                               | 57                                 | 57  |
| Outside directors who are audit committee members     | 3                               | 234                                | 78  |
| Total   | 6                               | 2,902                              |   |

(1) Number of directors as at December 31, 2015. Dongil Kwon stepped down as an outside director on September 25, 2015 before the end of his term.

(2) Amount paid is calculated on the basis of amount of cash actually paid.

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

(4) Per capita average remuneration paid is calculated by dividing total amount paid by the average number of directors for the year ended December 31, 2015.

(2) Remuneration for individual directors and audit committee members

Individual amount of remuneration paid in 2015

(Unit: in millions of Won)

| Name          | Position  | Total remuneration | Payment not included in total remuneration |
|---------------|-----------|--------------------|--|
| Sang Beom Han | President | 2,017              |  |
| Sangdon Kim   | Director  | 594                |  |



Method of calculation

|               |  |
|---------------|--|
| Name          | Method of calculation  |
| Sang Beom Han | <p><u>Total remuneration</u></p> <p>2,017 million (consisting of 1,177 million in salary and 840 million in bonus).</p> <p><u>Salary</u></p> <p>Annual salary is set in accordance with the executive compensation regulations established by the board of directors.</p> <p>Annual salary is equally divided and paid on a monthly basis.</p> <p><u>Bonus</u></p> <p>Bonus is awarded by the board of directors based on performance and evaluation standards derived from the special bonus provisions of the executive compensation regulations.</p> <p>Bonus in the range of 0 to 150% of annual salary may be awarded by evaluating the previous year's performance through certain financial indicators, such as revenue and operating profit, and non-financial indicators, such as meeting our medium- to long-term expectations, leadership and other contributions.</p> <p style="padding-left: 40px;">Financial indicators: For the year ended December 31, 2014, revenue was 26,456 billion and operating profit was 1,357 billion, which was a 17% improvement compared to the previous year's operating profit.</p> <p style="padding-left: 40px;">Non-financial indicators: We maintained industry-leading technology through the continual release of differentiated technologies and products while improving profit margins and market position and Mr. Han showed leadership in leading us.</p> |
| Sangdon Kim   | <p><u>Total remuneration</u></p> <p>594 million (consisting of 393 million in salary and 201 million in bonus).</p> <p><u>Salary</u></p> <p>Annual salary is set in accordance with the executive compensation regulations established by the board of directors.</p> <p>Annual salary is equally divided and paid on a monthly basis.</p> <p><u>Bonus</u></p> <p>Bonus is awarded by the board of directors based on performance and evaluation standards derived from the special bonus provisions of the executive compensation regulations.</p> <p>Bonus in the range of 0 to 150% of annual salary may be awarded by evaluating the previous year's performance through certain financial indicators, such as revenue and operating profit, and non-financial indicators, such as meeting our medium- to long-term expectations, leadership and other contributions.</p> <p style="padding-left: 40px;">Financial indicators: For the year ended December 31, 2014, revenue was 26,456 billion and operating profit was 1,357 billion, which was a 17%</p>  |

improvement compared to the previous year's operating profit.

Non-financial indicators: As chief financial officer, Mr. Kim actively endeavored to firmly establish a companywide risk management system and optimize our performance management system, while driving advances in our core processes and infrastructure.

(3) Stock options  
Not applicable.

### B. Employees

As of December 31, 2015, we had 32,603 employees (excluding our executive officers). On average, our male employees have served 7.9 years and our female employees have served 6.0 years. The total amount of salary paid to our employees for the year ended December 31, 2015 based on income tax statements submitted to the Korean tax authority in accordance with Article 20 of the Income Tax Act was 1,708,126 million for our male employees and 447,674 million for our female employees. The following table provides details of our employees as of December 31, 2015:

|              | Number<br>of<br>employees <sup>(1)</sup> | Total salary in 2015 <sup>(2) (3) (4)</sup> | Total salary<br>per<br>capita <sup>(5)</sup> | Average years of<br>service |
|--------------|--|---|--|-----------------------------|
| Male         | 23,711                                   | 1,708,126                                   | 72   | 7.9                         |
| Female       | 8,892                                    | 447,674                                     | 50   | 6.0                         |
| <b>Total</b> | <b>32,603</b>                            | <b>2,155,800</b>                            | <b>66</b>                                    | <b>7.4</b>                  |

- (Unit: person, in millions of Won, year)
- (1) Includes part-time employees and contract-base professionals.
  - (2) Welfare benefits and retirement expenses have been excluded. Total welfare benefit provided to our employees for the year ended December 31, 2015 was 364,420 million and the per capita welfare benefit provided was 11.2 million.
  - (3) Based on income tax statements, which are submitted to the Korean tax authority in accordance with Article 20 of the Income Tax Act.
  - (4) Includes incentive payments to employees who have transferred from our affiliated companies.
  - (5) Calculated using the average number of employees (male: 23,626, female: 8,908) for the year ended December 31, 2015.

LG DISPLAY CO., LTD. AND SUBSIDIARIES

Consolidated Financial Statements

**For the Years Ended December 31, 2015 and  
2014**

(With Independent Auditors' Report Thereon)

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**Independent Auditors Report**

Based on a report originally issued in Korean

To the Board of Directors and Shareholders

LG Display Co., Ltd.:

We have audited the accompanying consolidated financial statements of LG Display Co., Ltd. and its subsidiaries (the Group ) which comprise the consolidated statements of financial position of the Group as of December 31, 2015 and 2014, the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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

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

***Auditors Responsibility***

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

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

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

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2015 and 2014, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with K-IFRS.

***Emphasis of Matter***

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

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

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

/s/ KPMG Samjong Accounting Corp.  
Seoul, Korea  
February 19, 2016

This report is effective as of February 19, 2016, 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.



## LG DISPLAY CO., LTD. AND SUBSIDIARIES

**Consolidated Statements of Financial Position**

As of December 31, 2015 and 2014

| <i>(In millions of won)</i>               | Note          | December<br>31,<br>2015 | December<br>31,<br>2014 |
|---|---------------|-------------------------|-------------------------|
| <b>Assets</b>                             |               |                         |                         |
| Cash and cash equivalents                 | 6, 13         | 751,662                 | 889,839                 |
| Deposits in banks                         | 6, 13         | 1,772,337               | 1,526,482               |
| Trade accounts and notes receivable, net  | 7, 13, 19, 22 | 4,097,836               | 3,444,477               |
| Other accounts receivable, net            | 7, 13         | 105,815                 | 119,478                 |
| Other current financial assets            | 9, 13         | 4,904                   | 3,250                   |
| Inventories                               | 8             | 2,351,669               | 2,754,098               |
| Prepaid income taxes                      |               | 3,469                   | 6,340                   |
| Other current assets                      | 7             | 443,942                 | 496,665                 |
| <b>Total current assets</b>               |               | 9,531,634               | 9,240,629               |
| Deposits in banks                         | 6,13          | 13                      | 8,427                   |
| Investments in equity accounted investees | 10            | 384,755                 | 407,644                 |
| Other non-current financial assets        | 9,13          | 49,732                  | 33,611                  |
| Property, plant and equipment, net        | 11,23         | 10,546,020              | 11,402,866              |
| Intangible assets, net                    | 12,23         | 838,730                 | 576,670                 |
| Deferred tax assets                       | 29            | 930,629                 | 1,036,507               |
| Other non-current assets                  | 7             | 295,647                 | 260,669                 |
| <b>Total non-current assets</b>           |               | 13,045,526              | 13,726,394              |
| <b>Total assets</b>                       |               | 22,577,160              | 22,967,023              |
| <b>Liabilities</b>                        |               |                         |                         |
| Trade accounts and notes payable          | 13, 22        | 2,764,694               | 3,391,635               |
| Current financial liabilities             | 13, 14        | 1,416,112               | 967,909                 |
| Other accounts payable                    | 13            | 1,499,722               | 1,508,158               |
| Accrued expenses                          |               | 633,113                 | 740,492                 |
| Income tax payable                        |               | 91,726                  | 227,714                 |
| Provisions                                | 18            | 109,897                 | 193,884                 |
| Advances received                         |               | 51,127                  | 488,379                 |
| Other current liabilities                 | 18            | 40,321                  | 31,385                  |
| <b>Total current liabilities</b>          |               | 6,606,712               | 7,549,556               |
| Non-current financial liabilities         | 13, 14        | 2,808,204               | 3,279,477               |
| Non-current provisions                    | 18            | 11,817                  | 8,014                   |
| Defined benefit liabilities, net          | 17            | 353,798                 | 324,180                 |
| Deferred tax liabilities                  | 29            | 34,663                  | 245                     |

|   |    |                   |                   |
|---|----|-------------------|-------------------|
| Other non-current liabilities   | 18 | 57,010            | 22,141            |
| <b>Total non-current liabilities</b>                                  |    | <b>3,265,492</b>  | <b>3,634,057</b>  |
| <b>Total liabilities</b>  |    | <b>9,872,204</b>  | <b>11,183,613</b> |
| <b>Equity</b>   |    |                   |                   |
| Share capital   | 21 | 1,789,079         | 1,789,079         |
| Share premium   |    | 2,251,113         | 2,251,113         |
| Reserves  | 21 | (5,766)           | (63,843)          |
| Retained earnings   |    | 8,158,526         | 7,455,063         |
| <b>Total equity attributable to owners of the Controlling Company</b> |    | <b>12,192,952</b> | <b>11,431,412</b> |
| <b>Non-controlling interests</b>                                      |    | <b>512,004</b>    | <b>351,998</b>    |
| <b>Total equity</b>   |    | <b>12,704,956</b> | <b>11,783,410</b> |
| <b>Total liabilities and equity</b>                                   |    | <b>22,577,160</b> | <b>22,967,023</b> |

*See accompanying notes to the consolidated financial statements.*

## LG DISPLAY CO., LTD. AND SUBSIDIARIES

**Consolidated Statements of Comprehensive Income**

For the years ended December 31, 2015 and 2014

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

|   | <b>Note</b> | <b>2015</b>      | <b>2014</b>      |
|---|-------------|------------------|------------------|
| Revenue   | 22, 23, 24  | 28,383,884       | 26,455,529       |
| Cost of sales   | 8, 22       | (24,069,572)     | (22,667,134)     |
| <b>Gross profit</b>   |             | <b>4,314,312</b> | <b>3,788,395</b> |
| Selling expenses  | 16          | (878,300)        | (746,686)        |
| Administrative expenses   | 16          | (592,517)        | (520,160)        |
| Research and development expenses                               |             | (1,217,929)      | (1,164,294)      |
| <b>Operating profit</b>   |             | <b>1,625,566</b> | <b>1,357,255</b> |
| Finance income  | 27          | 158,829          | 105,443          |
| Finance costs   | 27          | (316,229)        | (215,536)        |
| Other non-operating income                                      | 25          | 1,273,833        | 1,071,903        |
| Other non-operating expenses                                    | 25          | (1,326,782)      | (1,095,071)      |
| Equity in income of equity accounted investees, net             |             | 18,765           | 17,963           |
| <b>Profit before income tax</b>                                 |             | <b>1,433,982</b> | <b>1,241,957</b> |
| Income tax expense  | 28          | (410,526)        | (324,553)        |
| <b>Profit for the year</b>                                      |             | <b>1,023,456</b> | <b>917,404</b>   |
| <b>Other comprehensive income (loss)</b>                        |             |                  |                  |
| <b>Items that will never be reclassified to profit or loss</b>  |             |                  |                  |
| Remeasurements of net defined benefit liabilities               | 17,28       | (110,864)        | (147,633)        |
| Related income tax  | 17,28       | 26,682           | 35,773           |
|   |             | (84,182)         | (111,860)        |
| <b>Items that are or may be reclassified to profit or loss</b>  |             |                  |                  |
| Net change in fair value of available-for-sale financial assets | 27,28       | 13,297           | 982              |
| Foreign currency translation differences for foreign operations | 27,28       | 50,829           | 37,739           |
| Share of loss from sale of treasury stocks by associates        | 28          | (325)            | (1,360)          |
| Related income tax  | 28          | 214              | (119)            |
|   |             | 64,015           | 37,242           |
| <b>Other comprehensive loss for the year, net of income tax</b> |             | <b>(20,167)</b>  | <b>(74,618)</b>  |
| <b>Total comprehensive income for the year</b>                  |             | <b>1,003,289</b> | <b>842,786</b>   |

|  |    |                  |                |
|--|----|------------------|----------------|
| <b>Profit attributable to:</b>                     |    |                  |                |
| Owners of the Controlling Company                  |    | 966,553          | 904,268        |
| Non-controlling interests                          |    | 56,903           | 13,136         |
| <b>Profit for the year</b>                         |    | <b>1,023,456</b> | <b>917,404</b> |
| <b>Total comprehensive income attributable to:</b> |    |                  |                |
| Owners of the Controlling Company                  |    | 940,448          | 820,239        |
| Non-controlling interests                          |    | 62,841           | 22,547         |
| <b>Total comprehensive income for the year</b>     |    | <b>1,003,289</b> | <b>842,786</b> |
| <b>Earnings per share (In won)</b>                 |    |                  |                |
| Basic earnings per share                           | 30 | 2,701            | 2,527          |
| Diluted earnings per share                         | 30 | 2,701            | 2,527          |

*See accompanying notes to the consolidated financial statements.*

## LG DISPLAY CO., LTD. AND SUBSIDIARIES

**Consolidated Statements of Changes in Equity**

For the years ended December 31, 2015 and 2014

| <i>(In millions of won)</i>   | <b>Attributable to owners of the Controlling Company</b> |                      |                                      |                           |                            |                          |                                  | <b>Total equity</b> |
|---|--|----------------------|--------------------------------------|---------------------------|----------------------------|--------------------------|----------------------------------|---------------------|
|   | <b>Share capital</b>                                     | <b>Share premium</b> | <b>treasury stocks by associates</b> | <b>fair value reserve</b> | <b>translation reserve</b> | <b>Retained earnings</b> | <b>Non-controlling interests</b> |                     |
| <b>Balances at January 1, 2014</b>  | 1,789,079  | 2,251,113            | (254)                                | 572                       | (91,992)                   | 6,662,655                | 186,247                          | 10,797,420          |
| <b>Total comprehensive income for the year</b>                              |  |                      |                                      |                           |                            | 904,268                  | 13,136                           | 917,404             |
| <b>Profit for the year</b>  |  |                      |                                      |                           |                            | 904,268                  | 13,136                           | 917,404             |
| <b>Other comprehensive income (loss)</b>                                    |  |                      |                                      |                           |                            |                          |                                  |                     |
| Net change in fair value of available-for-sale financial assets, net of tax |  |                      |                                      | 796                       |                            |                          |                                  | 796                 |
| Foreign currency translation differences for foreign operations, net of tax |  |                      |                                      |                           | 28,395                     |                          | 9,411                            | 37,806              |
| Remeasurements of net defined benefit liabilities, net of tax               |  |                      |                                      |                           |                            | (111,860)                |                                  | (111,860)           |
| Share of loss from sale of treasury stocks by associates, net of tax        |  |                      | (1,360)                              |                           |                            |                          |                                  | (1,360)             |
| <b>Total other comprehensive income (loss)</b>                              |  |                      | (1,360)                              | 796                       | 28,395                     | (111,860)                | 9,411                            | (74,618)            |

|   |           |           |         |         |          |           |           |            |
|---|-----------|-----------|---------|---------|----------|-----------|-----------|------------|
| Total comprehensive income (loss) for the year                              | (1,360)   | 796       | 28,395  | 792,408 | 22,547   | 842,786   |           |            |
| <b>Transaction with owners, recognized directly in equity</b>               |           |           |         |         |          |           |           |            |
| Decrease of share interest in non-controlling interests                     |           |           |         |         | (2,955)  | (2,955)   |           |            |
| Capital contribution from non-controlling interests                         |           |           |         |         | 146,159  | 146,159   |           |            |
| <b>Balances at December 31, 2014</b>  | 1,789,079 | 2,251,113 | (1,614) | 1,368   | (63,597) | 7,455,063 | 351,998   | 11,783,410 |
| <b>Balances at January 1, 2015</b>  | 1,789,079 | 2,251,113 | (1,614) | 1,368   | (63,597) | 7,455,063 | 351,998   | 11,783,410 |
| <b>Total comprehensive income (loss) for the year</b>                       |           |           |         |         |          |           |           |            |
| Profit for the year   |           |           |         |         | 966,553  | 56,903    | 1,023,456 |            |
| <b>Other comprehensive income (loss)</b>                                    |           |           |         |         |          |           |           |            |
| Net change in fair value of available-for-sale financial assets, net of tax |           |           |         | 13,367  |          |           |           | 13,367     |
| Foreign currency translation differences for foreign operations, net of tax |           |           |         |         | 45,035   | 5,938     | 50,973    |            |
| Remeasurements of net defined benefit liabilities, net of tax               |           |           |         |         |          | (84,182)  | (84,182)  |            |
| Share of loss from sale of treasury   |           |           | (325)   |         |          |           |           | (325)      |

stocks by  
associates, net of  
tax

|   |       |        |        |          |       |          |
|---|-------|--------|--------|----------|-------|----------|
| Total other comprehensive income (loss) | (325) | 13,367 | 45,035 | (84,182) | 5,938 | (20,167) |
|---|-------|--------|--------|----------|-------|----------|

|  |       |        |        |         |        |           |
|--|-------|--------|--------|---------|--------|-----------|
| Total comprehensive income (loss) for the year | (325) | 13,367 | 45,035 | 882,371 | 62,841 | 1,003,289 |
|--|-------|--------|--------|---------|--------|-----------|

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

|                             |  |  |  |           |         |           |
|-----------------------------|--|--|--|-----------|---------|-----------|
| Dividends to equity holders |  |  |  | (178,908) | (5,743) | (184,651) |
|-----------------------------|--|--|--|-----------|---------|-----------|

|   |  |  |  |  |         |         |
|---|--|--|--|--|---------|---------|
| Capital contribution from non-controlling interests |  |  |  |  | 102,908 | 102,908 |
|---|--|--|--|--|---------|---------|

**Balances at December 31, 2015**

|  |           |           |         |        |          |           |         |            |
|--|-----------|-----------|---------|--------|----------|-----------|---------|------------|
|  | 1,789,079 | 2,251,113 | (1,939) | 14,735 | (18,562) | 8,158,526 | 512,004 | 12,704,956 |
|--|-----------|-----------|---------|--------|----------|-----------|---------|------------|

*See accompanying notes to the consolidated financial statements.*

## LG DISPLAY CO., LTD. AND SUBSIDIARIES

**Consolidated Statements of Cash Flows**

For the years ended December 31, 2015 and 2014

| <i>(In millions of won)</i>                                | <b>Note</b> | <b>2015</b> | <b>2014</b> |
|--|-------------|-------------|-------------|
| <b>Cash flows from operating activities:</b>               |             |             |             |
| Profit for the year  |             | 1,023,456   | 917,404     |
| <b>Adjustments for:</b>                                    |             |             |             |
| Income tax expense   | 28          | 410,526     | 324,553     |
| Depreciation   | 11, 15      | 2,969,394   | 3,222,085   |
| Amortization of intangible assets                          | 12, 15      | 406,462     | 270,226     |
| Gain on foreign currency translation                       |             | (73,057)    | (63,626)    |
| Loss on foreign currency translation                       |             | 80,084      | 89,453      |
| Expenses related to defined benefit plans                  | 17, 26      | 199,033     | 196,756     |
| Gain on disposal of property, plant and equipment          |             | (18,179)    | (8,989)     |
| Loss on disposal of property, plant and equipment          |             | 4,037       | 2,173       |
| Impairment loss on property, plant and equipment           |             | 3,027       | 8,097       |
| Loss on disposal of intangible assets                      |             | 29          | 672         |
| Impairment loss on intangible assets                       |             | 239         | 492         |
| Reversal of impairment loss on intangible assets           |             | (80)        |             |
| Finance income   |             | (81,572)    | (55,655)    |
| Finance costs  |             | 222,699     | 148,129     |
| Equity in income of equity method accounted investees, net | 10          | (18,765)    | (17,963)    |
| Other income   |             | (12,454)    | (14,508)    |
| Other expenses   |             | 269,995     | 277,128     |
|  |             | 4,361,418   | 4,379,023   |
| Change in trade accounts and notes receivable              |             | (1,060,718) | (921,433)   |
| Change in other accounts receivable                        |             | 38,411      | (14,195)    |
| Change in other current assets                             |             | 87,130      | (219,599)   |
| Change in inventories                                      |             | 404,862     | (823,497)   |
| Change in other non-current assets                         |             | (78,859)    | (93,987)    |
| Change in trade accounts and notes payable                 |             | (670,565)   | 390,046     |
| Change in other accounts payable                           |             | (459,730)   | (229,679)   |
| Change in accrued expenses                                 |             | (66,071)    | 245,373     |
| Change in other current liabilities                        |             | 14,015      | (18,242)    |
| Change in other non-current liabilities                    |             | 48,240      | 18,248      |
| Change in provisions                                       |             | (143,228)   | (187,021)   |
| Change in defined benefit liabilities, net                 |             | (279,672)   | (339,482)   |
|  |             | (2,166,185) | (2,193,468) |
| Cash generated from operating activities                   |             | 3,218,689   | 3,102,959   |
| Income taxes paid  |             | (414,007)   | (110,720)   |
| Interests received   |             | 58,860      | 39,452      |



|  |                  |                  |
|--|------------------|------------------|
| Interests paid                                   | (136,965)        | (167,170)        |
| <b>Net cash provided by operating activities</b> | <b>2,726,577</b> | <b>2,864,521</b> |

*See accompanying notes to the consolidated financial statements.*

## LG DISPLAY CO., LTD. AND SUBSIDIARIES

**Consolidated Statements of Cash Flows, Continued**

For the years ended December 31, 2015 and 2014

| <i>(In millions of won)</i>  | <b>Note</b> | <b>2015</b>        | <b>2014</b>        |
|--|-------------|--------------------|--------------------|
| <b>Cash flows from investing activities:</b>                           |             |                    |                    |
| Dividends received   |             | 25,577             | 1,340              |
| Proceeds from withdrawal of deposits in banks                          |             | 2,306,672          | 1,651,176          |
| Increase in deposits in banks  |             | (2,544,114)        | (1,884,533)        |
| Acquisition of investments in equity accounted investees               |             | (30,647)           | (324)              |
| Proceeds from disposal of investments in equity accounted investees    |             | 7,263              | 8,832              |
| Acquisition of property, plant and equipment                           |             | (2,364,988)        | (2,982,549)        |
| Proceeds from disposal of property, plant and equipment                |             | 447,320            | 39,647             |
| Acquisition of intangible assets                                       |             | (294,638)          | (353,298)          |
| Proceeds from disposal of intangible assets                            |             | 1,135              |                    |
| Government grants received   |             | 5,017              | 49,424             |
| Proceeds from collection of short-term loans                           |             |                    | 8                  |
| Proceeds from settlement of derivatives                                |             | (35)               |                    |
| Increase in long-term loans  |             | (16,516)           |                    |
| Proceeds from disposal of other financial assets                       |             | 2,263              | 82                 |
| Acquisition of other non-current financial assets                      |             | (6,145)            | (5,129)            |
| Proceeds from disposal of other non-current financial assets           |             |                    | 15,500             |
| Net cash inflow from disposal of subsidiaries, net of cash transferred |             |                    | 8,545              |
| Acquisition of businesses, net of cash acquired                        |             | (270,093)          |                    |
| <b>Net cash used in investing activities</b>                           |             | <b>(2,731,929)</b> | <b>(3,451,279)</b> |
| <b>Cash flows from financing activities:</b>                           |             |                    |                    |
| Proceeds from short-term borrowings                                    |             |                    | 219,839            |
| Repayments of short-term borrowings                                    |             | (223,626)          | (14,747)           |
| Proceeds from issuance of debentures                                   |             | 298,778            | 597,563            |
| Proceeds from long-term debt   |             | 901,451            | 846,759            |
| Repayments of long-term debt   |             | (324,570)          | (503,618)          |
| Repayments of current portion of long-term debt and debentures         |             | (744,788)          | (887,296)          |
| Decrease in non-controlling interests                                  |             | (5,743)            |                    |
| Increase in non-controlling interests                                  |             | 102,908            | 146,159            |
| Dividends paid   |             | (178,908)          |                    |
| <b>Net cash provided by (used in) financing activities</b>             |             | <b>(174,498)</b>   | <b>404,659</b>     |
| <b>Net decrease in cash and cash equivalents</b>                       |             | <b>(179,850)</b>   | <b>(182,099)</b>   |
| Cash and cash equivalents at January 1                                 |             | 889,839            | 1,021,870          |
| Effect of exchange rate fluctuations on cash held                      |             | 41,673             | 50,068             |

|   |         |         |
|---|---------|---------|
| <b>Cash and cash equivalents at December 31</b> | 751,662 | 889,839 |
|---|---------|---------|

*See accompanying notes to the consolidated financial statements.*

1. Reporting Entity

(a) Description of the Controlling Company

LG Display Co., Ltd. (the Controlling Company) was incorporated in February 1985 under its original name of LG Soft, Ltd. as a wholly owned subsidiary of LG Electronics Inc. In 1998, LG Electronics Inc. and LG Semicon Co., Ltd. transferred their respective Thin Film Transistor Liquid Crystal Display ( TFT-LCD ) related business to the Controlling Company. The main business of the Controlling Company and its subsidiaries is to manufacture and sell TFT-LCD panels. The Controlling Company is a stock company ( Jusikhoesa ) domiciled in the Republic of Korea with its address at 128, Yeouidae-ro, Yeongdeungpo-gu, Seoul, the Republic of Korea. In July 1999, LG Electronics Inc. and Koninklijke Philips Electronics N.V. ( Philips ) entered into a joint venture agreement. Pursuant to the agreement, the Controlling Company changed its name to LG.Philips LCD Co., Ltd. However, in February 2008, the Controlling Company changed its name to LG Display Co., Ltd. considering the decrease of Philips' s share interest in the Controlling Company and the possibility of its business expansion to other display products including Organic Light Emitting Diode ( OLED ) and Flexible Display products. As of December 31, 2015, LG Electronics Inc. owns 37.9% (135,625,000 shares) of the Controlling Company' s common stock.

As of December 31, 2015, the Controlling Company has TFT-LCD manufacturing plants, an OLED manufacturing plant and a Research & Development Center in Paju and TFT-LCD manufacturing plants in Gumi. The Controlling Company has overseas subsidiaries located in North America, Europe and Asia.

The Controlling Company' s common stock is listed on the Korea Exchange under the identifying code 034220. As of December 31, 2015, there are 357,815,700 shares of common stock outstanding. The Controlling Company' s common stock is also listed on the New York Stock Exchange in the form of American Depositary Shares ( ADSs ) under the symbol LPL. One ADS represents one-half of one share of common stock. As of December 31, 2015, there are 29,554,854 ADSs outstanding.

1. Reporting Entity, Continued(b) Consolidated Subsidiaries as of December 31, 2015*(In millions)*

| Subsidiaries                            | Location          | Percentage of ownership | Fiscal year |  | Date of incorporation | Business                                | Capital stocks |       |
|---|-------------------|-------------------------|-------------|--|-----------------------|---|----------------|-------|
|   |                   |                         | end         |  |                       |   |                |       |
| LG Display America, Inc.                | San Jose, U.S.A.  | 100%                    | December 31 |  | September 24, 1999    | Sell TFT-LCD products                   | USD            | 411   |
| LG Display Japan Co., Ltd.              | Tokyo, Japan      | 100%                    | December 31 |  | October 12, 1999      | Sell TFT-LCD Products                   | JPY            | 95    |
| LG Display Germany GmbH                 | Ratingen, Germany | 100%                    | December 31 |  | November 5, 1999      | Sell TFT-LCD products                   | EUR            | 1     |
| LG Display Taiwan Co., Ltd.             | Taipei, Taiwan    | 100%                    | December 31 |  | April 12, 1999        | Sell TFT-LCD products                   | NTD            | 116   |
| LG Display Nanjing Co., Ltd. (*2)       | Nanjing, China    | 100%                    | December 31 |  | July 15, 2002         | Manufacture and sell TFT-LCD products   | CNY            | 2,937 |
| LG Display Shanghai Co., Ltd.           | Shanghai, China   | 100%                    | December 31 |  | January 16, 2003      | Sell TFT-LCD products                   | CNY            | 4     |
| LG Display Poland Sp. z o.o. (*3)       | Wroclaw, Poland   | 100%                    | December 31 |  | September 6, 2005     | Manufacture and sell TFT-LCD products   | PLN            | 511   |
| LG Display Guangzhou Co., Ltd.          | Guangzhou, China  | 100%                    | December 31 |  | June 30, 2006         | Manufacture and sell TFT-LCD products   | CNY            | 1,655 |
| LG Display Shenzhen Co., Ltd.           | Shenzhen, China   | 100%                    | December 31 |  | August 28, 2007       | Sell TFT-LCD products                   | CNY            | 4     |
| LG Display Singapore Pte. Ltd.          | Singapore         | 100%                    | December 31 |  | January 12, 2009      | Sell TFT-LCD products                   | SGD            | 1.4   |
| L&T Display Technology (Fujian) Limited | Fujian, China     | 51%                     | December 31 |  | January 5, 2010       | Manufacture LCD module and monitor sets | CNY            | 116   |
| LG Display Yantai Co., Ltd. (*1)        | Yantai, China     | 100%                    | December 31 |  | April 19, 2010        | Manufacture and sell TFT-LCD products   | CNY            | 1,008 |
| LG Display U.S.A., Inc. (*2)            | McAllen, U.S.A.   | 100%                    | December 31 |  | October 26, 2011      | Manufacture TFT-LCD products            | USD            | 0.2   |

1. Reporting Entity, Continued(b) Consolidated Subsidiaries as of December 31, 2015, Continued*(In millions)*

| Subsidiaries                                | Location          | Percentage of ownership | Fiscal year end | Date of incorporation | Business                              | Capital stocks |
|---|-------------------|-------------------------|-----------------|-----------------------|---------------------------------------|----------------|
| Nanumnuri Co., Ltd.                         | Gumi, South Korea | 100%                    | December 31     | March 21, 2012        | Janitorial services                   | KRW 800        |
| LG Display (China) Co., Ltd. (*3)           | Guangzhou, China  | 70%                     | December 31     | December 10, 2012     | Manufacture and sell TFT-LCD products | CNY 8,147      |
| Unified Innovative Technology, LLC          | Wilmington, U.S.A | 100%                    | December 31     | March 12, 2014        | Manage intellectual property          | USD 9          |
| LG Display Guangzhou Trading Co., Ltd. (*4) | Guangzhou, China  | 100%                    | December 31     | April 28, 2015        | Sell TFT-LCD Products                 | CNY 1.2        |
| Global OLED Technology, LLC (*5)            | Herndon, U.S.A.   | 100%                    | December 31     | December 18, 2009     | Manage OLED intellectual property     | USD 138        |

(\*1) In December 2015, the Controlling Company invested in 9,426 million in cash for the capital increase of LG Display Yantai Co., Ltd. ( LGDYT ). There was no change in the Controlling Company's ownership percentage in LGDYT as a result of this additional investment.

(\*2) As of December 31, 2015, LG Display U.S.A., Inc. is in the process of voluntary liquidation and the Controlling Company received 12,125 million in cash as capital distribution from LG Display U.S.A., Inc.. There was no change in the Controlling Company's ownership percentage in LG Display U.S.A., Inc..

(\*3) In January 2015, the Controlling Company invested 134,619 million in cash for the capital increase of LG Display (China) Co., Ltd. ( LGDCA ). In addition, in January and August 2015, LG Display Guangzhou Co., Ltd. ( LGDGZ ), a subsidiary of the Controlling Company, invested an aggregate of 118,936 million in cash for the capital increase of LGDCA. In 2015, the Controlling Company's ownership percentage in LGDCA decreased from 56% to 52% and LGDGZ's ownership percentage in LGDCA increased from 14% to 18%.

(\*4) In April 2015, the Controlling Company established LG Display Guangzhou Trading Co., Ltd. to sell TFT-LCD products. As of December 31, 2015, the Controlling Company has a 100% equity interest of this subsidiary and its capital stock amounts to 218 million.

(\*5) In May 2015, the Controlling Company acquired 67% ownership in Global OLED Technology LLC from LG Electronics Inc., LG Chem Ltd. and Idemitsu Kosan Co., Ltd. and paid 54,025 million, 2,990 million and 54,025 million, respectively, in cash. As a result, the Controlling Company's ownership percentage in Global OLED Technology increased from 33% to 100% in 2015 (Note 32).

1. Reporting Entity, Continued(b) Consolidated Subsidiaries as of December 31, 2015, Continued

In August 2015, L&T Display Technology (Xiamen) Limited, a subsidiary of the Controlling Company, completed liquidation.

531,304 million and 430,534 million, respectively, are attributable to the Controlling Company over the distributed dividends from consolidated subsidiaries for the years ended December 31, 2015 and 2014.

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

(In millions of won)

| Subsidiaries                            | December 31, 2015 |                   |                           | 2015       |                   |
|---|-------------------|-------------------|---------------------------|------------|-------------------|
|   | Total assets      | Total liabilities | Total shareholders equity | Sales      | Net income (loss) |
| LG Display America, Inc.                | 1,530,639         | 1,479,935         | 50,704                    | 11,508,652 | 3,046             |
| LG Display Japan Co., Ltd.              | 174,686           | 154,090           | 20,596                    | 1,590,675  | 1,682             |
| LG Display Germany GmbH                 | 511,703           | 503,726           | 7,977                     | 2,123,368  | 2,459             |
| LG Display Taiwan Co., Ltd.             | 670,674           | 660,241           | 10,433                    | 1,995,216  | 2,483             |
| LG Display Nanjing Co., Ltd.            | 695,623           | 64,864            | 630,759                   | 403,552    | 41,017            |
| LG Display Shanghai Co., Ltd.           | 926,503           | 911,682           | 14,821                    | 1,518,461  | 6,791             |
| LG Display Poland Sp. z o.o.            | 167,491           | 10,117            | 157,374                   | 64,228     | 4,405             |
| LG Display Guangzhou Co., Ltd.          | 1,908,061         | 1,134,064         | 773,997                   | 2,453,655  | 237,369           |
| LG Display Shenzhen Co., Ltd.           | 266,804           | 261,145           | 5,659                     | 1,829,569  | 2,897             |
| LG Display Singapore Pte. Ltd.          | 169,790           | 169,668           | 122                       | 1,111,372  | 1,994             |
| L&T Display Technology (Fujian) Limited | 355,249           | 283,643           | 71,606                    | 1,280,286  | 20,010            |
| LG Display Yantai Co., Ltd.             | 1,441,411         | 1,091,911         | 349,500                   | 2,273,020  | 88,604            |
| LG Display U.S.A., Inc.                 | 333               | 22                | 311                       | 235        | 2,993             |
| Nanumnuri Co., Ltd.                     | 3,199             | 1,834             | 1,365                     | 11,360     | 103               |
| LG Display (China) Co., Ltd.            | 2,678,341         | 1,090,259         | 1,588,082                 | 1,654,680  | 127,654           |
| Unified Innovative Technology, LLC      | 8,447             | 1                 | 8,446                     |            | (1,225)           |
| LG Display Guangzhou Trading Co., Ltd.  | 93,246            | 92,854            | 392                       | 187,630    | 170               |
| Global OLED Technology, LLC             | 89,329            | 5,753             | 83,576                    | 4,882      | (5,017)           |
|   | 11,691,529        | 7,915,809         | 3,775,720                 | 30,010,841 | 537,435           |

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

|  | December 31, 2014 |                      |   | 2014       |                      |
|--|-------------------|----------------------|---|------------|----------------------|
|  | Total<br>assets   | Total<br>liabilities | Total<br>shareholders<br>equity (deficit) | Sales      | Net income<br>(loss) |
| <b>Subsidiaries</b>                        |                   |                      |   |            |                      |
| LG Display America, Inc.                   | 1,867,934         | 1,823,178            | 44,756                                    | 9,019,130  | 3,142                |
| LG Display Japan Co., Ltd.                 | 171,716           | 153,741              | 17,975                                    | 1,608,510  | 1,675                |
| LG Display Germany GmbH                    | 448,851           | 443,062              | 5,789                                     | 2,955,383  | 1,770                |
| LG Display Taiwan Co., Ltd.                | 399,524           | 389,753              | 9,771                                     | 2,195,670  | 2,374                |
| LG Display Nanjing Co., Ltd.               | 709,192           | 82,789               | 626,403                                   | 396,246    | 32,917               |
| LG Display Shanghai Co., Ltd.              | 553,749           | 514,407              | 39,342                                    | 2,372,405  | 5,873                |
| LG Display Poland Sp. z o.o.               | 199,585           | 11,308               | 188,277                                   | 76,023     | 30,293               |
| LG Display Guangzhou Co., Ltd.             | 1,959,569         | 1,092,161            | 867,408                                   | 2,277,400  | 164,663              |
| LG Display Shenzhen Co., Ltd.              | 306,757           | 291,645              | 15,112                                    | 2,056,861  | 1,481                |
| LG Display Singapore Pte. Ltd.             | 251,422           | 250,199              | 1,223                                     | 1,209,181  | 1,947                |
| L&T Display Technology (Xiamen)<br>Limited | 6,531             | 24,617               | (18,086)                                  |            | (335)                |
| L&T Display Technology (Fujian)<br>Limited | 314,948           | 251,941              | 63,007                                    | 1,187,511  | 17,446               |
| LG Display Yantai Co., Ltd.                | 1,346,589         | 1,032,278            | 314,311                                   | 1,049,993  | 76,860               |
| LG Display U.S.A., Inc.                    | 23,191            | 10,117               | 13,074                                    | 131,622    | (3,672)              |
| Nanumnuri Co., Ltd.                        | 2,567             | 1,305                | 1,262                                     | 9,538      | 406                  |
| LG Display (China) Co., Ltd.               | 2,208,485         | 1,123,609            | 1,084,876                                 | 689,102    | 16,511               |
| Unified Innovative Technology, LLC         | 9,118             | 19                   | 9,099                                     |            | (762)                |
|  | 10,779,728        | 7,496,129            | 3,283,599                                 | 27,234,575 | 352,589              |



1. Reporting Entity, Continued

(d) Associates and Joint ventures (Equity Method Investees) as of December 31, 2015

*(In millions of won)*

| Associates and joint ventures                 | Location              | Percentage of ownership |      | Fiscal year end | Date of incorporation | Business  | Carrying amount |
|---|-----------------------|-------------------------|------|-----------------|-----------------------|---|-----------------|
|   |                       | 2015                    | 2014 |                 |                       |   |                 |
| Suzhou Raken Technology Co., Ltd. (*1)        | Suzhou, China         | 51%                     | 51%  | December 31     | October 2008          | Manufacture and sell LCD modules and LCD TV sets                              | 145,731         |
| Paju Electric Glass Co., Ltd.                 | Paju, South Korea     | 40%                     | 40%  | December 31     | January 2005          | Manufacture electric glass for FPDs   | 58,852          |
| TLI Inc. (*2)                                 | Seongnam, South Korea | 10%                     | 10%  | December 31     | October 1998          | Manufacture and sell semiconductor parts                                      | 5,351           |
| AVACO Co., Ltd. (*2)                          | Daegu, South Korea    | 16%                     | 16%  | December 31     | January 2001          | Manufacture and sell equipment for FPDs                                       | 12,758          |
| New Optics Ltd.                               | Yangju, South Korea   | 46%                     | 46%  | December 31     | August 2005           | Manufacture back light parts for TFT-LCDs                                     | 48,491          |
| LIG INVENIA Co, Ltd. (LIG ADP Co., Ltd.) (*2) | Seongnam, South Korea | 13%                     | 13%  | December 31     | January 2001          | Develop and manufacture equipment for FPDs                                    | 1,827           |
| WooRee E&L Co., Ltd.                          | Ansan, South Korea    | 21%                     | 21%  | December 31     | June 2008             | Manufacture LED back light unit packages                                      | 25,021          |
| LB Gemini New Growth Fund No. 16 (*3)         | Seoul, South Korea    | 31%                     | 31%  | December 31     | December 2009         | Invest in small and middle sized companies and benefit from M&A opportunities | 24,268          |
| Can Yang Investments Limited (*2)(*4)         | Hong Kong             | 9%                      | 9%   | December 31     | January 2010          | Develop, manufacture and sell LED   | 7,384           |

|                        |                         |     |     |             |            | parts  |        |
|------------------------|-------------------------|-----|-----|-------------|------------|--|--------|
| YAS Co., Ltd. (*2)(*5) | Paju,<br>South<br>Korea | 19% | 19% | December 31 | April 2002 | Develop and<br>manufacture<br>deposition<br>equipment for<br>OLEDs | 10,607 |

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

| Associates and joint ventures | Location            | Percentage of ownership |      | Fiscal year end | Date of incorporation | Business   | Carrying amount |
|-------------------------------|---------------------|-------------------------|------|-----------------|-----------------------|--|-----------------|
|                               |                     | 2015                    | 2014 |                 |                       |  |                 |
| Narenanotech Corporation      | Yongin, South Korea | 23%                     | 23%  | December 31     | December 1995         | Manufacture and sell FPD manufacturing equipment | 24,661          |
| AVATEC Co., Ltd. (*2)         | Daegu, South Korea  | 16%                     | 16%  | December 31     | August 2000           | Process and sell glass for FPDs                  | 19,804          |
| Fuhu, Inc. (*2)(*6)           | Los Angenes USA     | 10%                     |      | March 31        | June 2008             | Develop and manufacture tablet for kids          |                 |

384,755

- (\*1) Despite its 51% ownership, management concluded that the Controlling Company does not have control of Suzhou Raken Technology Co., Ltd. because the Controlling Company and AmTRAN Technology Co., Ltd., which has a 49% equity interest of the investee, jointly control the board of directors of the investee through equal voting powers. Accordingly, investment in Suzhou Raken Technology Co., Ltd. was accounted as an equity method investment.
- (\*2) Although the Controlling Company's share interests in TLI Inc., AVACO Co., Ltd., LIG INVENIA Co., Ltd., Can Yang Investments Limited, YAS Co., Ltd., AVATEC Co., Ltd., and Fuhu, Inc. are below 20%, the Controlling Company is able to exercise significant influence through its right to appoint a director to the board of directors of each investee and the transactions between the Controlling Company and the investees are significant. Accordingly, the investments in these investees have been accounted for using the equity method.
- (\*3) The Controlling Company is a member of limited partnership in the LB Gemini New Growth Fund No.16 (the Fund). In April, July and August 2015, the Controlling Company received 2,490 million, 2,100 million and 2,175 million, respectively, from the Fund as capital distribution and made an additional cash investment of 360 million in the Fund in March 2015. There was no change in the Controlling Company's ownership percentage in the Fund and the Controlling Company is committed to making future investments of up to an aggregate of 30,000 million.
- (\*4) In 2015, the Controlling Company did not participate in capital contribution for Can Yang Investments Limited. Accordingly, the Controlling Company's ownership percentage in Can Yang Investments Limited decreased from 9.4% as of December 31, 2014 to 8.9% as of December 31, 2015.
- (\*5) In 2015, the number of outstanding common shares of YAS Co., Ltd. was increased due to the execution of its stock option and the Controlling Company's ownership percentage in YAS Co., Ltd. decreased from 19.2% as of December 31, 2014 to 18.5% as of December 31, 2015.
- (\*6) In July 2015, the Controlling Company invested 30,287 million and acquired 500,000 shares of common stock and 1,011,280 shares of preferred stock with voting rights in Fuhu, Inc.. In 2015, the Controlling Company recognized an impairment loss of 26,791 million as finance cost for the difference between the carrying amount and the recoverable amount of investments in Fuhu, Inc.. As of December 31, 2015, the Controlling Company's

ownership percentage in Fuhu, Inc. is 10% and the Controlling Company has the right to appoint a director to the board of directors of the investee.

1. Reporting Entity, Continued

In December 2015, the Controlling Company disposed of the entire investments in Glonix Co., Ltd., had acquired for manufacturing and selling LCD, for 498 million and recognized 487 million for the difference between the disposal amount and the carrying amount as finance income.

2. Basis of Presenting Financial Statements

(a) Statement of Compliance

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

The consolidated financial statements were authorized for issuance by the Board of Directors on January 26, 2016, which will be submitted for approval to the shareholders meeting to be held on March 11, 2016.

(b) Basis of Measurement

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

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

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

(c) Functional and Presentation Currency

The consolidated financial statements are presented in Korean won, which is the Controlling Company's functional currency.

(d) Use of Estimates and Judgments

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

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

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

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

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

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 provisions (note 3.(j), 18 and 20)

Net realizable value of inventories (note 8)

Measurement of defined benefit obligations (note 17)

Deferred tax assets and liabilities (note 29)

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) Business Combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities in accordance with K-IFRS No. 1032 and K-IFRS No. 1039. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

(ii) Subsidiaries

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

(iii) Non-controlling interests

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

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



3. Summary of Significant Accounting Policies, Continued

(a) Consolidation, Continued

(iv) Loss of Control

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

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

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

Investments in associates and joint ventures are initially recognized at cost and subsequently accounted for using the equity method of accounting. The carrying amount of investments in associates and joint ventures is increased or decreased to recognize the Group's share of the profits or losses and changes in the Group's proportionate interest of the investee after the date of acquisition. Distributions received from an investee reduce the carrying amount of the investment.

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

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

(vi) Transactions eliminated on consolidation

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

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### 3. Summary of Significant Accounting Policies, Continued

#### (b) Foreign Currency Transactions and Translation

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

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

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. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated selling expenses. In the case of manufactured inventories and work-in-process, cost includes an appropriate share of production overheads based on the actual capacity of production facilities. However, the normal capacity is used for the allocation of fixed production overheads if the actual level of production is lower than the normal capacity.

#### (d) Financial Instruments

##### (i) Non-derivative financial assets

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

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

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

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

##### Financial assets at fair value through profit or loss

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



3. Summary of Significant Accounting Policies, Continued

(d) Financial Instruments, Continued

(i) Non-derivative financial assets, Continued

Cash and cash equivalents

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

Deposits in banks

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

Loans and receivables

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

Available-for-sale financial assets

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

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

3. Summary of Significant Accounting Policies, Continued

(d) Financial Instruments, Continued

(ii) Non-derivative financial liabilities

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

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

Non-derivative financial liabilities other than financial liabilities classified as FVTPL are classified as other financial liabilities and measured initially at fair value minus transaction costs that are directly attributable to the issuance of financial liabilities. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. As of December 31, 2015, non-derivative financial liabilities comprise borrowings, bonds and others.

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

(iii) Share Capital

The Group only issued common stocks and they are classified as equity. Incremental costs directly attributable to the issuance of common stocks are recognized as a deduction from equity, net of tax effects. Capital contributed in excess of par value upon issuance of common stocks is classified as share premium within equity.

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### 3. Summary of Significant Accounting Policies, Continued

#### (d) Financial Instruments, Continued

##### (iv) Derivative financial instruments, including hedge accounting

Derivatives are initially recognized at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss except in the case where the derivatives are designated as cash flow hedges and the hedge is determined to be an effective hedge.

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

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

##### Cash flow hedges

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

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

3. Summary of Significant Accounting Policies, Continued

(d) Financial Instruments, Continued

(iv) Derivative financial instruments, including hedge accounting, Continued

Embedded derivative

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

(e) Property, Plant and Equipment

(i) Recognition and measurement

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

Estimated useful lives of the assets are as follows:



|                               | <b>Useful lives (years)</b> |
|-------------------------------|-----------------------------|
| Buildings and structures      | 20, 40                      |
| Machinery                     | 4, 5                        |
| Furniture and fixtures        | 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 and any changes are accounted for as changes in accounting estimates. There were no such changes for all periods presented.

3. Summary of Significant Accounting Policies, Continued

(f) Borrowing Costs

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

(g) Government Grants

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

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

A government grant related to the purchase or construction of assets is deducted in calculating the carrying amount of the asset. The grant is recognized in profit or loss over the life of a depreciable asset as a reduced depreciation expense and cash related to grant received is presented in investing activities in the statement of cash flows.

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

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

(iii) Other government grants

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

(h) Intangible Assets

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

(i) Goodwill

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



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.



### 3. Summary of Significant Accounting Policies, Continued

#### (h) Intangible Assets, Continued

##### (v) Amortization

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

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

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

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

#### (i) Impairment

##### (i) Financial assets

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

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



3. Summary of Significant Accounting Policies, Continued

(i) Impairment, Continued

(i) Financial assets, Continued

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

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

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

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

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

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



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### 3. Summary of Significant Accounting Policies, Continued

#### (i) Impairment, Continued

##### (ii) Non-financial assets

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

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

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

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

3. Summary of Significant Accounting Policies, Continued

(j) Provisions

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

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

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

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

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

(k) Employee Benefits

(i) Short-term employee benefits

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

(ii) Other long-term employee benefits

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

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3. Summary of Significant Accounting Policies, Continued

(k) Employee Benefits, Continued

(iii) Defined contribution plan

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

(iv) Defined benefit plan

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

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

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

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

(l) Revenue

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



3. Summary of Significant Accounting Policies, Continued

(m) Operating Segments

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

(n) Finance Income and Finance Costs

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

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

(o) Income Tax

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

(i) Current tax

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

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### 3. Summary of Significant Accounting Policies, Continued

#### (o) Income Tax, Continued

##### (ii) Deferred tax

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

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

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

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

#### (p) Earnings Per Share

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

#### (q) New Standards and Amendments Not Yet Adopted

##### (i) K-IFRS No. 1109, *Financial Instruments*

K-IFRS No. 1109 provides revised guidance on the classification and measurement of financial instruments and replaces incurred loss model with expected credit losses model for calculating impairment on financial assets. K-IFRS No. 1109 also includes new general hedge accounting requirements including hedged items, hedging instruments and

risk being hedged in order to expand applicable risk management strategies being utilized. K-IFRS No. 1109 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. K-IFRS No. 1109 has not been early adopted in preparing the consolidated financial statements.

3. Summary of Significant Accounting Policies, Continued

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

(ii) K-IFRS No. 1115, Revenue from contracts with customers

K-IFRS No. 1115 establishes a single new revenue recognition standard for contracts with customers and introduces a five-step model for determining whether, how much and when revenue is recognized. K-IFRS No. 1115 replaces risk-and-reward based model with control-based model. K-IFRS No. 1115 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. K-IFRS No. 1115 has not been early adopted in preparing the consolidated financial statements.

Management is currently assessing the potential impact on its consolidated financial statements resulting from the application of new standards.

4. Determination of Fair Value

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

(a) Current Assets and Liabilities

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

(b) Trade Receivables and Other Receivables

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

(c) Investments in Equity and Debt Securities

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

(d) Non-derivative Financial Liabilities

Fair value, which is determined for disclosure purposes, except for the liabilities at FVTPL, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.





## 5. Risk Management

### (a) Financial Risk Management

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

#### (i) Credit risk

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

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

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

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

#### (ii) Liquidity risk

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

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

#### (iii) Market risk

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

5. Risk Management, Continued(a) Financial Risk Management, Continued(iv) Currency risk

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

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

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group adopts policies to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

(v) Interest rate risk

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

(b) Capital Management

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

*(In millions of won)*

|                                     | <b>December 31, 2015</b> | <b>December 31, 2014</b> |
|-------------------------------------|--------------------------|--------------------------|
| Total liabilities                   | 9,872,204                | 11,183,613               |
| Total equity                        | 12,704,956               | 11,783,410               |
| Cash and deposits in banks (*1)     | 2,523,999                | 2,416,321                |
| Borrowings (including bonds)        | 4,224,231                | 4,247,386                |
| Total liabilities to equity ratio   | 78%                      | 95%                      |
| Net borrowings to equity ratio (*2) | 13%                      | 16%                      |

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

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



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, 2015 | December 31, 2014 |
|----------------------------------|-------------------|-------------------|
| <b>Current assets</b>            |                   |                   |
| <b>Cash and cash equivalents</b> |                   |                   |
| Demand deposits                  | 751,662           | 889,839           |
| <b>Deposits in banks</b>         |                   |                   |
| Time deposits                    | 1,701,837         | 1,453,677         |
| Restricted cash (*)              | 70,500            | 72,805            |
|                                  | 1,772,337         | 1,526,482         |
| <b>Non-current assets</b>        |                   |                   |
| <b>Deposits in banks</b>         |                   |                   |
| Restricted cash (*)              | 13                | 8,427             |
|                                  | 2,524,012         | 2,424,748         |

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

7. Receivables and Other Current Assets

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

| <i>(In millions of won)</i> | <b>December 31, 2015</b> | <b>December 31, 2014</b> |
|-----------------------------|--------------------------|--------------------------|
| Trade, net                  | 3,008,123                | 2,572,880                |
| Due from related parties    | 1,089,713                | 871,597                  |
|                             | <b>4,097,836</b>         | <b>3,444,477</b>         |

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

| <i>(In millions of won)</i>        | <b>December 31, 2015</b> | <b>December 31, 2014</b> |
|------------------------------------|--------------------------|--------------------------|
| <b>Current assets</b>              |                          |                          |
| Non-trade accounts receivable, net | 89,792                   | 101,027                  |
| Accrued income                     | 16,023                   | 18,451                   |
|                                    | <b>105,815</b>           | <b>119,478</b>           |

Due from related parties included in other accounts receivable, as of December 31, 2015 and 2014 are 2,526 million and 13,694 million, respectively.

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

| <i>(In millions of won)</i> | <b>December 31, 2015</b> | <b>December 31, 2014</b> |
|-----------------------------|--------------------------|--------------------------|
| <b>Current assets</b>       |                          |                          |
| Advance payments            | 11,465                   | 11,960                   |
| Prepaid expenses            | 59,962                   | 48,858                   |
| Value added tax refundable  | 372,515                  | 435,847                  |
|                             | <b>443,942</b>           | <b>496,665</b>           |
| <b>Non-current assets</b>   |                          |                          |
| Long-term prepaid expenses  | 293,847                  | 257,769                  |
| Others                      | 1,800                    | 2,900                    |
|                             | <b>295,647</b>           | <b>260,669</b>           |

8. Inventories

Inventories at the reporting date are as follows:

| <i>(In millions of won)</i> | <b>December 31, 2015</b> | <b>December 31, 2014</b> |
|-----------------------------|--------------------------|--------------------------|
| Finished goods              | 910,844                  | 1,200,592                |
| Work-in-process             | 720,221                  | 745,614                  |
| Raw materials               | 389,442                  | 426,380                  |
| Supplies                    | 331,162                  | 381,512                  |
|                             | <b>2,351,669</b>         | <b>2,754,098</b>         |

For the years ended December 31, 2015 and 2014, the amount of inventories recognized as cost of sales, inventory write-downs and reversal and usage of inventory write-downs included in cost of sales is as follows:

| <i>(In millions of won)</i>                            | <b>2015</b> | <b>2014</b> |
|--|-------------|-------------|
| Inventories recognized as cost of sales                | 24,069,572  | 22,667,134  |
| Including: inventory write-downs                       | 363,755     | 332,699     |
| Including: reversal and usage of inventory write-downs | (332,699)   | (211,363)   |

There were no significant reversals of inventory write-downs recognized during 2015 and 2014.

9. Other Financial Assets

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

| <i>(In millions of won)</i>         | <b>December 31, 2015</b> | <b>December 31, 2014</b> |
|-------------------------------------|--------------------------|--------------------------|
| <b>Current assets</b>               |                          |                          |
| Available-for-sale financial assets | 558                      | 2,569                    |
| Deposits                            | 1,295                    | 681                      |
| Short-term loans                    | 3,051                    |                          |
|                                     | 4,904                    | 3,250                    |
| <b>Non-current assets</b>           |                          |                          |
| Available-for-sale financial assets | 10,840                   | 6,831                    |
| Deposits                            | 20,939                   | 18,291                   |
| Long-term other accounts receivable | 5,148                    | 7,859                    |
| Long-term loans                     | 12,805                   |                          |
|                                     | 49,732                   | 33,611                   |

Other financial assets of related parties as of December 31, 2015 are 2,683 million.

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

| <i>(In millions of won)</i>  | <b>December 31, 2015</b> | <b>December 31, 2014</b> |
|------------------------------|--------------------------|--------------------------|
| <b>Current assets</b>        |                          |                          |
| <b>Debt securities</b>       |                          |                          |
| Government bonds             | 558                      | 2,569                    |
| <b>Non-current assets</b>    |                          |                          |
| <b>Debt securities</b>       |                          |                          |
| Government bonds             | 151                      | 668                      |
| <b>Equity securities</b>     |                          |                          |
| Intellectual Discovery, Ltd. | 2,673                    | 2,673                    |
| Kyulux, Inc.                 | 3,266                    |                          |
| Henghao Technology Co., Ltd. | 3,372                    | 3,372                    |
| ARCH Venture Fund Vill, L.P. | 1,378                    | 118                      |
|                              | 10,689                   | 6,163                    |
|                              | 11,398                   | 9,400                    |



10. Investments in Equity Accounted Investees

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

*(in millions of won)*

| <b>Company</b>                                | <b>Carrying value</b>    |                          |
|---|--------------------------|--------------------------|
|   | <b>December 31, 2015</b> | <b>December 31, 2014</b> |
| Suzhou Raken Technology Co., Ltd.             | 145,731                  | 138,912                  |
| Global OLED Technology LLC                    |                          | 28,733                   |
| Paju Electric Glass Co., Ltd.                 | 58,852                   | 77,162                   |
| TLI Inc. (*)                                  | 5,351                    | 5,400                    |
| AVACO Co., Ltd. (*)                           | 12,758                   | 11,680                   |
| New Optics Ltd.                               | 48,491                   | 41,199                   |
| LIG INVENIA Co., Ltd. (LIG ADP Co., Ltd.) (*) | 1,827                    | 2,094                    |
| WooRee E&L Co. Ltd (*)                        | 25,021                   | 23,111                   |
| LB Gemini New Growth Fund No.16               | 24,268                   | 14,396                   |
| Can Yang Investments Limited                  | 7,384                    | 9,467                    |
| YAS Co., Ltd.                                 | 10,607                   | 11,019                   |
| Narenanotech Corporation                      | 24,661                   | 25,503                   |
| AVATEC Co., Ltd. (*)                          | 19,804                   | 18,773                   |
| Glonix Co., Ltd.                              |                          | 195                      |
|   | <b>384,755</b>           | <b>407,644</b>           |

(\*) Based on quoted market prices at December 31, 2015, the fair values of the investments in TLI Inc., AVACO Co., Ltd., LIG INVENIA Co., Ltd., WooRee E&L Co.Ltd., and AVATEC Co., Ltd., which are listed companies on the Korea Securities Dealers Automated Quotations, are 7,425 million, 12,598 million, 11,520 million, 9,928 million and 17,702 million, respectively.

Dividends received from equity accounted investees for the years ended December 31, 2015 and 2014 amounted to 25,577 million and 1,058 million, respectively.

10. Investments in Equity Accounted Investees, Continued

(b) Summary of financial information as of and for the years ended December 31, 2015 and 2014 of significant joint venture are as follows.

## (i) Summary of financial information

Suzhou Raken Technology Co., Ltd.

| <i>(In millions of won)</i> | <b>December 31, 2015</b> | <b>December 31, 2014</b> |
|-----------------------------|--------------------------|--------------------------|
| <b>Total assets</b>         | 540,241                  | 473,486                  |
| Current assets              | 442,130                  | 373,640                  |
| Non-current assets          | 98,111                   | 99,846                   |
| <b>Total liabilities</b>    | 250,318                  | 199,313                  |
| Current liabilities         | 250,318                  | 199,313                  |

| <i>(In millions of won)</i> | <b>2015</b> | <b>2014</b> |
|-----------------------------|-------------|-------------|
| Revenue                     | 993,298     | 1,177,261   |
| Profit for the year         | 10,682      | 5,452       |
| Other comprehensive income  | 2,533       | 4,321       |
| Total comprehensive income  | 13,215      | 9,773       |

## (ii) Additional financial information

Suzhou Raken Technology Co., Ltd.

| <i>(In millions of won)</i> | <b>December 31, 2015</b> | <b>December 31, 2014</b> |
|-----------------------------|--------------------------|--------------------------|
| Cash and cash equivalents   | 44,376                   | 18,648                   |

| <i>(In millions of won)</i> | <b>2015</b> | <b>2014</b> |
|-----------------------------|-------------|-------------|
| Depreciation                | 7,858       | 9,611       |
| Amortization                | 527         | 531         |
| Interest income             | 1,010       | 4,043       |
| Interest expense            | 17          | 17          |
| Income tax expense          | 3,608       | 2,704       |

10. Investments in Equity Accounted Investees, Continued

(c) Reconciliation from financial information of significant joint ventures to their carrying value in the consolidated financial statements as of December 31, 2015 and 2014 are as follows:

(i) As of December 31, 2015

(In millions of won)

| Company                           | Net asset | Ownership interest | Net asset (applying ownership interest) | Intra-group transaction | Book value |
|-----------------------------------|-----------|--------------------|---|-------------------------|------------|
| Suzhou Raken Technology Co., Ltd. | 289,923   | 51%                | 147,861                                 | (2,130)                 | 145,731    |

(ii) As of December 31, 2014

(In millions of won)

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

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

(i) As of December 31, 2015

(In millions of won)

|  | Book value | Net profit (loss) of joint ventures and associates (applying ownership interest) |                            |                            |
|--|------------|--|----------------------------|----------------------------|
|  |            | Profit (loss) for the year   | Other comprehensive income | Total comprehensive income |
| Individually non-significant joint venture |            | (991)  | 3,948                      | 2,957                      |
| Individually non-significant associates    | 239,024    | 14,229   | 13,329                     | 27,558                     |

(ii) As of December 31, 2014

(In millions of won)

Net profit (loss) of joint ventures and associates (applying ownership interest)

Book value

|   |         | <b>Profit (loss) for<br/>the year</b> | <b>Other<br/>comprehensive<br/>income<br/>(loss)</b> | <b>Total<br/>comprehensive<br/>income<br/>(loss)</b> |
|---|---------|---------------------------------------|--|--|
| Individually non-significant joint<br>venture | 28,733  | (3,461)                               | 1,032  | (2,429)  |
| Individually non-significant<br>associates    | 239,999 | 19,224                                | (10,369)   | 8,855  |

10. Investments in Equity Accounted Investees, Continued

(e) Changes in investments in equity accounted investees for the years ended December 31, 2015 and 2014 are as follows:

(In millions of won)

| Company       |  | January 1 | Acquisition/Dividends<br>Disposal | Dividends<br>received | 2015                    |  |                         | December 31 |
|---------------|--|-----------|-----------------------------------|-----------------------|-------------------------|--|-------------------------|-------------|
|               |  |           |                                   |                       | Equity income<br>(loss) | Other<br>comprehensive<br>income<br>(loss) | Other<br>gain<br>(loss) |             |
| Joint venture | Suzhou Raken<br>Technology Co.,<br>Ltd.          | 138,912   |                                   |                       | 5,527                   | 1,292                                      |                         | 145,731     |
| Associates    | Individually<br>non-significant joint<br>venture | 28,733    | (31,690)                          |                       | (991)                   | 3,948                                      |                         |             |
|               | Individually<br>non-significant<br>associates    | 239,999   | 23,835                            | (25,577)              | 14,229                  | 13,329                                     | (26,791)                | 239,024     |
|               |  | 407,644   | (7,855)                           | (25,577)              | 18,765                  | 18,569                                     | (26,791)                | 384,755     |

(In millions of won)

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

**11. Property, Plant and Equipment**

Changes in property, plant and equipment for the year ended December 31, 2015 are as follows:

*(In millions of won)*

|   | <b>Land</b> | <b>Buildings and structures</b> | <b>Machinery and equipment</b> | <b>Furniture and fixtures</b> | <b>Construction-in-progress (*1)</b> | <b>Others</b> | <b>Total</b> |
|---|-------------|---------------------------------|--------------------------------|-------------------------------|--------------------------------------|---------------|--------------|
| Acquisition cost as of January 1, 2015            | 434,601     | 5,952,542                       | 35,359,577                     | 833,458                       | 1,122,749                            | 236,323       | 43,939,250   |
| Accumulated depreciation as of January 1, 2015    |             | (1,838,043)                     | (29,782,076)                   | (724,340)                     |                                      | (183,744)     | (32,528,203) |
| Accumulated impairment loss as of January 1, 2015 |             |                                 | (8,167)                        | (1)                           |                                      | (13)          | (8,181)      |
| Book value as of January 1, 2015                  | 434,601     | 4,114,499                       | 5,569,334                      | 109,117                       | 1,122,749                            | 52,566        | 11,402,866   |
| Additions   |             |                                 |                                |                               | 2,561,108                            |               | 2,561,108    |
| Business combinations (*2)                        |             |                                 | 24,466                         | 490                           |                                      | 2,054         | 27,010       |
| Depreciation                                      |             | (278,225)                       | (2,618,820)                    | (56,353)                      |                                      | (15,996)      | (2,969,394)  |
| Impairment loss                                   |             |                                 | (3,027)                        |                               |                                      |               | (3,027)      |
| Disposals   | (2,092)     | (5,651)                         | (437,515)                      | (913)                         |                                      | (9,992)       | (456,163)    |
| Others (*3)                                       | 30,210      | 48,824                          | 2,232,756                      | 79,910                        | (2,415,227)                          | 23,527        |              |
| Effect of movements in exchange rates             | 68          | 986                             | (11,673)                       | (688)                         | 316                                  | (372)         | (11,363)     |
| Government grants received                        |             |                                 | (5,017)                        |                               |                                      |               | (5,017)      |
| Book value as of December 31, 2015                | 462,787     | 3,880,433                       | 4,750,504                      | 131,563                       | 1,268,946                            | 51,787        | 10,546,020   |
| Acquisition cost as of December 31, 2015          | 462,787     | 5,998,384                       | 36,450,747                     | 794,894                       | 1,268,946                            | 216,044       | 45,191,802   |
| Accumulated depreciation as of December 31, 2015  |             | (2,117,951)                     | (31,694,483)                   | (663,331)                     |                                      | (164,257)     | (34,640,022) |
|   |             |                                 | (5,760)                        |                               |                                      |               | (5,760)      |

Accumulated  
impairment loss as  
of December 31,  
2015

- (\*1) As of December 31, 2015, construction-in-progress relates to construction of manufacturing facilities.
- (\*2) Business combinations include property, plant and equipment related to OLED Lighting business and Global OLED Technology LLC as the Controlling Company acquired OLED Lighting business from LG Chem Ltd. and made additional investment in Global OLED Technology and its control was transferred.
- (\*3) Others are mainly amounts transferred from construction-in-progress.

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

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

*(In millions of won)*

|   | <b>Land</b> | <b>Buildings and structures</b> | <b>Machinery and equipment</b> | <b>Furniture and fixtures</b> | <b>Construction-in-progress (*1)</b> | <b>Others</b> | <b>Total</b> |
|---|-------------|---------------------------------|--------------------------------|-------------------------------|--------------------------------------|---------------|--------------|
| Acquisition cost as of January 1, 2014            | 438,375     | 5,620,915                       | 31,533,365                     | 785,971                       | 2,745,587                            | 269,320       | 41,393,533   |
| Accumulated depreciation as of January 1, 2014    |             | (1,570,196)                     | (27,108,971)                   | (686,312)                     |                                      | (218,867)     | (29,584,346) |
| Accumulated impairment loss as of January 1, 2014 |             |                                 | (839)                          | (1)                           |                                      | (13)          | (853)        |
| Book value as of January 1, 2014                  | 438,375     | 4,050,719                       | 4,423,555                      | 99,658                        | 2,745,587                            | 50,440        | 11,808,334   |
| Additions   |             |                                 |                                |                               | 2,868,331                            |               | 2,868,331    |
| Depreciation                                      |             | (269,049)                       | (2,878,246)                    | (55,090)                      |                                      | (19,700)      | (3,222,085)  |
| Impairment loss                                   |             |                                 | (8,097)                        |                               |                                      |               | (8,097)      |
| Disposals   | (3,778)     | (9,507)                         | (14,786)                       | (124)                         | (4,414)                              | (222)         | (32,831)     |
| Change due to disposal of a subsidiary            |             |                                 | (3,280)                        | (2,453)                       |                                      | (782)         | (6,515)      |
| Others (*2)                                       | 4           | 336,522                         | 4,052,158                      | 66,809                        | (4,477,903)                          | 22,410        |              |
| Effect of movements in exchange rates             |             | 5,814                           | 47,454                         | 317                           | (8,852)                              | 420           | 45,153       |
| Government grants received                        |             |                                 | (49,424)                       |                               |                                      |               | (49,424)     |
| Book value as of December 31, 2014                | 434,601     | 4,114,499                       | 5,569,334                      | 109,117                       | 1,122,749                            | 52,566        | 11,402,866   |
| Acquisition cost as of December 31, 2014          | 434,601     | 5,952,542                       | 35,359,577                     | 833,458                       | 1,122,749                            | 236,323       | 43,939,250   |
| Accumulated depreciation as of December 31, 2014  |             | (1,838,043)                     | (29,782,076)                   | (724,340)                     |                                      | (183,744)     | (32,528,203) |
| Accumulated impairment loss as                    |             |                                 | (8,167)                        | (1)                           |                                      | (13)          | (8,181)      |



of December 31,  
2014

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

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

The capitalized borrowing costs and capitalization rate for the years ended December 31, 2015 and 2014 are as follows:

*(In millions of won)*

|                             | <b>2015</b> | <b>2014</b> |
|-----------------------------|-------------|-------------|
| Capitalized borrowing costs | 13,696      | 35,771      |
| Capitalization rate         | 3.73%       | 4.23%       |

12. Intangible Assets

Changes in intangible assets for the year ended December 31, 2015 are as follows:

| <i>(in billions of won)</i>                               | Intellectual<br>property<br>rights | Software  | Memberships | Development-<br>costs | Construction-<br>in-progress<br>(software) | Customer<br>relationships | Technology | Goodwill | Others<br>(*3) | Total       |
|---|------------------------------------|-----------|-------------|-----------------------|--|---------------------------|------------|----------|----------------|-------------|
| Acquisition cost as of<br>January 1, 2015                 | 587,068                            | 611,149   | 50,258      | 884,436               | 5,247                                      | 24,011                    | 11,074     | 14,593   | 13,089         | 2,200,9     |
| Accumulated<br>amortization as of<br>January 1, 2015      | (485,641)                          | (463,853) |             | (630,812)             |  | (16,019)                  | (5,171)    |          | (13,017)       | (1,614,9    |
| Accumulated<br>impairment loss as of<br>January 1, 2015   |                                    |           | (9,742)     |                       |  |                           |            |          |                | (9,742)     |
| Book value as of<br>January 1, 2015                       | 101,427                            | 147,296   | 40,516      | 253,624               | 5,247                                      | 7,992                     | 5,903      | 14,593   | 72             | 576,9       |
| Acquisitions - internally<br>developed                    |                                    |           |             | 227,067               |  |                           |            |          |                | 227,067     |
| Acquisitions - external<br>purchases                      | 28,504                             |           | 1,930       |                       | 73,098                                     |                           |            |          |                | 103,532     |
| Acquisitions - business combinations                      | 197,454                            | 144       |             |                       |  | 35,165                    |            | 88,932   |                | 321,685     |
| Amortization (*2)   | (30,780)                           | (77,359)  |             | (293,461)             |  | (3,712)                   | (1,104)    |          | (46)           | (406,462)   |
| Impairment loss   |                                    | (11)      | (1,153)     |                       |  |                           |            |          |                | (1,174)     |
| Reversal of impairment                                    |                                    |           | (239)       |                       |  |                           |            |          |                | (239)       |
| Transfer from<br>construction-in-progress                 |                                    | 75,401    |             |                       | (75,401)                                   |                           |            |          |                |             |
| Effect of movements in<br>exchange rates                  | 4,333                              | 12,161    | 85          |                       | 42   |                           |            | 930      |                | 17,551      |
| Book value as of<br>December 31, 2015                     | 300,938                            | 157,632   | 41,219      | 187,230               | 2,986                                      | 39,445                    | 4,799      | 104,455  | 26             | 838,795     |
| Acquisition cost as of<br>December 31, 2015               | 817,359                            | 698,844   | 51,092      | 1,111,503             | 2,986                                      | 59,176                    | 11,074     | 104,455  | 13,089         | 2,869,484   |
| Accumulated<br>amortization as of<br>December 31, 2015    | (516,421)                          | (541,212) |             | (924,273)             |  | (19,731)                  | (6,275)    |          | (13,063)       | (2,020,972) |
| Accumulated<br>impairment loss as of<br>December 31, 2015 |                                    |           | (9,873)     |                       |  |                           |            |          |                | (9,873)     |



12. Intangible Assets, Continued

- (\*1) Business combinations include intangible assets related to OLED Lighting business and Global OLED Technology LLC as the Controlling Company acquired OLED Lighting business from LG Chem Ltd. and made additional investment in Global OLED Technology and its control was transferred.
- (\*2) The Group has classified the amortization as manufacturing overhead costs, selling expenses, administrative expenses and research and development expenses.
- (\*3) Others mainly consist of rights to use of electricity and gas supply facilities.

12. Intangible Assets, Continued

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

| <i>(millions of won)</i>                                  | <b>Intellectual<br/>property<br/>rights</b> | <b>Software</b> | <b>Memberships</b> | <b>Development-<br/>costs</b> | <b>Construction-<br/>in-progress<br/>(software)</b> | <b>Customer<br/>relationships</b> | <b>Technology</b> | <b>Goodwill</b> | <b>Others<br/>(*2)</b> | <b>Total</b> |
|---|---|-----------------|--------------------|-------------------------------|---|-----------------------------------|-------------------|-----------------|------------------------|--------------|
| Acquisition cost as of<br>January 1, 2014                 | 561,400                                     | 524,759         | 50,258             | 617,355                       | 10,704  | 24,011                            | 11,074            | 14,593          | 13,089                 | 1,827,228    |
| Accumulated<br>amortization as of<br>January 1, 2014      | (467,707)                                   | (398,752)       |                    | (454,112)                     |   | (12,591)                          | (4,065)           |                 | (12,581)               | (1,349,808)  |
| Impairment loss as of<br>January 1, 2014                  |   |                 | (9,250)            |                               |   |                                   |                   |                 |                        | (9,250)      |
| Book value as of<br>January 1, 2014                       | 93,693                                      | 126,007         | 41,008             | 163,243                       | 10,704  | 11,420                            | 7,009             | 14,593          | 508                    | 468,174      |
| Acquisitions - internally<br>developed                    |   |                 |                    | 267,081                       |   |                                   |                   |                 |                        | 267,081      |
| Acquisitions - external<br>purchases                      | 26,160                                      |                 |                    |                               | 84,797  |                                   |                   |                 |                        | 110,957      |
| Amortization (*1)   | (17,754)                                    | (70,802)        |                    | (176,700)                     |   | (3,428)                           | (1,106)           |                 | (436)                  | (270,726)    |
| Impairments   | (672)                                       |                 |                    |                               |   |                                   |                   |                 |                        | (672)        |
| Change due to disposal<br>of subsidiary                   |   | (514)           |                    |                               |   |                                   |                   |                 |                        | (514)        |
| Impairment loss   |   |                 | (492)              |                               |   |                                   |                   |                 |                        | (492)        |
| Transfer from<br>construction-in-progress                 |   | 90,274          |                    |                               | (90,274)  |                                   |                   |                 |                        |              |
| Effect of movements in<br>exchange rates                  |   | 2,331           |                    |                               | 20  |                                   |                   |                 |                        | 2,351        |
| Book value as of<br>December 31, 2014                     | 101,427                                     | 147,296         | 40,516             | 253,624                       | 5,247   | 7,992                             | 5,903             | 14,593          | 72                     | 576,668      |
| Acquisition cost as of<br>December 31, 2014               | 587,068                                     | 611,149         | 50,258             | 884,436                       | 5,247   | 24,011                            | 11,074            | 14,593          | 13,089                 | 2,200,915    |
| Accumulated<br>amortization as of<br>December 31, 2014    | (485,641)                                   | (463,853)       |                    | (630,812)                     |   | (16,019)                          | (5,171)           |                 | (13,017)               | (1,614,513)  |
| Accumulated<br>impairment loss as of<br>December 31, 2014 |   |                 | (9,742)            |                               |   |                                   |                   |                 |                        | (9,742)      |

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

13. Financial Instruments

## (a) Credit Risk

## (i) Exposure to credit risk

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

*(In millions of won)*

|  | <b>December 31, 2015</b> | <b>December 31, 2014</b> |
|--|--------------------------|--------------------------|
| Cash and cash equivalents                | 751,662                  | 889,839                  |
| Deposits in banks                        | 1,772,350                | 1,534,909                |
| Trade accounts and notes receivable, net | 4,097,836                | 3,444,477                |
| Other accounts receivable, net           | 105,815                  | 119,478                  |
| Available-for-sale financial assets      | 709                      | 3,237                    |
| Loans                                    | 15,856                   |                          |
| Deposits                                 | 22,234                   | 19,602                   |
| Other non-current financial assets       | 5,148                    | 7,859                    |
|  | <b>6,771,610</b>         | <b>6,019,401</b>         |

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

*(In millions of won)*

|                     | <b>December 31, 2015</b> | <b>December 31, 2014</b> |
|---------------------|--------------------------|--------------------------|
| Domestic            | 425,635                  | 406,163                  |
| Euro-zone countries | 382,326                  | 309,296                  |
| Japan               | 156,746                  | 135,972                  |
| United States       | 1,211,518                | 1,300,700                |
| China               | 961,425                  | 746,111                  |
| Taiwan              | 654,257                  | 378,272                  |
| Others              | 305,929                  | 167,963                  |
|                     | <b>4,097,836</b>         | <b>3,444,477</b>         |

13. Financial Instruments, Continued

## (ii) Impairment loss

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

*(In millions of won)*

|                            | <b>December 31, 2015</b> |                        | <b>December 31, 2014</b> |                        |
|----------------------------|--------------------------|------------------------|--------------------------|------------------------|
|                            | <b>Book value</b>        | <b>Impairment loss</b> | <b>Book value</b>        | <b>Impairment loss</b> |
| Not past due               | 4,076,022                | (1,338)                | 3,412,933                | (762)                  |
| Past due 1-15 days         | 6,555                    | (3)                    | 26,220                   | (30)                   |
| Past due 16-30 days        | 201                      |                        | 4,130                    | (13)                   |
| Past due 31-60 days        |                          |                        | 1,830                    | (18)                   |
| Past due more than 60 days | 16,565                   | (166)                  | 189                      | (2)                    |
|                            | 4,099,343                | (1,507)                | 3,445,302                | (825)                  |

The movement in the allowance for impairment in respect of receivables for the years ended December 31, 2015 and 2014 is as follows:

*(In millions of won)*

|                                      | <b>2015</b> | <b>2014</b> |
|--------------------------------------|-------------|-------------|
| Balance at the beginning of the year | 825         | 330         |
| Bad debt expense                     | 682         | 495         |
| Balance at the end of the year       | 1,507       | 825         |



13. Financial Instruments, Continued

## (b) Liquidity Risk

The following are the contractual maturities of financial liabilities, including estimated interest payments, as of December 31, 2015.

(In millions of won)

|  | Carrying<br>amount | Total     | Contractual cash flows |                |          |           | More than 5<br>years |
|--|--------------------|-----------|------------------------|----------------|----------|-----------|----------------------|
|  |                    |           | 6 months<br>or less    | 6-12<br>months | 1-2years | 2-5 years |                      |
| Non-derivative financial liabilities         |                    |           |                        |                |          |           |                      |
| Secured bank loan                            | 698,192            | 770,750   | 13,037                 | 14,234         | 114,611  | 628,868   |                      |
| Unsecured bank loans                         | 1,239,914          | 1,277,900 | 185,835                | 244,525        | 287,240  | 560,240   | 60                   |
| Unsecured bond issues                        | 2,286,125          | 2,425,220 | 445,222                | 622,472        | 404,477  | 869,763   | 83,286               |
| Trade accounts and notes payable             | 2,764,694          | 2,764,694 | 2,764,694              |                |          |           |                      |
| Other accounts payable                       | 1,499,722          | 1,500,007 | 1,497,347              | 2,660          |          |           |                      |
| Other non-current liabilities                | 8,401              | 9,327     |                        |                | 5,337    | 3,990     |                      |
| Derivative financial liabilities             |                    |           |                        |                |          |           |                      |
| Interest rate swap not qualified for hedging | 85                 | 83        | 5                      | 97             | 89       | (108)     |                      |
|  | 8,497,133          | 8,747,981 | 4,906,140              | 883,988        | 811,754  | 2,062,753 | 83,346               |

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

13. Financial Instruments, Continued

## (c) Currency Risk

## (i) Exposure to currency risk

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

(In millions)

|  | December 31, 2015 |          |         |     |     |      |
|--|-------------------|----------|---------|-----|-----|------|
|  | USD               | JPY      | CNY     | TWD | EUR | PLN  |
| Cash and cash equivalents                      | 578               | 1,005    | 866     | 12  |     | 45   |
| Deposits in banks                              |                   |          | 1,200   |     |     |      |
| Trade accounts and notes receivable            | 2,935             | 12       | 1,465   |     |     |      |
| Other accounts receivable                      | 20                | 2        | 101     | 13  |     |      |
| Long-term other accounts receivable            | 4                 |          |         |     |     |      |
| Other assets denominated in foreign currencies | 1                 | 254      | 27      | 6   |     |      |
| Trade accounts and notes payable               | (1,207)           | (17,016) | (1,267) |     |     |      |
| Other accounts payable                         | (541)             | (13,821) | (1,352) | (7) | (2) | (11) |
| Debt   | (1,185)           |          | (1,964) |     |     |      |
| Net exposure                                   | 605               | (29,564) | (924)   | 24  | (2) | 34   |

(In millions)

|  | December 31, 2014 |          |         |       |      |      |      |
|--|-------------------|----------|---------|-------|------|------|------|
|  | USD               | JPY      | CNY     | TWD   | EUR  | PLN  | BRL  |
| Cash and cash equivalents                      | 507               | 1,221    | 1,565   | 146   | 1    | 79   |      |
| Trade accounts and notes receivable            | 2,737             | 682      | 962     |       |      |      |      |
| Other accounts receivable                      | 13                |          | 205     | 1     | 21   |      |      |
| Long-term other accounts receivable            | 6                 |          |         |       |      |      |      |
| Other assets denominated in foreign currencies | 1                 | 255      | 18      | 7     |      |      |      |
| Trade accounts and notes payable               | (1,750)           | (21,468) | (1,233) |       |      |      |      |
| Other accounts payable                         | (268)             | (6,056)  | (1,522) | (128) | (20) | (11) | (34) |
| Long-term other accounts payable               |                   |          | (1)     |       |      |      |      |
| Debt   | (1,508)           |          |         |       |      |      |      |
| Net exposure                                   | (262)             | (25,366) | (6)     | 26    | 2    | 68   | (34) |

13. Financial Instruments, Continued

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

| <i>(In won)</i> | Average rate |          | Reporting date spot rate |                   |
|-----------------|--------------|----------|--------------------------|-------------------|
|                 | 2015         | 2014     | December 31, 2015        | December 31, 2014 |
| USD             | 1,131.30     | 1,052.70 | 1,172.00                 | 1,099.20          |
| JPY             | 9.35         | 9.96     | 9.72                     | 9.20              |
| CNY             | 179.47       | 170.83   | 178.48                   | 176.81            |
| TWD             | 35.64        | 34.73    | 35.51                    | 34.69             |
| EUR             | 1,256.17     | 1,398.37 | 1,280.53                 | 1,336.52          |
| PLN             | 300.22       | 334.20   | 300.79                   | 312.49            |
| BRL             | 344.70       | 448.16   | 295.90                   | 413.62            |

## (ii) Sensitivity analysis

A weaker won, as indicated below, against the following currencies which comprise the Group's assets or liabilities denominated in a foreign currency as of December 31, 2015 and 2014, would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considers to be reasonably possible as of the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, would remain constant. The changes in equity and profit or loss would have been as follows:

| <i>(In millions of won)</i> | December 31, 2015 |                | December 31, 2014 |                |
|-----------------------------|-------------------|----------------|-------------------|----------------|
|                             | Equity            | Profit or loss | Equity            | Profit or loss |
| USD (5 percent weakening)   | 24,838            | 33,152         | (15,674)          | 3,829          |
| JPY (5 percent weakening)   | (11,340)          | (9,486)        | (9,701)           | (6,169)        |
| CNY (5 percent weakening)   | (8,582)           | 1,069          | 197               | (757)          |
| TWD (5 percent weakening)   | 42                |                | 46                |                |
| EUR (5 percent weakening)   | (214)             | 270            | (360)             | 1,511          |
| PLN (5 percent weakening)   | 575               | (208)          | 981               | 242            |
| BRL (5 percent weakening)   |                   |                | (533)             | (533)          |

A stronger won against the above currencies as of December 31, 2015 and 2014 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.

13. Financial Instruments, Continued

## (d) Interest Rate Risk

## (i) Profile

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

*(In millions of won)*

|                                  | <b>December 31, 2015</b> | <b>December 31, 2014</b> |
|----------------------------------|--------------------------|--------------------------|
| <b>Fixed rate instruments</b>    |                          |                          |
| Financial assets                 | 2,524,708                | 2,427,972                |
| Financial liabilities            | (2,289,336)              | (2,822,170)              |
|                                  | 235,372                  | (394,198)                |
| <b>Variable rate instruments</b> |                          |                          |
| Financial liabilities            | (1,934,895)              | (1,425,216)              |

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

For the years ended December 31, 2015 and 2014 a change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below for the respective following years. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

*(In millions of won)*

|                           | <b>Equity</b>   |                 | <b>Profit or loss</b> |                 |
|---------------------------|-----------------|-----------------|-----------------------|-----------------|
|                           | <b>1%</b>       | <b>1%</b>       | <b>1%</b>             | <b>1%</b>       |
|                           | <b>increase</b> | <b>decrease</b> | <b>increase</b>       | <b>decrease</b> |
| <b>December 31, 2015</b>  |                 |                 |                       |                 |
| Variable rate instruments | (14,667)        | 14,667          | (14,667)              | 14,667          |
| <b>December 31, 2014</b>  |                 |                 |                       |                 |
| Variable rate instruments | (10,803)        | 10,803          | (10,803)              | 10,803          |

13. Financial Instruments, Continued

## (e) Fair Values

## (i) Fair values versus carrying amounts

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

(In millions of won)

|  | December 31, 2015   |                | December 31, 2014   |                |
|--|---------------------|----------------|---------------------|----------------|
|  | Carrying<br>amounts | Fair<br>values | Carrying<br>amounts | Fair<br>values |
| <b>Assets carried at fair value</b>          |                     |                |                     |                |
| Available-for-sale financial assets          | 709                 | 709            | 3,237               | 3,237          |
| <b>Assets carried at amortized cost</b>      |                     |                |                     |                |
| Cash and cash equivalents                    | 751,662             | (*)            | 889,839             | (*)            |
| Deposits in banks                            | 1,772,350           | (*)            | 1,534,909           | (*)            |
| Trade accounts and notes receivable          | 4,097,836           | (*)            | 3,444,477           | (*)            |
| Other accounts receivable                    | 105,815             | (*)            | 119,478             | (*)            |
| Deposits                                     | 22,234              | (*)            | 19,602              | (*)            |
| Loans  | 15,856              | (*)            |                     | (*)            |
| Other non-current financial assets           | 5,148               | (*)            | 7,859               | (*)            |
| <b>Liabilities carried at fair value</b>     |                     |                |                     |                |
| Derivative instruments                       | 85                  | 85             |                     |                |
| <b>Liabilities carried at amortized cost</b> |                     |                |                     |                |
| Secured bank loans                           | 698,192             | 698,192        | 649,140             | 649,140        |
| Unsecured bank loans                         | 1,239,914           | 1,239,969      | 1,003,563           | 1,003,590      |
| Unsecured bond issues                        | 2,286,125           | 2,337,835      | 2,594,683           | 2,667,092      |
| Trade accounts and notes payable             | 2,764,694           | (*)            | 3,391,635           | (*)            |
| Other accounts payable                       | 1,499,722           | 1,499,963      | 1,494,095           | 1,493,869      |
| Other non-current liabilities                | 8,402               | 9,005          | 12,924              | 13,376         |

(\*) Excluded from disclosures as the carrying amount approximates fair value.  
The basis for determining fair values is disclosed in note 4.

13. Financial Instruments, Continued

## (e) Fair Values, Continued

## (ii) Financial Instruments measured at cost

Available-for-sale financial assets measured at cost as of December 31, 2015 and 2014 are as follows:

*(In millions of won)*

|                                  | <b>December 31, 2015</b> | <b>December 31, 2014</b> |
|----------------------------------|--------------------------|--------------------------|
| Intellectual Discovery Co., Ltd. | 2,673                    | 2,673                    |
| ARCH Venture Fund Vill, L.P.     | 1,378                    | 118                      |
| Henghao Technology Co., Ltd.     | 3,372                    | 3,372                    |
| Kyulux, Inc.                     | 3,266                    |                          |
|                                  | <b>10,689</b>            | <b>6,163</b>             |

## (iii) Fair values of financial assets and liabilities

## i) Fair value hierarchy

The table below analyzes financial instruments carried at fair value based on the input variables used in the valuation method to measure fair value of assets and liabilities. The different levels have been defined as follows:

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

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

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

## ii) Financial instruments measured at fair value

Fair value hierarchy classifications of the financial instruments that are measured at fair value as of December 31, 2015 and December 31, 2014 are as follows:

*(In millions of won)*

|                          | <b>Level</b> |                |                |              |
|--------------------------|--------------|----------------|----------------|--------------|
|                          | <b>1</b>     | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b> |
| <b>December 31, 2015</b> |              |                |                |              |
| <b>Assets</b>            |              |                |                |              |

|                                     |     |     |
|-------------------------------------|-----|-----|
| Available-for-sale financial assets | 709 | 709 |
| <b>Liabilities</b>                  |     |     |
| Derivative instruments              |     | 85  |

*(In millions of won)*

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

13. Financial Instruments, Continued

## (e) Fair Values, Continued

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

Fair value hierarchy classifications, valuation technique and inputs for fair value measurements of the financial instruments not measured at fair value but for which the fair value is disclosed as of December 31, 2015 and December 31, 2014 are as follows:

(In millions of won)

| Classification                | December 31, 2015 |         |           | Valuation technique  | Input         |
|-------------------------------|-------------------|---------|-----------|----------------------|---------------|
|                               | Level 1           | Level 2 | Level 3   |                      |               |
| <b>Liabilities</b>            |                   |         |           |                      |               |
| Secured bank loan             |                   |         | 698,192   | Discounted cash flow | Discount rate |
| Unsecured bank loans          |                   |         | 1,239,969 | Discounted cash flow | Discount rate |
| Unsecured bond issues         |                   |         | 2,337,835 | Discounted cash flow | Discount rate |
| Other accounts payable        |                   |         | 1,499,963 | Discounted cash flow | Discount rate |
| Other non-current liabilities |                   |         | 9,005     | Discounted cash flow | Discount rate |

(In millions of won)

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

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

**December 31, 2015      December 31, 2014**



|                              |            |            |
|------------------------------|------------|------------|
| Debentures, loans and others | 1.75~2.48% | 2.23~2.60% |
|------------------------------|------------|------------|

14. Financial Liabilities

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

*(In millions of won)*

|   | December 31, 2015 | December 31, 2014 |
|---|-------------------|-------------------|
| <b>Current</b>                          |                   |                   |
| Short-term borrowings                   |                   | 223,626           |
| Current portion of long-term debt       | 1,416,112         | 744,283           |
|   | 1,416,112         | 967,909           |
| <b>Non-current</b>                      |                   |                   |
| Won denominated borrowings              | 202,992           | 4,452             |
| Foreign currency denominated borrowings | 1,323,454         | 1,289,837         |
| Bonds                                   | 1,281,673         | 1,985,188         |
| Derivative instruments                  | 85                |                   |
|   | 2,808,204         | 3,279,477         |

(b) Short-term borrowings as of December 31, 2015 and 2014 are as follows:

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

| Lender   | Annual interest rate as of |                   |
|--|----------------------------|-------------------|
|  | December 31, 2015 (%)      | December 31, 2014 |
| Korea Development Bank and others (*)              |                            | 219,839           |
| Industrial and Commercial Bank of China and others |                            | 3,787             |
| Foreign currency equivalent                        | USD                        | 203               |

(\*) The Group recognized 3,083 million as interest expense in relation to the above short-term borrowings for the year ended December 31, 2015.

14. Financial Liabilities, Continued

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

*(In millions of won)*

| Lender                                 | Annual interest rate                          |  | December 31, December 31, |         |
|--|---|--|---------------------------|---------|
|  | as of   |  | 2015                      | 2014    |
|  | December 31, 2015 (%)                         |  |                           |         |
| Woori Bank and others                  | 3-year Korean Treasury Bond rate - 1.25, 2.75 |  | 4,452                     | 7,336   |
| Shinhan Bank                           | CD rate (91days) + 0.3                        |  | 200,000                   |         |
| Less current portion of long-term debt |   |  | (1,460)                   | (2,884) |
|  |   |  | 202,992                   | 4,452   |

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

*(In millions of won and USD)*

| Lender                                 | Annual interest rate  |  | December 31, December 31, |           |
|--|-----------------------|--|---------------------------|-----------|
|  | as of                 |  | 2015                      | 2014      |
|  | December 31, 2015 (%) |  |                           |           |
| China Construction Bank and others     | USD: 3ML+0.90~2.80    |  |                           |           |
|  | CNY: 4.28             |  | 1,733,654                 | 1,421,741 |
| Foreign currency equivalent            |                       |  | USD 1,185                 | USD 1,305 |
|  |                       |  | CNY 1,964                 |           |
| Less current portion of long-term debt |                       |  | (410,200)                 | (131,904) |
|  |                       |  | 1,323,454                 | 1,289,837 |

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

14. Financial Liabilities, Continued

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

(In millions of won)

|                                  | Maturity       | Annual interest rate     |                      |                      |
|----------------------------------|----------------|--------------------------|----------------------|----------------------|
|                                  |                | as of                    |                      |                      |
|                                  |                | December 31, 2015<br>(%) | December 31,<br>2015 | December 31,<br>2014 |
| <b>Won denominated bonds (*)</b> |                |                          |                      |                      |
| Publicly issued bonds            | February 2016~ |                          |                      |                      |
|                                  | May 2022       | 2.12~4.95                | 2,290,000            | 2,600,000            |
| Less discount on bonds           |                |                          | (3,875)              | (5,317)              |
| Less current portion             |                |                          | (1,004,452)          | (609,495)            |
|                                  |                |                          | 1,281,673            | 1,985,188            |

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

15. The Nature of Expenses and Others

The classification of expenses by nature for the years ended December 31, 2015 and 2014 are as follows:

*(In millions of won)*

|  | <b>2015</b> | <b>2014</b> |
|--|-------------|-------------|
| Changes in inventories                             | 402,429     | (820,857)   |
| Purchases of raw materials, merchandise and others | 14,705,757  | 14,384,289  |
| Depreciation and amortization                      | 3,375,856   | 3,492,311   |
| Outsourcing fees                                   | 1,011,084   | 1,084,460   |
| Labor costs  | 3,104,043   | 2,924,573   |
| Supplies and others                                | 1,062,820   | 1,021,469   |
| Utility  | 836,600     | 785,129     |
| Fees and commissions                               | 580,235     | 498,192     |
| Shipping costs                                     | 231,830     | 245,217     |
| Advertising  | 265,755     | 106,509     |
| Warranty expenses                                  | 146,829     | 187,771     |
| Travel   | 71,457      | 74,968      |
| Taxes and dues                                     | 76,640      | 70,523      |
| Others   | 1,036,131   | 1,176,098   |
| (*)  | 26,907,466  | 25,230,652  |

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

16. Selling and Administrative Expenses

Details of selling and administrative expenses for the years ended December 31, 2015 and 2014 are as follows:

*(In millions of won)*

|   | <b>2015</b>      | <b>2014</b>      |
|---|------------------|------------------|
| Salaries                                  | 268,182          | 256,869          |
| Expenses related to defined benefit plans | 26,967           | 27,618           |
| Other employee benefits                   | 88,191           | 68,826           |
| Shipping costs                            | 199,774          | 199,853          |
| Fees and commissions                      | 191,106          | 182,548          |
| Depreciation                              | 118,719          | 90,180           |
| Taxes and dues                            | 30,958           | 25,370           |
| Advertising                               | 265,755          | 106,509          |
| Warranty expenses                         | 146,829          | 187,771          |
| Rent                                      | 24,184           | 22,048           |
| Insurance                                 | 10,826           | 11,518           |
| Travel                                    | 24,411           | 23,772           |
| Training                                  | 15,515           | 12,572           |
| Others                                    | 59,400           | 51,392           |
|   | <b>1,470,817</b> | <b>1,266,846</b> |

### 17. Employee Benefits

The Controlling Company and certain subsidiaries' defined benefit plans provide a lump-sum payment to an employee based on final salary rates and length of service at the time the employee leaves the Controlling Company.

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

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

*(In millions of won)*

|   | <b>December 31, 2015</b> | <b>December 31, 2014</b> |
|---|--------------------------|--------------------------|
| Present value of partially funded defined benefit obligations | 1,381,648                | 1,114,689                |
| Fair value of plan assets                                     | (1,027,850)              | (790,509)                |
|   | <b>353,798</b>           | <b>324,180</b>           |

- (b) Changes in the present value of the defined benefit obligations for the years ended December 31, 2015 and 2014 are as follows:

*(In millions of won)*

|                                     | <b>2015</b>      | <b>2014</b>      |
|-------------------------------------|------------------|------------------|
| Opening defined benefit obligations | 1,114,689        | 807,738          |
| Current service cost                | 187,768          | 159,239          |
| Past service cost                   |                  | 21,990           |
| Interest cost                       | 38,776           | 34,596           |
| Remeasurements (before tax)         | 104,817          | 144,100          |
| Benefit payments                    | (66,755)         | (54,555)         |
| Transfers from related parties      | 2,353            | 1,584            |
| Disposal of a subsidiary            |                  | (3)              |
| Closing defined benefit obligations | <b>1,381,648</b> | <b>1,114,689</b> |

Weighted average remaining maturity of defined benefit obligations as of December 31, 2015 and 2014 are 14.5 years and 13.7 years, respectively.

- (c) Changes in fair value of plan assets for the years ended December 31, 2015 and 2014 are as follows:

*(In millions of won)*

|                                   | <b>2015</b> | <b>2014</b> |
|-----------------------------------|-------------|-------------|
| Opening fair value of plan assets | 790,509     | 488,651     |

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|   |           |          |
|---|-----------|----------|
| Expected return on plan assets                    | 27,511    | 19,069   |
| Remeasurements (before tax)                       | (5,440)   | (3,722)  |
| Contributions by employer directly to plan assets | 270,000   | 330,000  |
| Benefit payments                                  | (54,809)  | (43,489) |
| Transfers from related parties                    | 79        |          |
| Closing fair value of plan assets                 | 1,027,850 | 790,509  |



17. Employee Benefits, Continued

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

*(In millions of won)*

|                              | <b>December 31, 2015</b> | <b>December 31, 2014</b> |
|------------------------------|--------------------------|--------------------------|
| Guaranteed deposits in banks | 1,027,850                | 790,509                  |

As of December 31, 2015, the Controlling Company maintains the plan assets with Mirae Asset Securities Co., Ltd., Shinhan Bank, etc.

The Controlling Company's estimated contribution to the plan assets for the year ending December 31, 2016 is 235,000 million under the assumption that the Controlling Company continues to maintain the plan assets at 80% of the amount payable and all the employees of the Controlling Company would leave the Controlling Company on December 31, 2016.

(e) Expenses recognized in profit or loss for the years ended December 31, 2015 and 2014 are as follows:

| <i>(In millions of won)</i> | <b>2015</b> | <b>2014</b> |
|-----------------------------|-------------|-------------|
| Current service cost        | 187,768     | 159,239     |
| Past service cost           |             | 21,990      |
| Net interest cost           | 11,265      | 15,527      |
|                             | 199,033     | 196,756     |

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

| <i>(In millions of won)</i>       | <b>2015</b> | <b>2014</b> |
|-----------------------------------|-------------|-------------|
| Cost of sales                     | 159,348     | 157,324     |
| Selling expenses                  | 11,567      | 11,872      |
| Administrative expenses           | 14,809      | 15,252      |
| Research and development expenses | 13,309      | 12,308      |
|                                   | 199,033     | 196,756     |

(f) Remeasurements of net defined benefit liabilities (assets) included in other comprehensive income for the years ended December 31, 2015 and 2014 are as follows:

| <i>(In millions of won)</i> | <b>2015</b> | <b>2014</b> |
|-----------------------------|-------------|-------------|
| Balance at January 1        | (197,720)   | (85,860)    |
| Remeasurements              |             |             |

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|  |           |           |
|--|-----------|-----------|
| Actuarial profit or loss arising from:       |           |           |
| Experience adjustment                        | 15,567    | (24,399)  |
| Demographic assumptions                      | (22,267)  | 7,016     |
| Financial assumptions                        | (98,117)  | (126,717) |
| Return on plan assets                        | (5,440)   | (3,722)   |
| Share of associates regarding remeasurements | (607)     | 189       |
|  | (110,864) | (147,633) |
| Income tax                                   | 26,682    | 35,773    |
| Balance at December 31                       | (281,902) | (197,720) |

17. Employee Benefits, Continued

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

|   | <b>December 31, 2015</b> | <b>December 31, 2014</b> |
|---|--------------------------|--------------------------|
| Expected rate of salary increase              | 5.1%                     | 5.1%                     |
| Discount rate for defined benefit obligations | 2.9%                     | 3.5%                     |

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:

|          |         | <b>December 31, 2015</b> | <b>December 31, 2014</b> |
|----------|---------|--------------------------|--------------------------|
| Teens    | Males   | 0.01%                    | 0.01%                    |
|          | Females | 0.00%                    | 0.00%                    |
| Twenties | Males   | 0.01%                    | 0.01%                    |
|          | Females | 0.00%                    | 0.00%                    |
| Thirties | Males   | 0.01%                    | 0.01%                    |
|          | Females | 0.01%                    | 0.01%                    |
| Forties  | Males   | 0.03%                    | 0.03%                    |
|          | Females | 0.02%                    | 0.01%                    |
| Fifties  | Males   | 0.05%                    | 0.06%                    |
|          | Females | 0.02%                    | 0.03%                    |

(h) Reasonably possible changes to respective relevant actuarial assumptions would have affected the defined benefit obligations by the amounts as of December 31, 2015 are as follows:

|   | <b>Defined benefit obligation</b> |                    |
|---|-----------------------------------|--------------------|
|   | <b>1%</b>                         |                    |
|   | <b>increase</b>                   | <b>1% decrease</b> |
| Discount rate for defined benefit obligations | (174,511)                         | 212,842            |
| Expected rate of salary increase              | 206,384                           | (173,120)          |

18. Provisions and Other Liabilities

(a) Changes in provisions for the year ended December 31, 2015 are as follows:

(In millions of won)

|                              | <b>Litigations<br/>and<br/>claims<br/>(*1)</b> | <b>Warranties<br/>(*2)</b> | <b>Others</b> | <b>Total</b> |
|------------------------------|--|----------------------------|---------------|--------------|
| Balance of January 1, 2015   | 148,303  | 51,964                     | 1,631         | 201,898      |
| Additions                    | 110,181  | 146,829                    | 3,248         | 260,258      |
| Usage and reclassification   | (197,239)                                      | (142,364)                  | (839)         | (340,442)    |
| Balance at December 31, 2015 | 61,245   | 56,429                     | 4,040         | 121,714      |
| Current                      | 61,245   | 47,860                     | 792           | 109,897      |
| Non-current                  |  | 8,569                      | 3,248         | 11,817       |

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

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

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

(In millions of won)

|                                  | <b>December 31, 2015</b> | <b>December 31, 2014</b> |
|----------------------------------|--------------------------|--------------------------|
| <b>Current liabilities</b>       |                          |                          |
| Withholdings                     | 30,477                   | 18,991                   |
| Unearned revenues                | 9,844                    | 12,394                   |
|                                  | 40,321                   | 31,385                   |
| <b>Non-current liabilities</b>   |                          |                          |
| Long-term accrued expenses       | 48,609                   | 594                      |
| Long-term other accounts payable | 8,401                    | 12,924                   |
| Long-term unearned revenues      |                          | 8,623                    |
|                                  | 57,010                   | 22,141                   |

19. 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 USD 2,183 million ( 2,558,476 million) in connection with the Controlling Company's export sales transactions with its subsidiaries. As of December 31, 2015, no accounts and notes receivable were sold but are not past due. In connection with all of the contracts in this paragraph, the Controlling Company has sold its accounts receivable with recourse.

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

(In millions of USD and KRW)

| Classification                 | Financial institutions                        | Maximum            |                | Not yet due |                |
|--------------------------------|---|--------------------|----------------|-------------|----------------|
|                                |   | Contractual amount | KRW equivalent | Amount      | KRW equivalent |
| <b>Controlling Company</b>     |   |                    |                |             |                |
| <b>Subsidiaries</b>            | Shinhan Bank                                  | KRW 100,000        | 100,000        |             |                |
| LG Display Singapore Pte. Ltd. | Standard Chartered Bank                       | USD 300            | 351,600        | USD 115     | 134,615        |
| LG Display Taiwan Co., Ltd.    | BNP Paribas Hongkong & Shanghai Banking Corp. | USD 105            | 123,060        |             |                |
|                                | Sumitomo Mitsui Banking Corporation           | USD 150            | 175,800        |             |                |
|                                |   | USD 200            | 234,400        |             |                |
| LG Display Shanghai Co., Ltd.  | BNP Paribas                                   | USD 125            | 146,500        |             |                |
| LG Display Germany GmbH        | Citibank                                      | USD 160            | 187,520        |             |                |
|                                | BNP Paribas                                   | USD 107            | 125,404        |             |                |
| LG Display America, Inc.       | Hongkong & Shanghai Banking Corp.             | USD 800            | 937,600        | USD 133     | 155,929        |
|                                | Sumitomo Mitsui Banking Corporation           | USD 250            | 293,000        |             |                |
| LG Display Japan Co., Ltd.     | Sumitomo Mitsui Banking Corporation           | USD 90             | 105,480        |             |                |
|                                |   | USD 2,287          | 2,680,364      | USD 248     | 290,544        |
|                                |   | USD 2,287          |                | USD 248     |                |
|                                |   | KRW 100,000        | 2,780,364      |             | 290,544        |

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



19. Commitments, Continued

Letters of credit

As of December 31, 2015, the Controlling Company has agreements with KEB Hana Bank in relation to the opening of letters of credit up to USD 45 million ( 52,740 million), USD 15 million ( 17,580 million) with China Construction Bank, USD 80 million ( 93,760 million) with Bank of China and USD 50 million ( 58,600 million) with Sumitomo Mitsui Banking Corporation.

Payment guarantees

The Controlling Company obtained payment guarantees amounting to USD 200 million ( 234,400 million) from Korea Exchange Bank for borrowings, USD 8.5 million ( 9,962 million) from Shinhan bank for value added tax payments in Poland and USD 75 million ( 87,900 million) from Westchester Fire Insurance Company for ongoing legal proceeding.

LG Display Japan Co., Ltd. and other subsidiaries are provided with payment guarantees from the Bank of Tokyo-Mitsubishi UFJ and other various banks amounting to JPY 700 million ( 6,804 million), CNY 3,878 million ( 692,145 million), TWD 14 million ( 497 million), EUR 2.5 million ( 3,201 million) and PLN 0.2 million ( 60 million), respectively, for their local tax payments.

19. Commitments, Continued

Credit facility agreements

LG Display Japan Co., Ltd. and other subsidiaries have entered into short-term credit facility agreements of up to USD 35 million ( 41,020 million) and JPY 8,000 million ( 77,761 million) in total, with Mizuho Corporate Bank and other various banks.

License agreements

As of December 31, 2015, in relation to its TFT-LCD business, the Group has technical license agreements with Hitachi Display, Ltd. and others and has a trademark license agreement with LG Corp.

Pledged Assets

Regarding the secured bank loan amounting to USD 300 million ( 347,693 million) and CNY 1,964 million ( 350,499 million) from China Construction Bank, as of December 31, 2015, the Group provided its property, plant and equipment and others with carrying amount of 1,495,983 million as pledged assets.

20. Legal proceedings

Delaware Display Group LLC and Innovative Display Technologies LLC ( DDG and IDT )

In December 2013, Delaware Display Group LLC and Innovative Display Technologies LLC filed a patent infringement case ( First Case ) against the Controlling Company and LG Display America, Inc. in the United States District Court for the District of Delaware. In December 2015, DDG and IDT filed a new patent infringement case against the Controlling Company and LG Display America, Inc. over the three patents that were dismissed without prejudice from the First Case. The Controlling Company does not have a present obligation for these matters and has not recognized any provision at December 31, 2015. It is not possible to reasonably estimate an amount of potential loss, if any, because the plaintiffs have not provided any information regarding damages.

Surpass Tech Innovation LLC

In March 2014, Surpass Tech Innovation LLC filed a complaint in the United States District Court for the District of Delaware against the Controlling Company and LG Display America, Inc. for alleged patent infringement. In November 2014, the case has been stayed by the United States District Court for the District of Delaware pending Inter Partes Review. The Controlling Company does not have a present obligation for this matter and has not recognized any provision at December 31, 2015. It is not possible to reasonably estimate an amount of potential loss, if any, because the plaintiffs have not provided any information regarding damages.



20. Legal proceedings, Continued

Anti-trust litigations

Certain individual plaintiffs filed complaints in various state or federal courts in the United States alleging violation of the respective antitrust laws and related laws by various LCD panel manufacturers. As of December 31, 2015, the Controlling Company is currently defending against Costco Wholesale Corp.. The timing and amounts of outflows are uncertain and the outcomes depend upon the various court proceedings.

In Canada, class action complaints alleging violations of Canada competition laws were filed in 2007 against the Controlling Company and other TFT-LCD manufacturers in Ontario, British Columbia and Quebec. The Ontario Superior Court of Justice certified the class action complaints filed by the direct and indirect purchasers in May 2011. In April 2014, the Controlling Company filed an appeal of the class certification decision and the Ontario Divisional Court dismissed the Controlling Company's appeal of the class certification in December 2015. The actions in Quebec and British Columbia are in abeyance. The timing and amount of outflows are uncertain and the outcome depends upon the court proceedings.

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

21. Capital and Reserves

(a) Share capital

The Controlling Company is authorized to issue 500,000,000 shares of capital stock (par value \$5,000), and as of December 31, 2015 and December 31, 2014, the number of issued common shares is 357,815,700. There have been no changes in the capital stock from January 1, 2014 to December 31, 2015.

(b) Reserves

Reserves consist mainly of the following:

Translation reserve

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

Fair value reserve

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

(c) Dividends

The dividends of 178,908 million ( 500 won per share) are determined by the board of directors in 2016 but have not been paid yet. There are no income tax consequences.

22. Related Parties

## (a) Related parties

Related parties for the year ended December 31, 2015 are as follows:

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

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

Related parties other than associates and joint ventures that have transactions such as sales or balance of trade accounts and notes receivable and payable with the Group for the years ended December 31, 2015 and 2014 are as follows:

| <b>Classification</b>  | <b>December 31, 2015</b>             | <b>December 31, 2014</b>             |
|--|--------------------------------------|--------------------------------------|
|  | ADP System Co., Ltd.                 | ADP System Co., Ltd.                 |
|  | Shinbo Electric Co., Ltd.            | Shinbo Electric Co., Ltd.            |
| Subsidiaries of associates   | AVATEC Electronics Yantai Co., Ltd.  | AVATEC Electronics Yantai Co., Ltd.  |
|  | New Optics USA, Inc.                 | -                                    |
| Entity that has significant influence over the Controlling Company                     | LG Electronics Inc.                  | LG Electronics Inc.                  |
|  | Hi Business Logistics Co., Ltd.      | Hi Business Logistics Co., Ltd.      |
| Subsidiaries of the entity that has significant influence over the Controlling Company | Hiplaza Co., Ltd.                    | Hiplaza Co., Ltd.                    |
|  | Hi Entech Co., Ltd.                  | Hi Entech Co., Ltd.                  |
|  | LG Hitachi Water Solutions Co., Ltd. | LG Hitachi Water Solutions Co., Ltd. |
|  | LG Innotek Co., Ltd.                 | LG Innotek Co., Ltd.                 |

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

22. Related Parties, Continued

| <b>Classification</b> | <b>December 31, 2015</b>                             | <b>December 31, 2014</b>  |
|-----------------------|--|---|
|                       | LG Electronics Taiwan Taipei Co., Ltd.               | LG Electronics Taiwan Taipei Co., Ltd.  |
|                       | LG Electronics Shenyang Inc.                         | LG Electronics Shenyang Inc.  |
|                       | LG Electronics RUS, LLC                              | LG Electronics RUS, LLC   |
|                       | LG Electronics Nanjing Display Co., Ltd.             | LG Electronics Nanjing Display Co., Ltd.  |
|                       | LG Electronics Mlawa Sp. z o.o.                      | LG Electronics Mlawa Sp. z o.o.   |
|                       | LG Electronics Mexicali, S.A. DE C.V.                | LG Electronics Mexicali, S.A. DE C.V.   |
|                       | LG Electronics India Pvt. Ltd.                       | LG Electronics India Pvt. Ltd.  |
|                       | LG Electronics do Brasil Ltda.                       | LG Electronics do Brasil Ltda.  |
|                       | LG Electronics Air-Conditioning (Shandong) Co., Ltd. | LG Electronics Air-Conditioning (Shandong) Co., Ltd.                            |
|                       | LG Electronics Kazakhstan                            | -   |
|                       | LG Electronics S.A. (Pty) Ltd                        | -   |
|                       | LG Electronics (Kunshan) Computer Co., Ltd.          | LG Electronics (Kunshan) Computer Co., Ltd. LG Electronics (Hangzhou) Co., Ltd. |
|                       | -  | LG Electronics Polska Sp. z o.o.  |
|                       | -  | LG Electronics Philippines Inc.   |
|                       | -  | LG Electronics Singapore Pte. Ltd.  |
|                       | LG Electronics Singapore Pte. Ltd.                   | Inspur LG Digital Mobile Communications Co., Ltd.                               |
|                       | Inspur LG Digital Mobile Communications Co., Ltd.    | Hi Logistics Europe B.V.  |
|                       | Hi Logistics Europe B.V.                             | Hi Logistics (China) Co., Ltd.  |
|                       | Hi Logistics (China) Co., Ltd.                       | LG Electronics Alabama Inc.   |
|                       | -  | LG Electronics Japan, Inc.  |
|                       | LG Electronics Japan, Inc.                           | LG Electronics U.S.A., Inc.   |
|                       | LG Electronics U.S.A., Inc.                          |   |

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

22. Related Parties, Continued

## (b) Key management personnel compensation

Compensation costs of key management for the years ended December 31, 2015 and 2014 are as follows:

*(In millions of won)*

|  | <b>2015</b>  | <b>2014</b>  |
|--|--------------|--------------|
| Short-term benefits                          | 2,940        | 2,607        |
| Expenses related to the defined benefit plan | 378          | 355          |
|  | <b>3,318</b> | <b>2,962</b> |

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

(c) Significant transactions such as sales of goods and purchases of raw material and outsourcing service and others, which occurred in the normal course of business with related parties for the years ended December 31, 2015 and 2014 are as follows:

*(In millions of won)*

|                                   | <b>2015</b>                                       |                        |                   |                             |                    |
|-----------------------------------|---|------------------------|-------------------|-----------------------------|--------------------|
|                                   | <b>Purchase and others</b>                        |                        |                   |                             |                    |
|                                   | <b>Purchase of materials, plant and equipment</b> |                        |                   |                             |                    |
|                                   | <b>Sales and others</b>                           | <b>Dividend income</b> | <b>and others</b> | <b>and Outsourcing fees</b> | <b>Other costs</b> |
| <b>Joint Venture</b>              |   |                        |                   |                             |                    |
| Suzhou Raken Technology Co., Ltd. | 143,125   |                        |                   |                             | 361                |

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

|   | <b>2015</b>                 |                            |  |   |                             |                    |
|---|-----------------------------|----------------------------|--|---|-----------------------------|--------------------|
|   |                             |                            | <b>Purchase and others</b>                             |   |                             |                    |
|   | <b>Sales<br/>and others</b> | <b>Dividend<br/>income</b> | <b>Purchase of raw<br/>material<br/>and<br/>others</b> | <b>Acquisition of<br/>property, plant<br/>and<br/>equipment</b> | <b>Outsourcing<br/>fees</b> | <b>Other costs</b> |
| <b>Associates and their subsidiaries</b>                                  |                             |                            |  |   |                             |                    |
| New Optics Ltd.   | 92                          |                            | 47,404   |   | 5,880                       | 441                |
| New Optics USA, Inc.  |                             |                            |  |   | 29,475                      |                    |
| LIG INVENIA Co., Ltd. (LIG<br>ADP Co., Ltd.)                              | 9                           |                            | 49   | 42,007  |                             | 122                |
| TLI Inc.  |                             | 101                        | 84,732   |   |                             | 929                |
| AVACO Co., Ltd.   |                             | 128                        | 1,826  | 82,797  |                             | 6,223              |
| AVATEC Co., Ltd.  |                             | 530                        | 278  |   | 52,097                      | 1,599              |
| AVATEC Electronics Yantai<br>Co., Ltd.                                    |                             |                            |  |   |                             | 761                |
| Paju Electric Glass Co., Ltd.   |                             | 24,058                     | 425,314  |   |                             | 2,772              |
| Shibo Electric Co., Ltd.  | 284,255                     |                            | 473,484  |   | 97,736                      | 83                 |
| Narenanotech Corporation  | 3                           |                            | 634  | 20,515  |                             | 643                |
| Glonix Co., Ltd.  | 8                           |                            | 4,581  |   |                             | 227                |
| ADP System Co., Ltd.  |                             |                            | 2,465  | 2,853   |                             | 629                |
| YAS Co., Ltd.   | 9                           |                            | 810  | 20,324  |                             | 974                |
| LB Gemini New Growth Fund<br>No. 16                                       |                             | 760                        |  |   |                             |                    |
|   | 284,376                     | 25,577                     | 1,041,577  | 168,496   | 185,188                     | 15,403             |
| <b>Entity that has significant influence over the Controlling Company</b> |                             |                            |  |   |                             |                    |
| LG Electronics Inc.   | 1,694,039                   |                            | 39,791   | 255,046   |                             | 133,536            |



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

|   | 2015             |                 |            |  |   |
|---|------------------|-----------------|------------|--|---|
|   | Sales and others | Dividend income | and others | Purchase of material property, plant and equipment | Purchase and others acquisition of Outsourcing fees and Other costs |
| <b>Subsidiaries of the entity that has significant influence over the Controlling Company</b> |                  |                 |            |  |   |
| LG Electronics India Pvt. Ltd.  | 156,428          |                 |            |  | 131   |
| LG Electronics Vietnam Haiphong Co., Ltd.   | 95,626           |                 |            |  |   |
| LG Electronics Thailand Co., Ltd.   | 12,902           |                 |            |  | 188   |
| LG Electronics Nanjing Display Co., Ltd.  | 182,302          |                 |            |  | 2,200   |
| LG Electronics RUS, LLC   | 198,897          |                 |            |  | 420   |
| LG Electronics do Brasil Ltda.  | 298,679          |                 |            |  | 490   |
| LG Electronics (Kunshan) Computer Co., Ltd.   | 9,282            |                 |            |  |   |
| LG Innotek Co., Ltd.  | 5,647            |                 | 299,033    |  | 44,691  |
| Qingdao LG Inspur Digital Communication Co., Ltd.   | 271,405          |                 |            |  |   |
| Inspur LG Digital Mobile Communications Co., Ltd.   | 286,420          |                 |            |  |   |
| LG Electronics Mexicali, S.A. DE C.V.   | 160,842          |                 |            |  |   |
| LG Electronics Mlawa Sp. z o.o.   | 448,468          |                 |            |  | 1,371   |
| LG Electronics Shenyang Inc.  | 109,844          |                 |            |  | 4   |
| LG Electronics Taiwan Taipei Co., Ltd.  | 13,050           |                 |            |  |   |
| LG Electronics Wroclaw Sp. z o.o.   | 523,623          |                 |            |  | 298   |
| LG Hitachi Water Solutions Co., Ltd.  |                  |                 |            | 40,436   | 5,664   |
| LG Electronics Reynosa, S.A. DE C.V.  | 1,020,471        |                 |            |  | 9   |

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

|                                 | 2015                |                 |                               |         |  |             |
|---------------------------------|---------------------|-----------------|-------------------------------|---------|--|-------------|
|                                 | Purchase and others |                 | Purchase of raw materials and |         | Acquisition of property, plant and equipment |             |
|                                 | Sales and others    | Dividend income | and others                    | and     | Outsourcing fees                             | Other costs |
| Hi Entech Co., Ltd.             |                     |                 |                               |         |  | 24,963      |
| Hi Business Logistics Co., Ltd. | 34                  |                 |                               |         |  | 24,832      |
| Hi Logistics (China) Co., Ltd.  |                     |                 |                               |         |  | 7,183       |
| Hientech (Tianjin) Co., Ltd.    |                     |                 |                               |         |  | 19,149      |
| LG Electronics U.S.A., Inc.     | 5,305               |                 |                               |         |  | 868         |
| Others                          | 12                  |                 |                               | 2       |  | 8,567       |
|                                 | 3,799,237           |                 | 299,035                       | 40,436  |  | 141,028     |
|                                 | 5,920,777           | 25,577          | 1,380,403                     | 463,978 | 185,188                                      | 290,328     |

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

|  | 2014                   |                    |  |   |                     |             |
|--|------------------------|--------------------|--|---|---------------------|-------------|
|  | Purchase and others    |                    |  |   |                     |             |
|  | Sales<br>and<br>others | Dividend<br>income | Purchase of raw<br>material<br>and<br>others | Acquisition of<br>property, plant<br>and<br>equipment | Outsourcing<br>fees | Other costs |
| <b>Joint Venture</b>                         |                        |                    |  |   |                     |             |
| Suzhou Raken Technology Co.,<br>Ltd.         | 190,780                |                    |  |   | 101,830             |             |
| Global OLED Technology LLC                   |                        |                    |  |   |                     | 2,045       |
|  | 190,780                |                    |  |   | 101,830             | 2,045       |
| <b>Associates and their subsidiaries</b>     |                        |                    |  |   |                     |             |
| New Optics Ltd.                              | 579                    |                    | 56,412                                       |   | 11,057              | 2,015       |
| LIG INVENIA Co., Ltd. (LIG<br>ADP Co., Ltd.) |                        |                    | 413  | 16,647  |                     | 722         |
| TLI Inc.                                     |                        |                    | 76,047                                       |   |                     | 2,753       |
| AVACO Co., Ltd.                              | 41                     |                    | 1,520  | 202,915   |                     | 3,754       |
| AVATEC Co., Ltd.                             |                        | 265                | 143  |   | 92,353              | 360         |
| AVATEC Electronics Yantai Co.,<br>Ltd.       |                        |                    |  |   |                     | 4,951       |
| Paju Electric Glass Co., Ltd.                |                        |                    | 600,655                                      |   |                     | 3,097       |
| LB Gemini New Growth Fund<br>No. 16          |                        | 613                |  |   |                     |             |
| Shibo Electric Co., Ltd.                     | 103,091                |                    | 686,100                                      |   | 106,311             | 55          |
| Narenanotech Corporation                     |                        | 180                | 519  | 8,873   |                     | 1,403       |
| Glonix Co., Ltd.                             |                        |                    | 21,344                                       |   |                     | 315         |
| ADP System Co., Ltd.                         |                        |                    | 1,810  | 4,418   |                     | 497         |
| YAS Co., Ltd.                                |                        |                    | 734  | 21,614  |                     | 460         |
|  | 103,711                | 1,058              | 1,445,697                                    | 254,467   | 209,721             | 20,382      |

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

|   | 2014                |                    |  |  |
|---|---------------------|--------------------|--|--|
|   | Sales<br>and others | Dividend<br>income | Purchase of raw<br>materials and<br>others | Purchase and others<br>Acquisition of<br>material property, plant<br>and equipment<br>Outsourcing<br>fees<br>Other costs |
| <b>Entity that has significant influence over the Controlling Company</b>                     |                     |                    |  |  |
| LG Electronics Inc.   | 2,157,472           |                    | 60,002                                     | 267,212<br>73,255  |
| <b>Subsidiaries of the entity that has significant influence over the Controlling Company</b> |                     |                    |  |  |
| LG Electronics India Pvt. Ltd.  | 117,075             |                    |  |  |
| LG Electronics Vietnam Co., Ltd.  | 36,204              |                    |  | 2  |
| LG Electronics Thailand Co., Ltd.   | 68,212              |                    |  |  |
| LG Electronics Nanjing Display Co., Ltd.  | 342,474             |                    |  | 1,719  |
| LG Electronics RUS, LLC   | 530,121             |                    |  |  |
| LG Electronics do Brasil Ltda.  | 363,092             |                    |  | 502  |
| LG Electronics (Kunshan) Computer Co., Ltd.   | 15,968              |                    |  |  |
| LG Innotek Co., Ltd.  | 3,514               |                    | 509,352                                    | 13,082   |
| LG Electronics Vietnam Haiphong Co., Ltd.   | 19,476              |                    |  |  |
| LG Hitachi Water Solutions Co., Ltd.  |                     |                    |  | 29,993   |
| Qingdao LG Inspur Digital Communication Co., Ltd.   | 188,993             |                    |  |  |
| Inspur LG Digital Mobile Communications Co., Ltd.   | 114,458             |                    |  |  |

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

|  | <b>2014</b>                                |                        |   |                      |                            |                    |
|--|--|------------------------|---|----------------------|----------------------------|--------------------|
|  | <b>Purchase of raw material and others</b> |                        | <b>Acquisition of property, plant and equipment</b> |                      | <b>Purchase and others</b> |                    |
|  | <b>Sales and others</b>                    | <b>Dividend income</b> | <b>and others</b>                                   | <b>and equipment</b> | <b>Outsourcing fees</b>    | <b>Other costs</b> |
| LG Electronics Mexicali, S.A. DE C.V.  | 193,246                                    |                        |   |                      |                            |                    |
| LG Electronics Mlawa Sp. z o.o.        | 571,252                                    |                        |   |                      |                            |                    |
| LG Electronics Shenyang Inc.           | 175,424                                    |                        |   |                      |                            |                    |
| LG Electronics Taiwan Taipei Co., Ltd. | 28,177                                     |                        |   |                      |                            |                    |
| LG Electronics Reynosa, S.A. DE C.V.   | 960,523                                    |                        |   |                      |                            | 1,065              |
| LG Electronics Wroclaw Sp. z o.o.      | 719,543                                    |                        |   |                      |                            | 62                 |
| Others                                 | 50   |                        | 810   |                      |                            | 67,149             |
|  | 4,447,802                                  |                        | 510,162   | 29,993               |                            | 83,581             |
|  | 6,899,765                                  | 1,058                  | 2,015,861   | 551,672              | 311,551                    | 179,263            |

22. Related Parties, Continued

(d) Trade accounts and notes receivable and payable as of December 31, 2015 and 2014 are as follows:

(In millions of won)

|   | Trade accounts and notes receivable<br>and others<br>December 31, 2015 |        | Trade accounts and notes payable<br>and others<br>December 31, 2014 |         |
|---|--|--------|---|---------|
| <b>Joint Venture</b>                      |  |        |   |         |
| Suzhou Raken Technology Co., Ltd.         | 14,657   | 27,750 | 182   |         |
| Global OLED Technology LLC (*)            |  |        |   | 505     |
|   | 14,657   | 27,750 | 182   | 505     |
| <b>Associates and their subsidiaries</b>  |  |        |   |         |
| New Optics Ltd.                           |  | 440    | 8,584   | 14,785  |
| New Optics USA, Inc.                      |  |        | 5,313   |         |
| LIG INVENIA Co., Ltd. (LIG ADP Co., Ltd.) | 956  |        | 6,349   | 2,471   |
| TLI Inc.                                  |  |        | 15,232  | 14,086  |
| AVACO Co., Ltd.                           |  |        | 20,064  | 14,236  |
| AVATEC Co., Ltd.                          |  |        | 5,493   | 10,645  |
| AVATEC Electronics Yantai Co., Ltd.       |  |        |   | 247     |
| Paju Electric Glass Co., Ltd.             |  |        | 68,066  | 82,792  |
| Shinbo Electric Co., Ltd.                 | 73,549   | 58,207 | 71,231  | 113,660 |
| Narenanotech Corporation                  | 283  |        | 2,242   | 1,532   |
| Glonix Co., Ltd.                          |  |        |   | 1,752   |
| ADP System Co., Ltd.                      |  |        | 615   | 1,941   |
| YAS Co., Ltd.                             | 956  |        | 5,248   | 7,300   |
|   | 75,744   | 58,647 | 208,437   | 265,447 |

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

|   | Trade accounts and<br>notes receivable<br>and others |                   | Trade accounts and<br>notes payable<br>and others |                   |
|---|--|-------------------|---|-------------------|
|   | December 31, 2015                                    | December 31, 2014 | December 31, 2015                                 | December 31, 2014 |
| <b>Entity that has significant influence over the Controlling Company</b>                     |  |                   |   |                   |
| LG Electronics Inc.   | 407,498  | 385,403           | 118,073   | 114,291           |
| <b>Subsidiaries of the entity that has significant influence over the Controlling Company</b> |  |                   |   |                   |
| LG Electronics India Pvt. Ltd.  | 12,736   | 13,825            |   |                   |
| LG Electronics do Brasil Ltda.  | 5,835  | 12,011            |   | 97                |
| LG Electronics Thailand Co., Ltd.   |  | 17,792            |   |                   |
| LG Electronics RUS, LLC   | 43,342   | 71,912            |   |                   |
| LG Innotek Co., Ltd.  | 311  | 4                 | 76,240  | 88,661            |
| Qingdao LG Inspur Digital Communication Co., Ltd.   | 30,038   | 68,754            |   |                   |
| Inspur LG Digital Mobile Communications Co., Ltd.   | 107,450  | 44,872            |   |                   |
| LG Electronics Mexicali, S.A. DE C.V.   | 14,626   | 5,389             |   |                   |
| LG Electronics Mlawa Sp. z o.o.   | 69,879   | 68,397            |   |                   |
| LG Electronics Nanjing Display Co., Ltd.  | 25,195   | 23,342            | 87  | 575               |
| LG Electronics Shenyang Inc.  | 14,149   | 15,659            |   |                   |
| LG Electronics Taiwan Taipei Co., Ltd.  | 847  | 5,394             |   |                   |
| LG Electronics Reynosa, S.A. DE C.V.  | 120,940  | 34,668            |   | 94                |
| LG Electronics Wroclaw Sp. z o.o.   | 126,898  | 13,742            | 4   | 14                |
| LG Electronics Vietnam Haiphong Co., Ltd.   | 20,296   | 13,491            |   |                   |

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

|  | Trade accounts and notes<br>receivable<br>and others |                   | Trade accounts and<br>notes payable<br>and others |                   |
|--|--|-------------------|---|-------------------|
|  | December 31, 2015                                    | December 31, 2014 | December 31, 2015                                 | December 31, 2014 |
| LG Electronics (Kunshan) Computer Co., Ltd |  | 3,776             |   |                   |
| LG Hitachi Water Solutions Co., Ltd.       |  |                   | 13,811  | 7,079             |
| HiEntech Co., Ltd.                         |  |                   | 3,695   | 5,954             |
| Others                                     | 4,481  | 463               | 3,695   | 5,526             |
|  | 597,023  | 413,491           | 97,532  | 108,000           |
|  | 1,094,922  | 885,291           | 424,224   | 488,243           |

(\*) The Controlling Company acquired additional ownership in Global OLED Technology and classified it as subsidiaries as of December 31, 2015.

(e) Details of significant cash transactions such as loans and collection of loans, which occurred in the normal course of business with related parties for the year ended December 31, 2015 are as follows:

*(In millions of won)*

| <b>Associates</b>                         | <b>Loans<br/>(* )</b> |
|---|-----------------------|
| LIG INVENIA Co., Ltd. (LIG ADP Co., Ltd.) | 1,000                 |
| Narenanotech Corporation                  | 300                   |
| YAS Co., Ltd.                             | 1,000                 |
|   | 2,300                 |

(\*) Loans are presented based on nominal prices.



### 23. Geographic and Other Information

The following is a summary of sales by region based on the location of the customers for the years ended December 31, 2015 and 2014.

#### (a) Revenue by geography

*(In millions of won)*

| <b>Region</b>             | <b>2015</b> | <b>2014</b> |
|---------------------------|-------------|-------------|
| Domestic                  | 2,217,516   | 2,608,344   |
| Foreign                   |             |             |
| China                     | 19,375,401  | 15,773,847  |
| Asia (excluding China)    | 2,605,753   | 3,050,652   |
| United States             | 1,981,021   | 2,025,978   |
| Europe (excluding Poland) | 1,064,122   | 1,527,003   |
| Poland                    | 1,140,071   | 1,469,705   |
|                           | 26,166,368  | 23,847,185  |
|                           | 28,383,884  | 26,455,529  |

Sales to Company A and Company B constituted 35% and 24% of total revenue, respectively, for the year ended December 31, 2015 (2014: 28% and 27%). The Group's top ten end-brand customers together accounted for 82% of sales for the year ended December 31, 2015 (2014: 79%).

#### (b) Non-current assets by geography

*(In millions of won)*

| <b>Region</b> | <b>December 31, 2015</b>             |                          |
|---------------|--------------------------------------|--------------------------|
|               | <b>Property, plant and equipment</b> | <b>Intangible assets</b> |
| Domestic      | 7,719,079                            | 607,402                  |
| Foreign       |                                      |                          |
| China         | 2,728,047                            | 19,946                   |
| Others        | 98,894                               | 211,382                  |
|               | 2,826,941                            | 231,328                  |
|               | 10,546,020                           | 838,730                  |

*(In millions of won)*  
**Region**

**December 31, 2014**

|          | <b>Property, plant and Intangible<br/>equipment                      assets</b> |         |
|----------|---|---------|
| Domestic | 8,699,862   | 548,086 |
| Foreign  |   |         |
| China    | 2,588,511   | 20,954  |
| Others   | 114,493   | 7,630   |
|          | 2,703,004   | 28,584  |
|          | 11,402,866  | 576,670 |

23. Geographic and Other Information, Continued

## (c) Revenue by product and services

*(In millions of won)*

| <b>Product</b>     | <b>2015</b> | <b>2014</b> |
|--------------------|-------------|-------------|
| Panels for:        |             |             |
| Televisions        | 10,853,598  | 10,539,917  |
| Desktop monitors   | 4,553,138   | 4,660,151   |
| Tablet products    | 2,509,911   | 3,541,607   |
| Notebook computers | 2,508,878   | 2,668,806   |
| Mobile and others  | 7,958,359   | 5,045,048   |
|                    | 28,383,884  | 26,455,529  |

From 2015, the Controlling Company has presented panel for OLED Television as panel for Televisions instead of others. The amounts for the year ended December 31, 2014 have been re-presented to conform to 2015's presentation.

24. Revenue

Details of revenue for the years ended December 31, 2015 and 2014 are as follows:

*(In millions of won)*

|                | <b>2015</b> | <b>2014</b> |
|----------------|-------------|-------------|
| Sales of goods | 28,344,700  | 26,415,748  |
| Royalties      | 18,674      | 14,582      |
| Others         | 20,510      | 25,199      |
|                | 28,383,884  | 26,455,529  |

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

(a) Details of other non-operating income for the years ended December 31, 2015 and 2014 are as follows:

*(In millions of won)*

|   | <b>2015</b>      | <b>2014</b>      |
|---|------------------|------------------|
| Rental income   | 4,858            | 6,549            |
| Foreign currency gain   | 1,221,066        | 988,366          |
| Gain on disposal of property, plant and equipment                 | 18,179           | 8,989            |
| Reversal of impairment loss on intangible assets                  | 80               |                  |
| Reversal of allowance for doubtful accounts for other receivables | 252              |                  |
| Commission earned   | 1,834            | 2,486            |
| Others (*)  | 27,564           | 65,513           |
|   | <b>1,273,833</b> | <b>1,071,903</b> |

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

(b) Details of other non-operating expenses for the years ended December 31, 2015 and 2014 are as follows:

*(In millions of won)*

|  | <b>2015</b>      | <b>2014</b>      |
|--|------------------|------------------|
| Other bad debt expense                                     |                  | 531              |
| Foreign currency loss                                      | 1,177,634        | 962,693          |
| Loss on disposal of property, plant and equipment          | 4,037            | 2,173            |
| Impairment loss on property, plant, and equipment          | 3,027            | 8,097            |
| Loss on disposal of intangible assets                      | 29               | 672              |
| Impairment loss on intangible assets                       | 239              | 492              |
| Donations  | 14,114           | 11,901           |
| Expenses related to legal proceedings or claims and others | 127,702          | 108,512          |
|  | <b>1,326,782</b> | <b>1,095,071</b> |

26. Personnel Expenses

Details of personnel expenses for the years ended December 31, 2015 and 2014 are as follows:

*(In millions of won)*

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|  | <b>2015</b>      | <b>2014</b>      |
|--|------------------|------------------|
| Salaries and wages                       | 2,487,767        | 2,351,306        |
| Other employee benefits                  | 450,651          | 408,073          |
| Contributions to National Pension plan   | 66,191           | 64,078           |
| Expenses related to defined benefit plan | 199,033          | 196,756          |
|  | <b>3,184,642</b> | <b>3,020,213</b> |

27. Finance Income and Finance Costs

- (a) Finance income and costs recognized in profit or loss for the years ended December 31, 2015 and 2014 are as follows:

*(In millions of won)*

|   | <b>2015</b> | <b>2014</b> |
|---|-------------|-------------|
| <b>Finance income</b>   |             |             |
| Interest income   | 57,080      | 49,105      |
| Dividend income   |             | 282         |
| Foreign currency gain   | 77,879      | 55,000      |
| Gain on disposal of available-for-sale financial assets       |             | 780         |
| Gain on disposal of investment in a subsidiary                |             | 276         |
| Gain on disposal of investments in equity accounted investees | 23,268      |             |
| Gain on derivatives transactions                              | 602         |             |
|   | 158,829     | 105,443     |
| <b>Finance costs</b>  |             |             |
| Interest expense  | 127,598     | 109,776     |
| Foreign currency loss   | 155,728     | 84,649      |
| Loss on disposal of investment in a subsidiary                |             | 4,157       |
| Loss on disposal of investments in equity accounted investees | 481         | 156         |
| Loss on impairment of investments                             | 26,791      |             |
| Loss on early redemption of debt                              |             | 6,986       |
| Loss on sale of trade accounts and notes receivable           | 4,909       | 9,812       |
| Loss on derivatives transactions                              | 722         |             |
|   | 316,229     | 215,536     |

- (b) Finance income and costs recognized in other comprehensive income or loss for the years ended December 31, 2015 and 2014 are as follows:

*(In millions of won)*

|   | <b>2015</b> | <b>2014</b> |
|---|-------------|-------------|
| Foreign currency translation differences for foreign operations   | 50,829      | 37,739      |
| Net change in fair value of available-for-sale financial assets   | 13,297      | 982         |
| Tax effect  | 214         | (119)       |
| Finance income recognized in other comprehensive income after tax | 64,340      | 38,602      |



28. Income Taxes

(a) Details of income tax expense (benefit) for the years ended December 31, 2015 and 2014 are as follows:

*(In millions of won)*

|   | <b>2015</b>    | <b>2014</b>    |
|---|----------------|----------------|
| Current tax expense                               |                |                |
| Current year                                      | 277,264        | 288,280        |
| Deferred tax expense (benefit)                    |                |                |
| Origination and reversal of temporary differences | 123,458        | (55,976)       |
| Change in unrecognized deferred tax assets        | 9,804          | 92,249         |
|   | 133,262        | 36,273         |
| <b>Income tax expense</b>                         | <b>410,526</b> | <b>324,553</b> |

(b) Income taxes recognized directly in other comprehensive income for the years ended December 31, 2015 and 2014 are as follows:

*(In millions of won)*

|   | <b>Before tax</b> | <b>2015<br/>Tax benefit</b> | <b>Net of tax</b> |
|---|-------------------|-----------------------------|-------------------|
| Net change in fair value of available-for-sale financial assets | 13,297            | 70                          | 13,367            |
| Remeasurements of net defined benefit liabilities (assets)      | (110,864)         | 26,682                      | (84,182)          |
| Foreign currency translation differences for foreign operations | 50,829            | 144                         | 50,973            |
| Share of loss from sale of treasury stock by associates         | (325)             |                             | (325)             |
|   | (47,063)          | 26,896                      | (20,167)          |

*(In millions of won)*

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



|           |        |          |
|-----------|--------|----------|
| (110,272) | 35,654 | (74,618) |
|-----------|--------|----------|

28. Income Taxes, Continued

(c) Reconciliation of the actual effective tax rate for the years ended December 31, 2015 and 2014 is as follows:

| <i>(In millions of won)</i>                                     | <b>2015</b>      |                | <b>2014</b>      |                |
|---|------------------|----------------|------------------|----------------|
| Profit for the year   | 1,023,456        |                | 917,404          |                |
| Income tax expense  | 410,526          |                | 324,553          |                |
| <b>Profit before income tax</b>                                 | <b>1,433,982</b> |                | <b>1,241,957</b> |                |
| Income tax expense using the statutory tax rate of each country | 32.56%           | 466,848        | 32.96%           | 409,341        |
| Non-deductible expenses (benefits)                              | 2.66%            | 38,208         | (2.22%)          | (27,537)       |
| Tax credits   | (8.12%)          | (116,439)      | (10.39%)         | (129,026)      |
| Change in unrecognized deferred tax assets                      | 0.68%            | 9,804          | 7.43%            | 92,249         |
| Others  | 0.84%            | 12,105         | (1.65%)          | (20,474)       |
| <b>Actual income tax expense</b>                                |                  | <b>410,526</b> |                  | <b>324,553</b> |
| <b>Actual effective tax rate</b>                                |                  | <b>28.63%</b>  |                  | <b>26.13%</b>  |

29. Deferred Tax Assets and Liabilities

## (a) Unrecognized deferred tax liabilities

As of December 31, 2015, in relation to the temporary differences on investments in subsidiaries amounting to 213,479 million, the Controlling Company did not recognize deferred tax liabilities since the Controlling Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary differences will not reverse in the foreseeable future.

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

Realization of deferred tax assets related to tax credit carryforwards is dependent on whether sufficient taxable income will be generated prior to their expiration. As of December 31, 2015, the Controlling Company recognized deferred tax assets of 385,017 million, in relation to tax credit carryforwards, to the extent that management believes the realization is probable. The amount of unused tax credit carryforwards for which no deferred tax asset is recognized and their expiration dates are as follows:

*(In millions of won)*

|                          | <b>December 31, 2016</b> |
|--------------------------|--------------------------|
| Tax credit carryforwards | 78,656                   |

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

*(In millions of won)*

|  | <b>Assets</b>             |                           | <b>Liabilities</b>        |                           | <b>Total</b>              |                           |
|--|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
|  | <b>December, 31, 2015</b> | <b>December, 31, 2014</b> | <b>December, 31, 2015</b> | <b>December, 31, 2014</b> | <b>December, 31, 2015</b> | <b>December, 31, 2014</b> |
| Other accounts receivable, net                             |                           |                           | (2,388)                   | (3,440)                   | (2,388)                   | (3,440)                   |
| Inventories, net   | 46,449                    | 46,377                    |                           |                           | 46,449                    | 46,377                    |
| Available-for-sale financial assets                        |                           |                           | (19)                      | (88)                      | (19)                      | (88)                      |
| Defined benefit liabilities, net                           | 58,962                    | 112,213                   |                           |                           | 58,962                    | 112,213                   |
| Investments in equity accounted investees and subsidiaries | 9,121                     | 29,839                    |                           |                           | 9,121                     | 29,839                    |
| Accrued expenses   | 122,002                   | 177,163                   |                           |                           | 122,002                   | 177,163                   |
| Property, plant and equipment                              | 271,252                   | 236,848                   |                           |                           | 271,252                   | 236,848                   |
| Intangible assets  | 817                       | 1,423                     | (34,663)                  |                           | (33,846)                  | 1,423                     |
| Provisions   | 14,152                    | 12,710                    |                           |                           | 14,152                    | 12,710                    |
| Gain or loss on foreign currency translation, net          | 11                        | 169                       |                           | (1)                       | 11                        | 168                       |
| Others   | 25,253                    | 26,212                    |                           | (268)                     | 25,253                    | 25,944                    |
| Tax credit carryforwards                                   | 385,017                   | 397,105                   |                           |                           | 385,017                   | 397,105                   |
| <b>Deferred tax assets (liabilities)</b>                   | <b>933,036</b>            | <b>1,040,059</b>          | <b>(37,070)</b>           | <b>(3,797)</b>            | <b>895,966</b>            | <b>1,036,262</b>          |



29. Deferred Tax Assets and Liabilities, Continued

(d) Changes in deferred tax assets and liabilities for the years ended December 31, 2015 and 2014 are as follows:

| <i>(In millions of won)</i>                       | <b>January 1,<br/>2014</b> | <b>Profit or<br/>loss</b> | <b>Other<br/>comprehensive<br/>income</b> | <b>December 31,<br/>2014</b> | <b>Profit or<br/>loss</b> | <b>Other<br/>comprehensive<br/>income</b> | <b>Business<br/>combination</b> | <b>December 31,<br/>2015</b> |
|---|----------------------------|---------------------------|---|------------------------------|---------------------------|---|---------------------------------|------------------------------|
| Other accounts receivable, net                    | (2,476)                    | (964)                     |   | (3,440)                      | 1,052                     |   |                                 | (2,388)                      |
| Inventories, net                                  | 18,866                     | 27,511                    |   | 46,377                       | 72                        |   |                                 | 46,449                       |
| Available-for-sale financial assets               | 98                         |                           | (186)                                     | (88)                         | (1)                       | 70  |                                 | (19)                         |
| Defined benefit liabilities, net                  | 72,709                     | 3,731                     | 35,773                                    | 112,213                      | (79,933)                  | 26,682                                    |                                 | 58,962                       |
| Investments in equity accounted investees         | 2,972                      | 26,867                    |   | 29,839                       | (20,718)                  |   |                                 | 9,121                        |
| Accrued expenses                                  | 83,571                     | 93,592                    |   | 177,163                      | (55,161)                  |   |                                 | 122,002                      |
| Property, plant and equipment                     | 189,422                    | 47,426                    |   | 236,848                      | 34,404                    |   |                                 | 271,252                      |
| Intangible assets                                 | (1,207)                    | 2,630                     |   | 1,423                        | (1,339)                   |   | (33,930)                        | (33,846)                     |
| Provisions  | 11,460                     | 1,250                     |   | 12,710                       | 1,442                     |   |                                 | 14,152                       |
| Gain or loss on foreign currency translation, net | (675)                      | 843                       |   | 168                          | (157)                     |   |                                 | 11                           |
| Others  | 13,302                     | 12,575                    | 67  | 25,944                       | (835)                     | 144                                       |                                 | 25,253                       |
| Tax losses carryforwards                          | 110,550                    | (110,550)                 |   |                              |                           |   |                                 |                              |
| Tax credit carryforwards                          | 538,289                    | (141,184)                 |   | 397,105                      | (12,088)                  |   |                                 | 385,017                      |
| Deferred tax assets (liabilities)                 | 1,036,881                  | (36,273)                  | 35,654                                    | 1,036,262                    | (133,262)                 | 26,896                                    | (33,930)                        | 895,966                      |

Statutory tax rate applicable to the Controlling Company to calculate tax base and deferred tax expense is 24.2% for the year ended December 31, 2015.

30. Earnings per Share

(a) Basic earnings per share for the years ended December 31, 2015 and 2014 are as follows:

| <i>(In won and No. of shares)</i>                               | <b>2015</b>     | <b>2014</b>     |
|---|-----------------|-----------------|
| <b>Profit attributable to owners of the Controlling Company</b> | 966,553,061,333 | 904,267,992,399 |
| Weighted-average number of common stocks outstanding            | 357,815,700     | 357,815,700     |
| <b>Earnings per share</b>                                       | <b>2,701</b>    | <b>2,527</b>    |

For the years ended December 31, 2015 and 2014, there were no events or transactions that resulted in changes in the number of common stocks used for calculating earnings per share.

(b) Diluted earnings per share are not calculated since there was no potential common stock for the years ended December 31, 2015 and 2014.

31. Supplemental Cash Flow Information

Supplemental cash flow information for the years ended December 31, 2015 and 2014 is as follows:

| <i>(In millions of won)</i>  | <b>2015</b> | <b>2014</b> |
|--|-------------|-------------|
| <b>Non-cash investing and financing activities:</b>  |             |             |
| Changes in other accounts payable arising from the purchase of property, plant and equipment | 182,424     | (149,989)   |

32. Business Combinations

- (1) The Controlling Company acquired 67% ownership with the additional investment amounting to 111,040 million from Global OLED Technology LLC in order to expand OLED IP Portfolio. In 2015, the Controlling Company's ownership percentage increased from 33% to 100% and control was transferred to the Controlling Company. The Controlling Company measured the identifiable assets acquired and the liabilities assumed at their acquisition-date fair value. The entire consideration transferred for the acquisition was paid in cash. The fair value of the consideration transferred, assets acquired and liabilities assumed are as follows:

| <i>(In millions of won)</i>                                  | <b>Amount</b> |
|--|---------------|
| Consideration transferred                                    | 111,040       |
| Fair value of previously held ownership                      | 54,025        |
| <b>Identifiable assets acquired and liabilities assumed:</b> |               |
| Cash and cash equivalents                                    | 947           |
| Other current assets   | 478           |
| Intangible assets (*1)                                       | 168,301       |
| Other non-current assets                                     | 104           |
| Current liabilities  | (1,768)       |
| Non-current liabilities                                      | (4)           |
| Deferred tax liabilities                                     | (33,930)      |
| Identifiable net asset                                       | 134,128       |
| Goodwill (*2)  | 30,937        |

(\*1) Intangible assets are measured at fair value using the income approach and considering the present value of expected net cash flow from patents.

(\*2) Goodwill amounting to 30,937 million arose from the acquired work force with specialized knowledge and experience.

The amount of the revenue and profit in the consolidated statement of comprehensive income for the year ended December 31, 2015, based on the assumption that the acquisition date had been at the beginning of the annual reporting period, are 28,387,302 million and 1,019,221 million, respectively, and the amount of the revenue and net loss of Global OLED Technology LLC included in the consolidated statement of comprehensive income for the year ended December 31, 2015 are 2,891 million and 3,306 million, respectively. In addition, acquisition-related costs, such as legal consulting and accounting valuation fees amounting to 28 million are expensed.

The Controlling Company recognized 22,336 million for the difference between the acquisition amount and the fair value as finance income in the consolidated statements of comprehensive income for the year ended December 31, 2015 regarding the previously held 33% ownership in Global OLED Technology.

- (2) In December 2015, the Controlling Company acquired OLED Lighting business with the investment amounting to 160,000 million from LG Chem Ltd. in order to maximize synergy and strengthen competitiveness in OLED Lighting business. The Controlling Company measured the identifiable assets acquired and the liabilities assumed at their acquisition-date fair value. The entire consideration transferred

for the acquisition was paid in cash.



32. Business Combinations, Continued

The fair value of the consideration transferred, assets acquired and liabilities assumed are as follows:

| <i>(In millions of won)</i>                           | <b>Amount</b> |
|---|---------------|
| Consideration transferred                             | 160,000       |
| Identifiable assets acquired and liabilities assumed: |               |
| Trade accounts and notes receivable                   | 616           |
| Inventories   | 2,432         |
| Other current assets                                  | 580           |
| Property, plant and equipment                         | 26,967        |
| Intangible assets (*1)                                | 64,462        |
| Other non-current assets                              | 7,808         |
| Current liabilities                                   | (860)         |
| Identifiable net asset                                | 102,005       |
| Goodwill (*2)   | 57,995        |

(\*1) Patents amounting to 29,139 million are measured at fair value using the income approach and considering the present value of expected net cash flow from patents and customer relationships amounting to 35,165 million are measured considering the present value of future economic benefits expected to be received arising from relationship with customers.

(\*2) Goodwill amounting to 57,995 million arose from the acquired work force with specialized knowledge and experience.

The amount of the revenue and profit in the consolidated statement of comprehensive income for the year ended December 31, 2015, based on the assumption that the acquisition date had been at the beginning of the annual reporting period, are 28,388,425 million and 1,002,113 million, respectively, and the amount of the revenue and net loss of OLED Lighting business included in the consolidated statement of comprehensive income for the year ended December 31, 2015 are 52 million and 1,473 million, respectively. In addition, acquisition-related costs, such as legal consulting and accounting valuation fees amounting to 65 million are recognized as administrative expenses.

LG DISPLAY CO., LTD.

Separate Financial Statements

**For the Years Ended December 31, 2015 and 2014**

(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 separate financial statements of LG Display Co., Ltd. (the Company) which comprise the separate statements of financial position of the Company as of December 31, 2015 and 2014, the related separate statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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

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

***Auditors' Responsibility***

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

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

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

***Opinion***

In our opinion, the separate financial statements referred to above present fairly, in all material respects, the separate financial position of the Company as of December 31, 2015 and 2014, and its separate financial performance and its separate cash flows for the years then ended in accordance with K-IFRS.

***Emphasis of Matter***

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

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

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

/s/ KPMG Samjong Accounting Corp.

Seoul, Korea

February 19, 2016

This report is effective as of February 19, 2016, 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 separate 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.

LG DISPLAY CO., LTD.

**Separate Statements of Financial Position**

As of December 31, 2015 and 2014

| <i>(In millions of won)</i>              | Note          | December 31, 2015 | December 31, 2014 |
|--|---------------|-------------------|-------------------|
| <b>Assets</b>                            |               |                   |                   |
| Cash and cash equivalents                | 6, 13         | 108,044           | 100,558           |
| Deposits in banks                        | 6, 13         | 1,432,102         | 1,525,609         |
| Trade accounts and notes receivable, net | 7, 13, 19, 23 | 4,219,941         | 4,015,904         |
| Other accounts receivable, net           | 7, 13         | 499,882           | 396,651           |
| Other current financial assets           | 9, 13         | 3,609             | 2,569             |
| Inventories                              | 8             | 1,850,213         | 2,046,675         |
| Other current assets                     | 7             | 132,539           | 203,122           |
| <b>Total current assets</b>              |               | <b>8,246,330</b>  | <b>8,291,088</b>  |
| Deposits in banks                        | 6, 13         | 13                | 8,427             |
| Investments                              | 10            | 2,543,205         | 2,301,881         |
| Other non-current financial assets       | 9, 13         | 41,518            | 27,609            |
| Property, plant and equipment, net       | 11            | 7,719,022         | 8,700,301         |
| Intangible assets, net                   | 12            | 607,398           | 548,078           |
| Deferred tax assets                      | 29            | 771,506           | 883,965           |
| Other non-current assets                 | 7             | 281,701           | 250,488           |
| <b>Total non-current assets</b>          |               | <b>11,964,363</b> | <b>12,720,749</b> |
| <b>Total assets</b>                      |               | <b>20,210,693</b> | <b>21,011,837</b> |
| <b>Liabilities</b>                       |               |                   |                   |
| Trade accounts and notes payable         | 13, 23        | 3,149,383         | 3,989,505         |
| Current financial liabilities            | 13, 14        | 1,416,112         | 964,122           |
| Other accounts payable                   | 13            | 1,179,010         | 1,057,485         |
| Accrued expenses                         |               | 603,003           | 708,664           |
| Income tax payable                       |               | 1,013             | 142,760           |
| Provisions                               | 18            | 108,545           | 193,429           |
| Advances received                        |               | 11,143            | 463,740           |
| Other current liabilities                | 18            | 37,770            | 30,625            |
| <b>Total current liabilities</b>         |               | <b>6,505,979</b>  | <b>7,550,330</b>  |
| Non-current financial liabilities        | 13, 14        | 1,953,549         | 2,484,280         |
| Non-current provisions                   | 18            | 11,817            | 8,014             |
| Defined benefit liabilities, net         | 17            | 353,223           | 323,710           |
| Other non-current liabilities            | 13, 18        | 56,542            | 21,428            |
| <b>Total non-current liabilities</b>     |               | <b>2,375,131</b>  | <b>2,837,432</b>  |

|                                     |    |            |            |
|-------------------------------------|----|------------|------------|
| <b>Total liabilities</b>            |    | 8,881,110  | 10,387,762 |
| <b>Equity</b>                       |    |            |            |
| Share capital                       | 21 | 1,789,079  | 1,789,079  |
| Share premium                       |    | 2,251,113  | 2,251,113  |
| Reserves                            | 21 | 58         | 276        |
| Retained earnings                   | 22 | 7,289,333  | 6,583,607  |
| <b>Total equity</b>                 |    | 11,329,583 | 10,624,075 |
| <b>Total liabilities and equity</b> |    | 20,210,693 | 21,011,837 |

*See accompanying notes to the separate financial statements.*



LG DISPLAY CO., LTD.

**Separate Statements of Comprehensive Income**

For the years ended December 31, 2015 and 2014

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

|   | <b>Note</b> | <b>2015</b>      | <b>2014</b>      |
|---|-------------|------------------|------------------|
| Revenue   | 23, 24      | 25,856,426       | 25,383,670       |
| Cost of sales   | 8, 23       | (22,850,385)     | (22,360,245)     |
| <b>Gross profit</b>   |             | <b>3,006,041</b> | <b>3,023,425</b> |
| Selling expenses  | 16          | (599,255)        | (485,557)        |
| Administrative expenses   | 16          | (427,030)        | (396,916)        |
| Research and development expenses                               |             | (1,208,900)      | (1,156,162)      |
| <b>Operating profit</b>   |             | <b>770,856</b>   | <b>984,790</b>   |
| Finance income  | 27          | 631,525          | 479,321          |
| Finance costs   | 27          | (184,283)        | (205,608)        |
| Other non-operating income                                      | 25          | 953,004          | 862,167          |
| Other non-operating expenses                                    | 25          | (989,476)        | (898,978)        |
| <b>Profit before income tax</b>                                 |             | <b>1,181,626</b> | <b>1,221,692</b> |
| Income tax expense  | 28          | 213,417          | 248,574          |
| <b>Profit for the year</b>                                      |             | <b>968,209</b>   | <b>973,118</b>   |
| <b>Other comprehensive income (loss)</b>                        |             |                  |                  |
| <b>Items that will never be reclassified to profit or loss</b>  |             |                  |                  |
| Remeasurements of net defined benefit liabilities               | 17, 28      | (110,257)        | (147,822)        |
| Related income tax  | 17, 28      | 26,682           | 35,773           |
|   |             | (83,575)         | (112,049)        |
| <b>Items that are or may be reclassified to profit or loss</b>  |             |                  |                  |
| Net change in fair value of available-for-sale financial assets | 27, 28      | (288)            | 767              |
| Related income tax  | 27, 28      | 70               | (186)            |
|   |             | (218)            | 581              |
| <b>Other comprehensive loss for the year, net of income tax</b> |             | <b>(83,793)</b>  | <b>(111,468)</b> |
| <b>Total comprehensive income for the year</b>                  |             | <b>884,416</b>   | <b>861,650</b>   |

**Earnings per share (In won)**

|                            |    |       |       |
|----------------------------|----|-------|-------|
| Basic earnings per share   | 30 | 2,706 | 2,720 |
| Diluted earnings per share | 30 | 2,706 | 2,720 |

*See accompanying notes to the separate financial statements.*

LG DISPLAY CO., LTD.

**Separate Statements of Changes in Equity**

For the years ended December 31, 2015 and 2014

| <i>(In millions of won)</i>   | <b>Share capital</b> | <b>Share premium</b> | <b>Fair value Reserves</b> | <b>Retained earnings</b> | <b>Total equity</b> |
|---|----------------------|----------------------|----------------------------|--------------------------|---------------------|
| <b>Balances at January 1, 2014</b>  | 1,789,079            | 2,251,113            | (305)                      | 5,722,538                | 9,762,425           |
| <b>Total comprehensive income for the year</b>                              |                      |                      |                            |                          |                     |
| Profit for the year   |                      |                      |                            | 973,118                  | 973,118             |
| <b>Other comprehensive income (loss)</b>                                    |                      |                      |                            |                          |                     |
| Net change in fair value of available-for-sale financial assets, net of tax |                      |                      | 581                        |                          | 581                 |
| Remeasurements of net defined benefit liabilities, net of tax               |                      |                      |                            | (112,049)                | (112,049)           |
| Total other comprehensive income (loss)                                     |                      |                      | 581                        | (112,049)                | (111,468)           |
| Total comprehensive income for the year                                     |                      |                      | 581                        | 861,069                  | 861,650             |
| <b>Transaction with owners, recognized directly in equity</b>               |                      |                      |                            |                          |                     |
| <b>Balances at December 31, 2014</b>  | 1,789,079            | 2,251,113            | 276                        | 6,583,607                | 10,624,075          |
| <b>Balances at January 1, 2015</b>  | 1,789,079            | 2,251,113            | 276                        | 6,583,607                | 10,624,075          |
| <b>Total comprehensive income (loss) for the year</b>                       |                      |                      |                            |                          |                     |
| Profit for the year   |                      |                      |                            | 968,209                  | 968,209             |
| <b>Other comprehensive loss</b>   |                      |                      |                            |                          |                     |
| Net change in fair value of available-for-sale financial assets, net of tax |                      |                      | (218)                      |                          | (218)               |
| Remeasurements of net defined benefit liabilities, net of tax               |                      |                      |                            | (83,575)                 | (83,575)            |
| Total other comprehensive loss  |                      |                      | (218)                      | (83,575)                 | (83,793)            |
| Total comprehensive income (loss) for the year                              |                      |                      | (218)                      | 884,634                  | 884,416             |
| <b>Transaction with owners, recognized directly in equity</b>               |                      |                      |                            |                          |                     |
| Dividends to equity holders   |                      |                      |                            | (178,908)                | (178,908)           |

|                                      |           |           |    |           |            |
|--------------------------------------|-----------|-----------|----|-----------|------------|
| <b>Balances at December 31, 2015</b> | 1,789,079 | 2,251,113 | 58 | 7,289,333 | 11,329,583 |
|--------------------------------------|-----------|-----------|----|-----------|------------|

*See accompanying notes to the separate financial statements.*

LG DISPLAY CO., LTD.

**Separate Statements of Cash Flows**

For the years ended December 31, 2015 and 2014

| <i>(In millions of won)</i>                       | <b>Note</b> | <b>2015</b> | <b>2014</b> |
|---|-------------|-------------|-------------|
| <b>Cash flows from operating activities:</b>      |             |             |             |
| Profit for the year                               |             | 968,209     | 973,118     |
| <b>Adjustments for:</b>                           |             |             |             |
| Income tax expense                                | 28          | 213,417     | 248,574     |
| Depreciation                                      | 11, 15      | 2,353,189   | 2,854,996   |
| Amortization of intangible assets                 | 12, 15      | 384,968     | 263,326     |
| Gain on foreign currency translation              |             | (46,051)    | (41,789)    |
| Loss on foreign currency translation              |             | 43,343      | 72,877      |
| Expenses related to defined benefit plans         | 17, 26      | 198,765     | 196,495     |
| Gain on disposal of property, plant and equipment |             | (40,782)    | (18,248)    |
| Loss on disposal of property, plant and equipment |             | 3,873       | 2,204       |
| Impairment loss on property, plant and equipment  |             | 423         | 8,097       |
| Loss on disposal of intangible assets             |             | 18          | 115         |
| Impairment loss on intangible assets              |             | 239         | 492         |
| Reversal of impairment loss on intangible assets  |             | (80)        |             |
| Finance income                                    |             | (624,197)   | (475,659)   |
| Finance costs                                     |             | 173,425     | 179,343     |
| Other income                                      |             | (12,300)    | (14,508)    |
| Other expenses                                    |             | 232,820     | 278,001     |
|   |             | 2,881,070   | 3,554,316   |
| Change in trade accounts and notes receivable     |             | (626,908)   | (1,082,193) |
| Change in other accounts receivable               |             | 25,456      | (14,900)    |
| Change in other current assets                    |             | 105,246     | (43,759)    |
| Change in inventories                             |             | 198,893     | (460,033)   |
| Change in other non-current assets                |             | (75,094)    | (87,729)    |
| Change in trade accounts and notes payable        |             | (859,928)   | 506,663     |
| Change in other accounts payable                  |             | (349,948)   | (367,623)   |
| Change in accrued expenses                        |             | (63,900)    | 233,936     |
| Change in other current liabilities               |             | (1,910)     | (14,128)    |
| Change in other non-current liabilities           |             | 48,485      | 17,978      |
| Change in provisions                              |             | (106,950)   | (187,021)   |
| Change in defined benefit liabilities, net        |             | (279,509)   | (339,303)   |
|   |             | (1,986,067) | (1,838,112) |
| Cash generated from operating activities          |             | 1,863,212   | 2,689,322   |
| Income taxes refunded (paid)                      |             | (194,219)   | 1,709       |
| Interests received                                |             | 40,797      | 33,530      |
| Interests paid                                    |             | (113,479)   | (158,162)   |

|  |           |           |
|--|-----------|-----------|
| <b>Net cash provided by operating activities</b> | 1,596,311 | 2,566,399 |
|--|-----------|-----------|

*See accompanying notes to the separate financial statements.*

LG DISPLAY CO., LTD.

**Separate Statements of Cash Flows, Continued**

For the years ended December 31, 2015 and 2014

| <i>(In millions of won)</i>                                    | <b>2015</b>        | <b>2014</b>        |
|--|--------------------|--------------------|
| <b>Cash flows from investing activities:</b>                   |                    |                    |
| Dividends received   | 428,381            | 107,173            |
| Proceeds from withdrawal of deposits in banks                  | 2,306,672          | 1,651,176          |
| Increase in deposits in banks                                  | (2,204,752)        | (1,884,023)        |
| Acquisition of investments                                     | (285,950)          | (531,387)          |
| Proceeds from disposal of investments                          | 41,928             | 12,280             |
| Acquisition of property, plant and equipment                   | (1,606,797)        | (1,365,062)        |
| Proceeds from disposal of property, plant and equipment        | 489,422            | 72,825             |
| Acquisition of intangible assets                               | (287,183)          | (325,651)          |
| Proceeds from disposal of intangible assets                    | 1,135              |                    |
| Government grants received                                     | 4,328              | 3,639              |
| Proceeds from settlement of derivatives                        | (35)               |                    |
| Increase in long-term loans                                    | (16,516)           |                    |
| Proceeds from disposal of other financial assets               | 2,263              | 82                 |
| Acquisition of other non-current financial assets              | (4,843)            | (4,219)            |
| Proceeds from disposal of other non-current financial assets   | 874                | 15,390             |
| Acquisition of businesses, net of cash acquired                | (160,000)          |                    |
| <b>Net cash used in investing activities</b>                   | <b>(1,291,073)</b> | <b>(2,247,777)</b> |
| <b>Cash flows from financing activities:</b>                   |                    |                    |
| Proceeds from short-term borrowings                            |                    | 219,839            |
| Repayments of short-term borrowings                            | (219,839)          |                    |
| Proceeds from issuance of debentures                           | 298,778            | 597,563            |
| Proceeds from long-term debt                                   | 547,005            | 102,389            |
| Repayments of long-term debt                                   |                    | (503,618)          |
| Repayments of current portion of long-term debt and debentures | (744,788)          | (887,296)          |
| Dividends paid   | (178,908)          |                    |
| <b>Net cash used in financing activities</b>                   | <b>(297,752)</b>   | <b>(471,123)</b>   |
| <b>Net increase (decrease) in cash and cash equivalents</b>    | <b>7,486</b>       | <b>(152,501)</b>   |
| Cash and cash equivalents at January 1                         | 100,558            | 253,059            |
| <b>Cash and cash equivalents at December 31</b>                | <b>108,044</b>     | <b>100,558</b>     |

See accompanying notes to the separate financial statements.





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. 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, in February 2008, the Company changed its name to LG Display Co., Ltd. considering the decrease of Philips' s share interest in the Company and the possibility of its business expansion to other display products including Organic Light-Emitting Diode ( OLED ) and Flexible Display products. As of December 31, 2015, LG Electronics Inc. owns 37.9% (135,625,000 shares) of the Company' s common stock.

As of December 31, 2015, the Company has TFT-LCD manufacturing plants, an OLED manufacturing plant and a Research & Development Center in Paju and TFT-LCD manufacturing plants in Gumi. The Company has overseas subsidiaries located in North America, Europe and Asia.

The Company' s common stock is listed on the Korea Exchange under the identifying code 034220. As of December 31, 2015, 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 Depository Shares ( ADSs ) under the symbol LPL. One ADS represents one-half of one share of common stock. As of December 31, 2015, there are 29,554,854 ADSs outstanding.

2. Basis of Presenting Financial Statements

(a) Statement of Compliance

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

These financial statements are separate financial statements prepared in accordance with K-IFRS No.1027, *Separate Financial Statements*, presented by a parent, an investor in an associate or a venture in a joint ventures, 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 separate financial statements were authorized for issuance by the Board of Directors on January 26, 2016, which will be submitted for approval to the shareholders' meeting to be held on March 11, 2016.

2. Basis of Presenting Financial Statements, Continued

(b) Basis of Measurement

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

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

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

(c) Functional and Presentation Currency

The separate financial statements are presented in Korean won, which is the Company's functional currency.

(d) Use of Estimates and Judgments

The preparation of the separate 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 separate financial statements is included in the following notes:

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

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

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

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

Net realizable value of inventories (note 8)

Measurement of defined benefit obligations (note 17)

Deferred tax assets and liabilities (note 29)

3. Summary of Significant Accounting Policies

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

(a) Interest in subsidiaries, associates and joint ventures

These separate financial statements are prepared and presented in accordance with K-IFRS No.1027, *Separate Financial Statements*. The Company applied the cost method to investments in subsidiaries, associates and joint ventures in accordance with K-IFRS No.1027. Dividends from subsidiaries, associates or joint ventures are recognized in profit or loss when the right to receive the dividend is established.

(b) 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 are recognized in profit or loss in the period in which they arise. Foreign currency differences arising from assets and liabilities in relation to the investing and financing activities including loans, bonds and cash and cash equivalents are recognized in finance income (costs) in the separate statement of comprehensive income and foreign currency differences arising from assets and liabilities in relation to activities other than investing and financing activities are recognized in other non-operating income (expense) in the separate statement of comprehensive income. Relevant foreign currency differences are presented in gross amounts in the separate statement of comprehensive income.

(c) Inventories

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

3. Summary of Significant Accounting Policies, Continued

(d) 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 ( FVTPL ), are recognized in the separate 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.

Financial assets and liabilities are offset and the net amount presented in the separate 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: financial assets at FVTPL, loans and receivables and available-for-sale financial assets.

Financial assets at fair value through profit or loss

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

Cash and cash equivalents

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

Deposits in banks

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



3. Summary of Significant Accounting Policies, Continued

(d) Financial Instruments, Continued

(i) Non-derivative financial assets, Continued

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 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 FVTPL, 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 in available-for-sale financial assets is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

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

(ii) Non-derivative financial liabilities

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

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

Non-derivative financial liabilities other than financial liabilities classified as FVTPL are classified as other financial liabilities and measured initially at fair value minus transaction costs that are directly attributable to the issuance of financial liabilities. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. As of December 31, 2015, non-derivative financial liabilities comprise borrowings, bonds and others.

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



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### 3. Summary of Significant Accounting Policies, Continued

#### (d) Financial Instruments, Continued

##### (iii) Share Capital

The Company only issued common stocks and they are classified as equity. Incremental costs directly attributable to the issuance of common stocks are recognized as a deduction from equity, net of tax effects. Capital contributed in excess of par value upon issuance of common stocks is classified as share premium within equity.

##### (iv) Derivative financial instruments, including hedge accounting

Derivatives are initially recognized at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss except in the case where the derivatives are designated as cash flow hedges and the hedge is determined to be an effective hedge.

If necessary, the 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 separate 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.



3. Summary of Significant Accounting Policies, Continued

(d) Financial Instruments, Continued

(iv) Derivative financial instruments, including hedge accounting, Continued

Embedded derivative

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

(e) Property, Plant and Equipment

(i) Recognition and measurement

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

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

(ii) Subsequent costs

Subsequent expenditure on an item of property, plant and equipment is recognized as part of its cost only if it is probable that future economic benefits associated with the item will flow to the 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:

|                               | <b>Useful lives (years)</b> |
|-------------------------------|-----------------------------|
| Buildings and structures      | 20, 40                      |
| Machinery                     | 4, 5                        |
| 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 and any changes are accounted for as changes in accounting estimates. There were no such changes for all periods presented.

3. Summary of Significant Accounting Policies, Continued

(f) Borrowing Costs

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

(g) 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 and cash related to grant received is presented in investing activities in the statement of cash flows.

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

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

(iii) Other government grants

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

(h) Intangible Assets

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

(i) Goodwill

Goodwill arising from business combinations is recognized as the excess of the acquisition cost of investments in subsidiaries, associates and joint ventures over the 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.



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 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.





### 3. Summary of Significant Accounting Policies, Continued

#### (h) Intangible Assets, Continued

##### (v) Amortization

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

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

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

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

#### (i) Impairment

##### (i) Financial assets

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

Objective evidence that financial assets are impaired can include default or delinquency in interest or principal payments by an issuer or a debtor, for economic reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the 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.



3. Summary of Significant Accounting Policies, Continued

(i) 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, 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 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 determined as the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Fair value less costs to sell is based on the best information available to reflect the amount that the 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.

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

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

3. Summary of Significant Accounting Policies, Continued

(j) 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. 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. Warranty costs primarily include raw materials and labor costs. As these factors are impacted by actual experience and future expectations, management periodically assesses the adequacy of its recorded warranty liabilities and adjusts the amounts as necessary. Accrued warranty obligations are included in the current and non-current provisions.

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

(k) Employee Benefits

(i) Short-term employee benefits

Short-term employee benefits that are due to be settled within twelve months after the end of the period in which the employees render the related service are recognized in profit or loss on an undiscounted basis. The expected cost of profit-sharing and bonus plans and others are recognized when the 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.

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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 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.

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

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

#### (l) Revenue

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



3. Summary of Significant Accounting Policies, Continued

(m) Operating Segments

In accordance with K-IFRS No. 1108, *Operating Segments*, entity wide disclosures of geographic and product revenue information are provided in the consolidated financial statements.

(n) Finance Income and Finance Costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at FVTPL, and gains on hedging instruments that are recognized in profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest method. Dividend income is recognized in profit or loss on the date that the 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 FVTPL, impairment losses recognized on financial assets, and losses on hedging instruments that are recognized in profit or loss. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset.

(o) Income Tax

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

(i) Current tax

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



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

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

The Company offsets deferred tax assets and deferred tax liabilities if, and only if, the Company has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority.

#### (p) Earnings Per Share

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

#### (q) Business Combinations

The Company accounts for business combinations using the acquisition method when control is transferred to the Company. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities in accordance with K-IFRS No. 1032 and K-IFRS No. 1039.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

3. Summary of Significant Accounting Policies, Continued

(r) New Standards and Interpretations Not Yet Adopted

(i) K-IFRS No. 1109, *Financial Instruments*

K-IFRS No. 1109 provides revised guidance on the classification and measurement of financial instruments and replaces incurred loss model with expected credit losses model for calculating impairment on financial assets. K-IFRS No. 1109 also includes new general hedge accounting requirements including hedged items, hedging instruments and risk being hedged in order to expand applicable risk management strategies being utilized. K-IFRS No. 1109 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. K-IFRS No. 1109 has not been early adopted in preparing the separate financial statements.

(ii) K-IFRS No. 1115, *Revenue from contracts with customers*

K-IFRS No. 1115 establishes a single new revenue recognition standard for contracts with customers and introduces a five-step model for determining whether, how much and when revenue is recognized. K-IFRS No. 1115 replaces risk-and-reward based model with control-based model. K-IFRS No. 1115 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. K-IFRS No. 1115 has not been early adopted in preparing the separate financial statements.

(iii) Amendment to K-IFRS No. 1027, *Separate Financial Statements*

Amendment to K-IFRS No. 1027, *Separate Financial Statements*, introduces equity accounting as a third option in the entity's separate financial statements, in addition to the existing cost and fair value options. Amendment to K-IFRS No. 1027 is effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. Amendment to K-IFRS No. 1027 has not been early adopted in preparing the separate financial statements.

Management is currently assessing the potential impact on its separate financial statements resulting from the application of new standards.

#### 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) Non-derivative Financial Liabilities

Fair value, which is determined for disclosure purposes, except for the liabilities at FVTPL, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

#### 5. Risk Management

##### (a) Financial Risk Management

The 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 believes that 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.



5. Risk Management, Continued

(a) Financial Risk Management, Continued

(i) Credit risk, Continued

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 or 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.

(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.

(iv) 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, EUR, JPY, etc.

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

In respect of other monetary assets and liabilities denominated in foreign currencies, the Company adopts policies to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

5. Risk Management, Continued(a) Financial Risk Management, Continued(v) Interest rate risk

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

(b) Capital Management

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

*(In millions of won)*

|                                     | <b>December 31, 2015</b> | <b>December 31, 2014</b> |
|-------------------------------------|--------------------------|--------------------------|
| Total liabilities                   | 8,881,110                | 10,387,762               |
| Total equity                        | 11,329,583               | 10,624,075               |
| Cash and deposits in banks (*1)     | 1,540,146                | 1,626,167                |
| Borrowings (including bonds)        | 3,369,576                | 3,448,402                |
| Total liabilities to equity ratio   | 78%                      | 98%                      |
| Net borrowings to equity ratio (*2) | 16%                      | 17%                      |

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

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



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, 2015 | December 31, 2014 |
|----------------------------------|-------------------|-------------------|
| <b>Current assets</b>            |                   |                   |
| <b>Cash and cash equivalents</b> |                   |                   |
| Demand deposits                  | 108,044           | 100,558           |
| <b>Deposits in banks</b>         |                   |                   |
| Time deposits                    | 1,361,602         | 1,452,804         |
| Restricted cash (*)              | 70,500            | 72,805            |
|                                  | 1,432,102         | 1,525,609         |
| <b>Non-current assets</b>        |                   |                   |
| <b>Deposits in banks</b>         |                   |                   |
| Restricted cash (*)              | 13                | 8,427             |
|                                  | 1,540,159         | 1,634,594         |

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

7. Receivables and Other Current Assets

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

*(In millions of won)*

|                          | December 31, 2015 | December 31, 2014 |
|--------------------------|-------------------|-------------------|
| Trade, net               | 257,736           | 145,301           |
| Due from related parties | 3,962,205         | 3,870,603         |
|                          | 4,219,941         | 4,015,904         |

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

*(In millions of won)*

|                                    | December 31, 2015 | December 31, 2014 |
|------------------------------------|-------------------|-------------------|
| <b>Current assets</b>              |                   |                   |
| Non-trade accounts receivable, net | 486,884           | 378,704           |
| Accrued income                     | 12,998            | 17,947            |
|                                    | 499,882           | 396,651           |

Due from related parties included in other accounts receivable, as of December 31, 2015 and 2014 are 422,591 million and 363,267 million, respectively.

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

*(In millions of won)*

|                            | December 31, 2015 | December 31, 2014 |
|----------------------------|-------------------|-------------------|
| <b>Current assets</b>      |                   |                   |
| Advance payments           | 8,313             | 9,558             |
| Prepaid expenses           | 48,551            | 42,657            |
| Value added tax refundable | 75,675            | 150,907           |
|                            | 132,539           | 203,122           |
| <b>Non-current assets</b>  |                   |                   |
| Long-term prepaid expenses | 279,901           | 247,588           |
| Others                     | 1,800             | 2,900             |
|                            | 281,701           | 250,488           |



8. Inventories

Inventories at the reporting date are as follows:

| <i>(In millions of won)</i> | <b>December 31, 2015</b> | <b>December 31, 2014</b> |
|-----------------------------|--------------------------|--------------------------|
| Finished goods              | 542,404                  | 653,610                  |
| Work-in-process             | 685,024                  | 710,813                  |
| Raw materials               | 358,937                  | 381,558                  |
| Supplies                    | 263,848                  | 300,694                  |
|                             | <b>1,850,213</b>         | <b>2,046,675</b>         |

For the years ended December 31, 2015 and 2014, the amount of inventories recognized as cost of sales, inventory write-downs and reversal and usage of inventory write-downs included in cost of sales is as follows:

| <i>(In millions of won)</i>                               | <b>2015</b> | <b>2014</b> |
|---|-------------|-------------|
| Inventories recognized as cost of sales                   | 22,850,385  | 22,360,245  |
| Including: inventory write-downs                          | 342,623     | 299,948     |
| Including: reversal and usage<br>of inventory write-downs | (299,948)   | (189,312)   |

There were no significant reversals of inventory write-downs recognized during 2015 and 2014.

9. Other Financial Assets

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

| <i>(In millions of won)</i>         | <b>December 31, 2015</b> | <b>December 31, 2014</b> |
|-------------------------------------|--------------------------|--------------------------|
| <b>Current assets</b>               |                          |                          |
| Available-for-sale financial assets | 558                      | 2,569                    |
| Short-term loans                    | 3,051                    |                          |
|                                     | 3,609                    | 2,569                    |
| <b>Non-current assets</b>           |                          |                          |
| Available-for-sale financial assets | 9,462                    | 6,713                    |
| Deposits                            | 14,103                   | 13,037                   |
| Long-term other accounts receivable | 5,148                    | 7,859                    |
| Long-term loans                     | 12,805                   |                          |
|                                     | 41,518                   | 27,609                   |

Other financial assets of related parties as of December 31, 2015 are 2,683 million.

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

| <i>(In millions of won)</i>  | <b>December 31, 2015</b> | <b>December 31, 2014</b> |
|------------------------------|--------------------------|--------------------------|
| <b>Current assets</b>        |                          |                          |
| <b>Debt securities</b>       |                          |                          |
| Government bonds             | 558                      | 2,569                    |
| <b>Non-current assets</b>    |                          |                          |
| <b>Debt securities</b>       |                          |                          |
| Government bonds             | 151                      | 668                      |
| <b>Equity securities</b>     |                          |                          |
| Intellectual Discovery, Ltd. | 2,673                    | 2,673                    |
| Kyulux, Inc.                 | 3,266                    |                          |
| Henghao Technology Co., Ltd. | 3,372                    | 3,372                    |
|                              | 9,311                    | 6,045                    |
|                              | 10,020                   | 9,282                    |

10. Investments

(a) Investments in subsidiaries consist of the following:

| <i>(In millions of won)</i>                  | Location          | Business                                    | December 31,            |            | December 31,            |            |
|--|-------------------|---|-------------------------|------------|-------------------------|------------|
|  |                   |   | Percentage of ownership | Book value | Percentage of ownership | Book Value |
| <b>Overseas Subsidiaries</b>                 |                   |   |                         |            |                         |            |
| LG Display America, Inc.                     | San Jose, U.S.A.  | Sell TFT-LCD products                       | 100%                    | 36,815     | 100%                    | 36,815     |
| LG Display Germany GmbH                      | Ratingen, 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.                 | Nanjing, China    | Manufacture and sell TFT-LCD products       | 100%                    | 579,747    | 100%                    | 579,747    |
| LG Display Shanghai Co., Ltd.                | Shanghai, China   | Sell TFT-LCD products                       | 100%                    | 9,093      | 100%                    | 9,093      |
| LG Display Poland Sp. z o.o.                 | Wroclaw, Poland   | Manufacture and sell TFT-LCD products       | 100%                    | 194,992    | 100%                    | 194,992    |
| LG Display Guangzhou Co., Ltd.               | Guangzhou, China  | Manufacture and sell TFT-LCD products       | 100%                    | 293,557    | 100%                    | 293,557    |
| 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 (*1) | Xiamen, China     | Manufacture LCD module and TV sets          |                         |            | 51%                     |            |
| 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. (*2)             | Yantai, China     | Manufacture and sell TFT-LCD products       | 100%                    | 169,195    | 100%                    | 159,769    |
| LG Display U.S.A., Inc. (*3)                 | McAllen, U.S.A.   | Manufacture and sell TFT-LCD products       | 100%                    | 228        | 100%                    | 12,353     |
| Nanumnuri Co., Ltd.                          | Gumi, South Korea | Janitorial services                         | 100%                    | 800        | 100%                    | 800        |
| LG Display (China) Co., Ltd. (*4)            | Guangzhou, China  | Manufacture and sell TFT-LCD products       | 52%                     | 723,086    | 56%                     | 588,467    |

10. Investments, Continued*(In millions of won)*

| Overseas Subsidiaries                      | Location           | Business                          | December 31, 2015       |            | December 31, 2014       |            |
|--|--------------------|-----------------------------------|-------------------------|------------|-------------------------|------------|
|  |                    |                                   | Percentage of ownership | Book value | Percentage of ownership | Book value |
| Unified Innovative Technology LLC          | Wilmington, U.S.A. | Manage intellectual property      | 100%                    | 9,489      | 100%                    | 9,489      |
| LG Display Guangzhou Trading Co., Ltd.(*5) | Guangzhou, China   | Sell TFT-LCD products             | 100%                    | 218        |                         |            |
| Global OLED Technology LLC (*6)            | Herndon, U.S.A     | Manage OLED intellectual property | 100%                    | 164,322    |                         |            |
| Money Market Trust (*7)                    | Seoul, South Korea | Money market trust                |                         |            | 100%                    | 18,100     |
|  |                    |                                   |                         | 2,266,671  |                         | 1,988,311  |

(\*1) In August 2015, L&T Display Technology (Xiamen) Limited, a subsidiary of the Company, completed liquidation.

(\*2) In December 2015, the Company invested 9,426 million in cash for the capital increase of LG Display Yantai Co., Ltd. ( LGDYT ). There was no change in the Company's ownership percentage in LGDYT as a result of this additional investment.

(\*3) As of December 31, 2015, LG Display U.S.A., Inc. is in the process of voluntary liquidation and the Company received 16,565 million and recognized 4,440 million in December 2015 for the difference between the collection amount and the carrying amount as finance income.

(\*4) In January 2015, the Company contributed 134,619 million in cash for the capital increase of LG Display (China) Co., Ltd. ( LGDCA ). In addition, LG Display Guangzhou Co., Ltd. ( LGDGZ ) contributed 118,936 million in cash for the capital increase of LGDCA in January and August 2015. The Company's ownership percentage in LGDCA decreased from 56% to 52% and LGDGZ's ownership percentage in LGDCA increased from 14% to 18%, respectively, as of December 31, 2014 to December 31, 2015.

(\*5) In April 2015, the Company established LG Display Guangzhou Trading Co., Ltd. to sell TFT-LCD products. As of December 31, 2015, the Company has a 100% equity interest of this subsidiary and its capital stock amounts to 218 million.

(\*6) In May 2015, the Company acquired 67% ownership in Global OLED Technology LLC from LG Electronics Inc., LG Chem Ltd. and Idemitsu Kosan Co., Ltd. and paid 54,025 million, 2,990 million and 54,025 million, respectively, in cash. The Company reversed 24,550 million, which was recognized as finance cost in 2014, for the difference between the carrying amount and the recoverable amount. In 2015, the Company's ownership percentage in Global OLED Technology LLC increased from 33% to 100% (Note 32) and the Company reclassified from investments in joint ventures to investments in subsidiaries.

(\*7) As of December 31, 2015, there are no MMT balance although there were its acquisition and disposal transactions in 2015.

10. Investments, Continued

(b) Investments in joint ventures consist of the following:

(In millions of won)

| Joint Ventures                         | Location       | Business   | December 31,            |            | December 31,            |            |
|--|----------------|--|-------------------------|------------|-------------------------|------------|
|  |                |  | Percentage of ownership | Book value | Percentage of ownership | Book value |
| Suzhou Raken Technology Co., Ltd. (*1) | Suzhou, China  | Manufacture and sell LCD modules and LCD TV sets | 51%                     | 120,184    | 51%                     | 120,184    |
| Global OLED Technology LLC (*2)        | Herndon, U.S.A | Manage OLED intellectual property                |                         |            | 33%                     | 28,732     |
|  |                |  |                         | 120,184    |                         | 148,916    |

(\*1) Despite its 51% ownership, management concluded that the Company does not have control of Suzhou Raken Technology Co., Ltd. ( Raken ) because the 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.

(\*2) In May 2015, the Company acquired additional 67% ownership in Global OLED Technology LLC and reclassified from investments in joint ventures to investments in subsidiaries.



10. Investments, Continued

(c) Investments in associates consist of the following:

*(In millions of won)*

| Associates                                | Location                 | Business  | December 31,            |               | December 31,            |               |
|---|--------------------------|---|-------------------------|---------------|-------------------------|---------------|
|   |                          |   | Percentage of ownership | 2015<br>Value | Percentage of ownership | 2014<br>Value |
| Paju Electric Glass Co., Ltd.             | Paju,<br>South Korea     | Manufacture electric glass for FPDs   | 40%                     | 45,089        | 40%                     | 45,089        |
| TLI Inc.                                  | Seongnam,<br>South Korea | Manufacture and sell semiconductor parts                                      | 10%                     | 6,961         | 10%                     | 6,961         |
| AVACO Co., Ltd.                           | Daegu,<br>South Korea    | Manufacture and sell equipment for FPDs                                       | 16%                     | 6,021         | 16%                     | 6,021         |
| New Optics Ltd.                           | Yangju,<br>South Korea   | Manufacture back light parts for TFT-LCDs                                     | 46%                     | 14,221        | 46%                     | 14,221        |
| LIG INVENIA Co., Ltd. (LIG ADP Co., Ltd.) | Seongnam,<br>South Korea | Develop and manufacture the equipment for FPDs                                | 13%                     | 6,330         | 13%                     | 6,330         |
| WooRee E&L Co., Ltd.                      | Ansan,<br>South Korea    | Manufacture LED back light unit packages                                      | 21%                     | 11,900        | 21%                     | 11,900        |
| LB Gemini New Growth Fund No.16 (*1)      | Seoul,<br>South Korea    | Invest in small and middle sized companies and benefit from M&A opportunities | 31%                     | 7,660         | 31%                     | 14,065        |
| Can Yang Investments Limited (*2)         | Hong Kong                | Develop, manufacture and sell LED parts                                       | 9%                      | 7,568         | 9%                      | 9,467         |
| YAS Co., Ltd. (*3)                        | Paju,<br>South Korea     | Develop and manufacture deposition equipment for OLEDs                        | 19%                     | 10,000        | 19%                     | 10,000        |
| Narenanotech Corporation                  | Yongin,<br>South Korea   | Manufacture and sell FPD manufacturing  | 23%                     | 30,000        | 23%                     | 30,000        |

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|                       |                       | equipment                                     |     |         |     |         |
|-----------------------|-----------------------|---|-----|---------|-----|---------|
| AVATEC Co., Ltd.      | Daegu,                | Process and sell<br>glass for FPDs            | 16% | 10,600  | 16% | 10,600  |
|                       | South Korea           |   |     |         |     |         |
| Glonix Co., Ltd. (*4) | Gimhae,               | Manufacture and<br>sell LCD                   |     |         | 20% |         |
|                       | South Korea           |   |     |         |     |         |
| Fuhu, Inc.(*5)        |                       | Develop and<br>manufacture<br>tablet for kids | 10% |         |     |         |
|                       | Los Angeles<br>U.S.A. |   |     |         |     |         |
|                       |                       |   |     | 156,350 |     | 164,654 |

10. Investments, Continued

- (\*1) The Company is a member of a limited partnership in the LB Gemini New Growth Fund No.16 ( the Fund ). In March 2015, the Company made an additional cash investment of 360 million in the Fund and received 2,490 million, 2,100 million and 2,175 million from the Fund as capital distribution in April, July and August 2015, respectively. There were no changes in the Company's ownership percentage in the Fund and the Company is committed to making future investments of up to an aggregate of 30,000 million.
- (\*2) In 2015, the Company recognized an impairment loss of 1,899 million as finance cost for the difference between the carrying amount and the recoverable amount of investments in Can Yang Investments Limited which develop, manufactures and sells LED parts.
- (\*3) In 2015, the number of outstanding common shares of YAS Co., Ltd. was increased due to the execution of its stock option and the Company's ownership percentage in YAS Co., Ltd. decreased from 19.2% as of December 2014 to 18.5% as of December 31, 2015.
- (\*4) In December 2015, the Company disposed of the entire investments in Glonix Co., Ltd., had acquired for manufacturing and selling LCD, and recognized 498 million for the difference between the disposal amount and the carrying amount as finance income.
- (\*5) In July 2015, the Company invested 30,287 million and acquired 500,000 shares of common stock and 1,011,280 shares of preferred stock with voting rights in Fuhu, Inc.. In 2015, the Company recognized an impairment loss of 30,287 million as finance cost for the recoverable amount of investments in Fuhu, Inc.. As of December 31, 2015, the Company's ownership percentage in Fuhu, Inc. is 10% and the Company has its right to appoint a director to the board of directors of the investee.

For the years ended December 31, 2015 and 2014, the aggregate amount of received dividends from subsidiaries, joint ventures and associates are 556,881 million and 431,592 million, respectively.

**11. Property, Plant and Equipment**

Changes in property, plant and equipment for the year ended December 31, 2015 are as follows:

*(In millions of won)*

|   | <b>Land</b> | <b>Buildings and structures</b> | <b>Machinery and equipment</b> | <b>Furniture and fixtures</b> | <b>Construction-in-progress (*1)</b> | <b>Others</b> | <b>Total</b> |
|---|-------------|---------------------------------|--------------------------------|-------------------------------|--------------------------------------|---------------|--------------|
| Acquisition cost as of January 1, 2015              | 434,601     | 4,696,510                       | 32,538,649                     | 706,364                       | 1,039,013                            | 167,330       | 39,582,467   |
| Accumulated depreciation as of January 1, 2015      |             | (1,557,238)                     | (28,553,547)                   | (637,446)                     |                                      | (125,838)     | (30,874,069) |
| Accumulated impairment loss as of January 1, 2015   |             |                                 | (8,097)                        |                               |                                      |               | (8,097)      |
| Book value as of January 1, 2015                    | 434,601     | 3,139,272                       | 3,977,005                      | 68,918                        | 1,039,013                            | 41,492        | 8,700,301    |
| Additions   |             |                                 |                                |                               | 1,825,189                            |               | 1,825,189    |
| Business combinations (*2)                          |             |                                 | 24,466                         | 447                           |                                      | 2,054         | 26,967       |
| Depreciation  |             | (221,684)                       | (2,082,362)                    | (38,619)                      |                                      | (10,524)      | (2,353,189)  |
| Impairment loss                                     |             |                                 | (423)                          |                               |                                      |               | (423)        |
| Disposals   | (2,091)     | (5,335)                         | (457,172)                      | (906)                         |                                      | (9,991)       | (475,495)    |
| Others (*3)   | 30,277      | 38,579                          | 1,943,699                      | 57,809                        | (2,088,361)                          | 17,997        |              |
| Government grants received                          |             |                                 | (4,328)                        |                               |                                      |               | (4,328)      |
| Book value as of December 31, 2015                  | 462,787     | 2,950,832                       | 3,400,885                      | 87,649                        | 775,841                              | 41,028        | 7,719,022    |
| Acquisition cost as of December 31, 2015            | 462,787     | 4,727,833                       | 33,400,868                     | 672,540                       | 775,841                              | 145,727       | 40,185,596   |
| Accumulated depreciation as of December 31, 2015    |             | (1,777,001)                     | (29,996,827)                   | (584,891)                     |                                      | (104,699)     | (32,463,418) |
| Accumulated impairment loss as of December 31, 2015 |             |                                 | (3,156)                        |                               |                                      |               | (3,156)      |

- (\*1) As of December 31, 2015, construction-in-progress relates to construction of manufacturing facilities.
- (\*2) Business combinations include property, plant and equipment related to OLED Lighting business.
- (\*3) Others are mainly amounts transferred from construction-in-progress.

11. Property, Plant and Equipment, Continued

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

(In millions of  
won)

|  | Land    | Buildings<br>and<br>structures | Machinery<br>and<br>equipment | Furniture<br>and<br>fixtures | Construction-<br>in-progress<br>(*1) | Others    | Total        |
|--|---------|--------------------------------|-------------------------------|------------------------------|--------------------------------------|-----------|--------------|
| Acquisition cost<br>as of January 1,<br>2014                 | 438,375 | 4,702,736                      | 30,425,132                    | 675,033                      | 2,115,532                            | 195,947   | 38,552,755   |
| Accumulated<br>depreciation as of<br>January 1, 2014         |         | (1,338,458)                    | (26,162,867)                  | (603,000)                    |                                      | (153,690) | (28,258,015) |
| Book value as of<br>January 1, 2014                          | 438,375 | 3,364,278                      | 4,262,265                     | 72,033                       | 2,115,532                            | 42,257    | 10,294,740   |
| Additions  |         |                                |                               |                              | 1,329,074                            |           | 1,329,074    |
| Depreciation   |         | (220,896)                      | (2,578,739)                   | (40,853)                     |                                      | (14,508)  | (2,854,996)  |
| Impairment loss  |         |                                | (8,097)                       |                              |                                      |           | (8,097)      |
| Disposals  | (3,778) | (9,488)                        | (43,463)                      | (40)                         |                                      | (12)      | (56,781)     |
| Others (*2)  | 4       | 5,570                          | 2,348,486                     | 37,778                       | (2,405,593)                          | 13,755    |              |
| Government<br>grants received                                |         | (192)                          | (3,447)                       |                              |                                      |           | (3,639)      |
| Book value as of<br>December 31,<br>2014                     | 434,601 | 3,139,272                      | 3,977,005                     | 68,918                       | 1,039,013                            | 41,492    | 8,700,301    |
| Acquisition cost<br>as of<br>December 31,<br>2014            | 434,601 | 4,696,510                      | 32,538,649                    | 706,364                      | 1,039,013                            | 167,330   | 39,582,467   |
| Accumulated<br>depreciation as of<br>December 31,<br>2014    |         | (1,557,238)                    | (28,553,547)                  | (637,446)                    |                                      | (125,838) | (30,874,069) |
| Accumulated<br>impairment loss as<br>of December 31,<br>2014 |         |                                | (8,097)                       |                              |                                      |           | (8,097)      |

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

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

The capitalized borrowing costs and capitalization rate for the years ended December 31, 2015 and 2014 are as follows:

*(In millions of won)*

|                             | <b>2015</b> | <b>2014</b> |
|-----------------------------|-------------|-------------|
| Capitalized borrowing costs | 13,696      | 27,288      |
| Capitalization rate         | 3.73%       | 4.23%       |

12. Intangible Assets

Changes in intangible assets for the year ended December 31, 2015 are as follows:

(Millions of won)

|   | Intellectual<br>property<br>rights | Software  | Memberships | Development<br>costs | Construction-<br>in-progress<br>(software) | Customer<br>relationships | Technology | Goodwill | Others<br>(*3) | Total       |
|---|------------------------------------|-----------|-------------|----------------------|--|---------------------------|------------|----------|----------------|-------------|
| Acquisition cost as of<br>January 1, 2015           | 579,033                            | 545,666   | 50,110      | 884,436              | 5,175                                      | 24,011                    | 11,074     | 14,593   | 13,076         | 2,127,034   |
| Accumulated amortization<br>January 1, 2015         | (485,060)                          | (419,288) |             | (630,812)            |  | (16,019)                  | (5,171)    |          | (13,004)       | (1,569,354) |
| Accumulated impairment<br>losses of January 1, 2015 |                                    |           | (9,742)     |                      |  |                           |            |          |                | (9,742)     |
| Carrying value as of<br>January 1, 2015             | 93,973                             | 126,378   | 40,368      | 253,624              | 5,175                                      | 7,992                     | 5,903      | 14,593   | 72             | 548,005     |
| Acquisitions - internally<br>developed              |                                    |           |             | 227,067              |  |                           |            |          |                | 227,067     |
| Acquisitions - external<br>acquisitions             | 16,077                             |           | 2,014       |                      | 77,985                                     |                           |            |          |                | 96,076      |
| Business combinations                               | 29,153                             | 144       |             |                      |  | 35,165                    |            | 57,995   |                | 122,457     |
| Amortization (*2)                                   | (17,416)                           | (69,229)  |             | (293,461)            |  | (3,712)                   | (1,104)    |          | (46)           | (384,868)   |
| Impairment<br>losses                                |                                    |           | (1,153)     |                      |  |                           |            |          |                | (1,153)     |
| Reversal of impairment<br>losses                    |                                    |           | (239)       |                      |  |                           |            |          |                | (239)       |
| Transfer from<br>Construction-in-progress           |                                    | 80,533    |             |                      | (80,533)                                   |                           |            |          |                |             |
| Carrying value as of<br>December 31, 2015           | 121,787                            | 137,826   | 41,070      | 187,230              | 2,627                                      | 39,445                    | 4,799      | 72,588   | 26             | 607,322     |
| Acquisition cost as of<br>December 31, 2015         | 624,263                            | 626,343   | 50,943      | 1,111,503            | 2,627                                      | 59,176                    | 11,074     | 72,588   | 13,076         | 2,571,570   |
| Accumulated amortization<br>December 31, 2015       | (502,476)                          | (488,517) |             | (924,273)            |  | (19,731)                  | (6,275)    |          | (13,050)       | (1,954,592) |
| Accumulated impairment<br>losses of December 31,    |                                    |           | (9,873)     |                      |  |                           |            |          |                | (9,873)     |



12. Intangible Assets, Continued

- (\*1) Business combinations include intangible assets related to OLED Lighting business.
- (\*2) The Company has classified the amortization as manufacturing overhead costs, selling expenses, administrative expenses, and research and development expenses.
- (\*3) Others mainly consist of rights to use of electricity and gas supply facilities.

12. Intangible Assets, Continued

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

*(in millions of won)*

|   | Intellectual<br>property<br>rights | Software  | Memberships | Development<br>costs | Construction-<br>in-progress<br>(software) | Customer<br>relationships | Technology | Goodwill | Others<br>(*2) | Total       |
|---|------------------------------------|-----------|-------------|----------------------|--|---------------------------|------------|----------|----------------|-------------|
| Acquisition cost as of<br>January 1, 2014                 | 561,400                            | 476,033   | 50,110      | 617,355              | 9,365                                      | 24,011                    | 11,074     | 14,593   | 13,076         | 1,777,000   |
| Accumulated<br>amortization as of<br>January 1, 2014      | (467,707)                          | (355,101) |             | (454,112)            |  | (12,591)                  | (4,065)    |          | (12,571)       | (1,306,147) |
| Accumulated<br>impairment loss as of<br>January 1, 2014   |                                    |           | (9,250)     |                      |  |                           |            |          |                | (9,250)     |
| Book value as of<br>January 1, 2014                       | 93,693                             | 120,932   | 40,860      | 163,243              | 9,365                                      | 11,420                    | 7,009      | 14,593   | 505            | 461,610     |
| Acquisitions - internally<br>developed                    |                                    |           |             | 267,081              |  |                           |            |          |                | 267,081     |
| Acquisitions - external<br>phases                         | 17,867                             |           |             |                      | 65,443                                     |                           |            |          |                | 83,310      |
| Amortization (*1)   | (17,472)                           | (64,187)  |             | (176,700)            |  | (3,428)                   | (1,106)    |          | (433)          | (263,326)   |
| Disposals   | (115)                              |           |             |                      |  |                           |            |          |                | (115)       |
| Impairment loss   |                                    |           | (492)       |                      |  |                           |            |          |                | (492)       |
| Transfer from<br>construction-in-progress                 |                                    | 69,633    |             |                      | (69,633)                                   |                           |            |          |                |             |
| Book value as of<br>December 31, 2014                     | 93,973                             | 126,378   | 40,368      | 253,624              | 5,175                                      | 7,992                     | 5,903      | 14,593   | 72             | 548,000     |
| Acquisition cost as of<br>December 31, 2014               | 579,033                            | 545,666   | 50,110      | 884,436              | 5,175                                      | 24,011                    | 11,074     | 14,593   | 13,076         | 2,127,104   |
| Accumulated<br>amortization as of<br>December 31, 2014    | (485,060)                          | (419,288) |             | (630,812)            |  | (16,019)                  | (5,171)    |          | (13,004)       | (1,569,354) |
| Accumulated<br>impairment loss as of<br>December 31, 2014 |                                    |           | (9,742)     |                      |  |                           |            |          |                | (9,742)     |

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

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

13. Financial Instruments

## (a) Credit Risk

## (i) Exposure to credit risk

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

*(In millions of won)*

|  | <b>December 31, 2015</b> | <b>December 31, 2014</b> |
|--|--------------------------|--------------------------|
| Cash and cash equivalents                | 108,044                  | 100,558                  |
| Deposits in banks                        | 1,432,115                | 1,534,036                |
| Trade accounts and notes receivable, net | 4,219,941                | 4,015,904                |
| Other accounts receivable, net           | 499,882                  | 396,651                  |
| Available-for-sale financial assets      | 709                      | 3,237                    |
| Deposits                                 | 14,103                   | 13,037                   |
| Loans                                    | 15,856                   |                          |
| Other non-current financial assets       | 5,148                    | 7,859                    |
|  | <b>6,295,798</b>         | <b>6,071,282</b>         |

In addition to the financial assets above, as of December 31, 2015 and 2014, the Company provides payment guarantees of 158,220 million and 148,392 million, respectively, for its subsidiaries.

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

*(In millions of won)*

|                     | <b>December 31, 2015</b> | <b>December 31, 2014</b> |
|---------------------|--------------------------|--------------------------|
| Domestic            | 425,635                  | 406,163                  |
| Euro-zone countries | 477,170                  | 283,257                  |
| Japan               | 139,356                  | 127,354                  |
| United States       | 1,480,574                | 1,816,906                |
| China               | 725,367                  | 784,896                  |
| Taiwan              | 659,731                  | 368,503                  |
| Others              | 312,108                  | 228,825                  |
|                     | <b>4,219,941</b>         | <b>4,015,904</b>         |

13. Financial Instruments, Continued

## (ii) Impairment loss

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

| <i>(In millions of won)</i> | <b>December 31, 2015</b> |                        | <b>December 31, 2014</b> |                        |
|-----------------------------|--------------------------|------------------------|--------------------------|------------------------|
|                             | <b>Book value</b>        | <b>Impairment loss</b> | <b>Book value</b>        | <b>Impairment loss</b> |
| Not past due                | 4,203,896                | (434)                  | 4,006,346                | (114)                  |
| Past due 1-15 days          | 71                       | (1)                    | 3,061                    | (25)                   |
| Past due 16-30 days         | 9                        |                        | 1,252                    | (12)                   |
| Past due 31-60 days         |                          |                        | 1,830                    | (18)                   |
| Past due more than 60 days  | 16,565                   | (165)                  | 13,540                   | (9,956)                |
|                             | 4,220,541                | (600)                  | 4,026,029                | (10,125)               |

The movement in the allowance for impairment in respect of receivables for the years ended December 31, 2015 and 2014 is as follows:

| <i>(In millions of won)</i>          | <b>2015</b> | <b>2014</b> |
|--------------------------------------|-------------|-------------|
| Balance at the beginning of the year | 10,125      | 9,898       |
| (Reversal of) Bad debt expense       | 429         | 227         |
| Write-off                            | (9,954)     |             |
| Balance at the end of the year       | 600         | 10,125      |

13. Financial Instruments, Continued

## (b) Liquidity Risk

The following are the contractual maturities of financial liabilities, including estimated interest payments, as of December 31, 2015.

(In millions of won)

|  | Carrying<br>amount | Total     | Contractual cash flows |                |          |           |                      |
|--|--------------------|-----------|------------------------|----------------|----------|-----------|----------------------|
|  |                    |           | 6 months<br>or less    | 6-12<br>months | 1-2years | 2-5 years | More than<br>5 years |
| Non-derivative financial liabilities         |                    |           |                        |                |          |           |                      |
| Unsecured bank loans                         | 1,083,451          | 1,116,289 | 184,166                | 242,766        | 129,057  | 560,240   | 60                   |
| Unsecured bond issues                        | 2,286,125          | 2,425,220 | 445,222                | 622,472        | 404,477  | 869,763   | 83,286               |
| Trade accounts and notes payable             | 3,149,383          | 3,149,383 | 3,149,383              |                |          |           |                      |
| Other accounts payable                       | 1,179,010          | 1,179,295 | 1,176,635              | 2,660          |          |           |                      |
| Other non-current liabilities                | 8,384              | 9,310     |                        |                | 5,320    | 3,990     |                      |
| Payment guarantee                            |                    | 163,427   | 1,688                  | 1,779          | 159,960  |           |                      |
| Derivative financial liabilities             |                    |           |                        |                |          |           |                      |
| Interest rate swap not qualified for hedging | 85                 | 83        | 5                      | 97             | 89       | (108)     |                      |
|  | 7,706,438          | 8,043,007 | 4,957,099              | 869,774        | 698,903  | 1,433,885 | 83,346               |

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

13. 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)*

|  | December 31, 2015 |          |       |      |     |
|--|-------------------|----------|-------|------|-----|
|  | USD               | JPY      | CNY   | PLN  | EUR |
| Cash and cash equivalents                      | 63                | 968      |       | 2    |     |
| Trade accounts and notes receivable            | 3,228             | 3,666    |       |      |     |
| Other accounts receivable                      | 13                | 3        | 2,325 |      |     |
| Long-term other accounts receivable            | 4                 |          |       |      |     |
| Other assets denominated in foreign currencies |                   | 51       |       |      |     |
| Trade accounts and notes payable               | (1,707)           | (17,019) |       |      |     |
| Other accounts payable                         | (107)             | (13,372) |       | (17) | (2) |
| Debt   | (750)             |          |       |      |     |
| Net exposure                                   | 744               | (25,703) | 2,325 | (15) | (2) |

*(In millions)*

|  | December 31, 2014 |          |       |      |     |      |
|--|-------------------|----------|-------|------|-----|------|
|  | USD               | JPY      | CNY   | PLN  | EUR | BRL  |
| Cash and cash equivalents                      | 78                | 1,150    | 2     |      |     |      |
| Trade accounts and notes receivable            | 3,332             | 7,909    |       |      |     |      |
| Other accounts receivable                      | 25                | 13       |       |      | 16  |      |
| Long-term other accounts receivable            | 6                 |          |       |      |     |      |
| Other assets denominated in foreign currencies |                   | 51       |       |      |     |      |
| Trade accounts and notes payable               | (2,463)           | (21,474) |       |      |     |      |
| Other accounts payable                         | (106)             | (3,484)  | (260) | (19) | (1) | (34) |
| Debt   | (770)             |          |       |      |     |      |
| Net exposure                                   | 102               | (15,835) | (258) | (19) | 15  | (34) |

13. Financial Instruments, Continued

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

| <i>(In won)</i> | Average rate |          | Reporting date spot rate |                   |
|-----------------|--------------|----------|--------------------------|-------------------|
|                 | 2015         | 2014     | December 31, 2015        | December 31, 2014 |
| USD             | 1,131.30     | 1,052.70 | 1,172.00                 | 1,099.20          |
| JPY             | 9.35         | 9.96     | 9.72                     | 9.20              |
| CNY             | 179.47       | 170.83   | 178.48                   | 176.81            |
| PLN             | 300.22       | 334.2    | 300.79                   | 312.49            |
| EUR             | 1,256.17     | 1,398.37 | 1,280.53                 | 1,336.52          |
| BRL             | 344.7        | 448.16   | 295.9                    | 413.62            |

## (ii) Sensitivity analysis

A weaker won, as indicated below, against the following currencies which comprise the Company's assets or liabilities denominated in a foreign currency as of December 31, 2015 and 2014, 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 considers to be reasonably possible as of the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, would remain constant. The changes in equity and profit or loss would have been as follows:

| <i>(In millions of won)</i> | December 31, 2015 |                | December 31, 2014 |                |
|-----------------------------|-------------------|----------------|-------------------|----------------|
|                             | Equity            | Profit or loss | Equity            | Profit or loss |
| USD (5 percent weakening)   | 33,048            | 33,048         | 4,249             | 4,249          |
| JPY (5 percent weakening)   | (9,469)           | (9,469)        | (5,522)           | (5,522)        |
| CNY (5 percent weakening)   | 15,727            | 15,727         | (1,729)           | (1,729)        |
| PLN (5 percent weakening)   | (171)             | (171)          | (225)             | (225)          |
| EUR (5 percent weakening)   | (97)              | (97)           | 760               | 760            |
| BRL (5 percent weakening)   |                   |                | (533)             | (533)          |

A stronger won against the above currencies as of December 31, 2015 and 2014 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.



13. Financial Instruments, Continued

## (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:

| <i>(In millions of won)</i>      | <b>December 31, 2015</b> | <b>December 31, 2014</b> |
|----------------------------------|--------------------------|--------------------------|
| <b>Fixed rate instruments</b>    |                          |                          |
| Financial assets                 | 1,540,855                | 1,637,818                |
| Financial liabilities            | (2,289,334)              | (2,818,383)              |
|                                  | (748,479)                | (1,180,565)              |
| <b>Variable rate instruments</b> |                          |                          |
| Financial liabilities            | (1,080,327)              | (630,019)                |

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

For the years ended December 31, 2015 and 2014, a change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below for the respective following years. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

*(In millions of won)*

|                           | <b>Equity</b>   |                 | <b>Profit or loss</b> |                 |
|---------------------------|-----------------|-----------------|-----------------------|-----------------|
|                           | <b>1%</b>       | <b>1%</b>       | <b>1%</b>             | <b>1%</b>       |
|                           | <b>increase</b> | <b>decrease</b> | <b>increase</b>       | <b>decrease</b> |
| <b>December 31, 2015</b>  |                 |                 |                       |                 |
| Variable rate instruments | (8,189)         | 8,189           | (8,189)               | 8,189           |
| <b>December 31, 2014</b>  |                 |                 |                       |                 |
| Variable rate instruments | (4,776)         | 4,776           | (4,776)               | 4,776           |

13. Financial Instruments, Continued

## (e) Fair Values

## (i) Fair values versus carrying amounts

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

| <i>(In millions of won)</i>                  | <b>December 31, 2015</b>    |                        | <b>December 31, 2014</b>    |                        |
|--|-----------------------------|------------------------|-----------------------------|------------------------|
|  | <b>Carrying<br/>amounts</b> | <b>Fair<br/>values</b> | <b>Carrying<br/>amounts</b> | <b>Fair<br/>values</b> |
| <b>Assets carried at fair value</b>          |                             |                        |                             |                        |
| Available-for-sale financial assets          | 709                         | 709                    | 3,237                       | 3,237                  |
| <b>Assets carried at amortized cost</b>      |                             |                        |                             |                        |
| Cash and cash equivalents                    | 108,044                     | (*)                    | 100,558                     | (*)                    |
| Deposits in banks                            | 1,432,115                   | (*)                    | 1,534,036                   | (*)                    |
| Trade accounts and notes receivable          | 4,219,941                   | (*)                    | 4,015,904                   | (*)                    |
| Other accounts receivable                    | 499,882                     | (*)                    | 396,651                     | (*)                    |
| Deposits                                     | 14,103                      | (*)                    | 13,037                      | (*)                    |
| Loans  | 15,856                      | (*)                    |                             |                        |
| Other non-current financial assets           | 5,148                       | (*)                    | 7,859                       | (*)                    |
| <b>Liabilities carried at fair value</b>     |                             |                        |                             |                        |
| Derivative instruments                       | 85                          | 85                     |                             |                        |
| <b>Liabilities carried at amortized cost</b> |                             |                        |                             |                        |
| Unsecured bank loans                         | 1,083,451                   | 1,083,506              | 853,719                     | 853,753                |
| Unsecured bond issues                        | 2,286,125                   | 2,337,835              | 2,594,683                   | 2,667,092              |
| Trade accounts and notes payable             | 3,149,383                   | (*)                    | 3,989,505                   | (*)                    |
| Other accounts payable                       | 1,179,010                   | 1,179,251              | 1,043,422                   | 1,043,196              |
| Other non-current liabilities                | 8,384                       | 8,987                  | 12,805                      | 13,257                 |

(\*) Excluded from disclosures as the carrying amount approximates fair value.  
The basis for determining fair values is disclosed in note 4.

## (ii) Financial Instruments measured at cost

Available-for-sale financial assets measured at cost as of December 31, 2015 and 2014 are as follows:

| <i>(In millions of won)</i>      | <b>December 31, 2015</b> | <b>December 31, 2014</b> |
|----------------------------------|--------------------------|--------------------------|
| Intellectual Discovery Co., Ltd. | 2,673                    | 2,673                    |
| Henghao Technology Co., Ltd.     | 3,372                    | 3,372                    |
| Kyulux Inc.                      | 3,266                    |                          |

9,311

6,045

178

13. Financial Instruments, Continued

## (e) Fair Values, Continued

## (iii) Fair values of financial assets and liabilities

## i) Fair value hierarchy

The table below analyzes financial instruments carried at fair value based on the input variables used in the valuation method to measure fair value of assets and liabilities. The different levels have been defined as follows:

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

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

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

## ii) Financial instruments measured at fair value

Fair value hierarchy classifications of the financial instruments that are measured at fair value as of December 31, 2015 and December 31, 2014 are as follows:

| <i>(In millions of won)</i>         | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b> |
|-------------------------------------|----------------|----------------|----------------|--------------|
| <b>December 31, 2015</b>            |                |                |                |              |
| <b>Assets</b>                       |                |                |                |              |
| Available-for-sale financial assets | 709            |                |                | 709          |
| <b>Liabilities</b>                  |                |                |                |              |
| Derivatives instruments             |                |                | 85             | 85           |

| <i>(In millions of won)</i>         | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b> |
|-------------------------------------|----------------|----------------|----------------|--------------|
| <b>December 31, 2014</b>            |                |                |                |              |
| <b>Assets</b>                       |                |                |                |              |
| Available-for-sale financial assets | 3,237          |                |                | 3,237        |

13. Financial Instruments, Continued

## (e) Fair Values, Continued

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

Fair value hierarchy classifications, valuation technique and inputs for fair value measurements of the financial instruments not measured at fair value but for which the fair value is disclosed as of December 31, 2015 and December 31, 2014 are as follows:

(In millions of won)

| Classification                | December 31, 2015 |         |           | Valuation technique  | Input         |
|-------------------------------|-------------------|---------|-----------|----------------------|---------------|
|                               | Level 1           | Level 2 | Level 3   |                      |               |
| <b>Liabilities</b>            |                   |         |           |                      |               |
| Unsecured bank loans          |                   |         | 1,083,506 | Discounted cash flow | Discount rate |
| Unsecured bond issues         |                   |         | 2,337,835 | Discounted cash flow | Discount rate |
| Other accounts payable        |                   |         | 1,179,251 | Discounted cash flow | Discount rate |
| Other non-current liabilities |                   |         | 8,987     | Discounted cash flow | Discount rate |

(In millions of won)

| Classification                | December 31, 2014 |         |           | Valuation technique  | Input         |
|-------------------------------|-------------------|---------|-----------|----------------------|---------------|
|                               | Level 1           | Level 2 | Level 3   |                      |               |
| <b>Liabilities</b>            |                   |         |           |                      |               |
| Unsecured bank loans          |                   |         | 853,753   | Discounted cash flow | Discount rate |
| Unsecured bond issues         |                   |         | 2,667,092 | Discounted cash flow | Discount rate |
| Other accounts payable        |                   |         | 1,043,196 | Discounted cash flow | Discount rate |
| Other non-current liabilities |                   |         | 13,257    | Discounted cash flow | Discount rate |

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

|                              | December 31, 2015 | December 31, 2014 |
|------------------------------|-------------------|-------------------|
| Debentures, loans and others | 1.75~2.48%        | 2.23~2.60%        |

14. Financial Liabilities

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

| <i>(In millions of won)</i>             | <b>December 31, 2015</b> | <b>December 31, 2014</b> |
|---|--------------------------|--------------------------|
| <b>Current</b>                          |                          |                          |
| Short-term borrowings                   |                          | 219,839                  |
| Current portion of long-term debt       | 1,416,112                | 744,283                  |
|   | 1,416,112                | 964,122                  |
| <b>Non-current</b>                      |                          |                          |
| Won denominated borrowings              | 202,991                  | 4,452                    |
| Foreign currency denominated borrowings | 468,800                  | 494,640                  |
| Bonds                                   | 1,281,673                | 1,985,188                |
| Derivative instruments                  | 85                       |                          |
|   | 1,953,549                | 2,484,280                |

(b) Short-term borrowings as of December 31, 2015 and 2014 are as follows:

| <i>(In millions of won and USD)</i>  | <b>Annual interest rate as of<br/>December 31, 2015 (%)</b> | <b>December 31,<br/>2015</b> | <b>December 31,<br/>2014</b> |
|--------------------------------------|---|------------------------------|------------------------------|
| <b>Lender</b>                        |   |                              |                              |
| Korea Development Bank and others(*) |   |                              | 219,839                      |
| Foreign currency equivalent          |   |                              | USD 200                      |

(\*) The Company accounts for proceeds from sale of accounts receivables, which arose from export sales to the Company's subsidiaries, to financial institutions as short term borrowings as the sale did not meet derecognition criteria. The Company recognized 3,083 million and 3,993 million, respectively, as interest expense in relation to the above short-term borrowings in 2015 and 2014.

14. Financial Liabilities, Continued

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

*(In millions of won)*

| <b>Lender</b>                             | <b>Annual interest rate as of<br/>December 31, 2015 (%)</b> | <b>December 31,<br/>2015</b> | <b>December 31,<br/>2014</b> |
|---|---|------------------------------|------------------------------|
| Woori Bank and others                     | 3-year Korean Treasury Bond<br>rate - 1.25, 2.75            | 4,451                        | 7,336                        |
| Shinhan Bank                              | CD rate (91days) + 0.30                                     | 200,000                      |                              |
| Less current portion of<br>long-term debt |   | (1,460)                      | (2,884)                      |
|   |   | 202,991                      | 4,452                        |

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

*(In millions of won)*

| <b>Lender</b>                             | <b>Annual interest rate as of<br/>December 31, 2015 (%) (*)</b> | <b>December 31,<br/>2015</b> | <b>December 31,<br/>2014</b> |
|---|---|------------------------------|------------------------------|
| Mizuho Bank, Ltd.<br>and others           | 3ML+0.55~1.78   | 879,000                      | 626,544                      |
| Foreign currency<br>equivalent            |   | USD 750                      | USD 570                      |
| Less current portion<br>of long-term debt |   | (410,200)                    | (131,904)                    |
|   |   | 468,800                      | 494,640                      |

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

## 14. Financial Liabilities, Continued

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

*(In millions of won)*

|                                 |                        | Annual interest rate as<br>of<br>December 31, 2015<br>(%) | December 31,<br>2015 | December 31,<br>2014 |
|---------------------------------|------------------------|---|----------------------|----------------------|
|                                 | <b>Maturity</b>        |   |                      |                      |
| <b>Won denominated bonds(*)</b> |                        |   |                      |                      |
| Publicly issued bonds           | February 2015~May 2022 | 2.12~4.95   | 2,290,000            | 2,600,000            |
| Less discount on bonds          |                        |   | (3,875)              | (5,317)              |
| Less current portion            |                        |   | (1,004,452)          | (609,495)            |
|                                 |                        |   | 1,281,673            | 1,985,188            |

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



15. The Nature of Expenses and Others

The classification of expenses by nature for the years ended December 31, 2015 and 2014 are as follows:

*(In millions of won)*

|  | <b>2015</b> | <b>2014</b> |
|--|-------------|-------------|
| Changes in inventories                             | 196,462     | (460,033)   |
| Purchases of raw materials, merchandise and others | 10,780,895  | 11,461,984  |
| Depreciation and amortization                      | 2,738,157   | 3,118,322   |
| Outsourcing fees                                   | 5,253,977   | 4,299,529   |
| Labor costs  | 2,597,149   | 2,486,219   |
| Supplies and others                                | 918,331     | 883,981     |
| Utility  | 731,867     | 718,868     |
| Fees and commissions                               | 444,368     | 393,626     |
| Shipping costs                                     | 132,916     | 140,736     |
| Advertising  | 265,519     | 106,417     |
| Warranty expenses                                  | 109,678     | 170,524     |
| Travel   | 61,188      | 65,423      |
| Taxes and dues                                     | 47,970      | 47,347      |
| Others   | 953,363     | 1,097,546   |
| (*)  | 25,231,840  | 24,530,489  |

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

16. Selling and Administrative Expenses

Details of selling and administrative expenses for the years ended December 31, 2015 and 2014 are as follows:

*(In millions of won)*

|   | <b>2015</b>      | <b>2014</b>    |
|---|------------------|----------------|
| Salaries                                  | 179,686          | 171,615        |
| Expenses related to defined benefit plans | 26,109           | 26,864         |
| Other employee benefits                   | 44,617           | 35,620         |
| Shipping costs                            | 106,134          | 100,444        |
| Fees and commissions                      | 126,900          | 122,057        |
| Depreciation                              | 80,680           | 73,571         |
| Taxes and dues                            | 2,935            | 2,906          |
| Advertising                               | 265,519          | 106,417        |
| Warranty expenses                         | 109,678          | 170,524        |
| Rent                                      | 9,399            | 9,387          |
| Insurance                                 | 6,099            | 5,297          |
| Travel                                    | 16,701           | 16,783         |
| Training                                  | 13,714           | 11,004         |
| Others                                    | 38,114           | 29,984         |
|   | <b>1,026,285</b> | <b>882,473</b> |

**17. Employee Benefits**

The Company's defined benefit plans provide a lump-sum payment to an employee based on final salary rates and length of service at the time the employee leaves the Company.

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

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

*(In millions of won)*

|   | <b>December 31, 2015</b> | <b>December 31, 2014</b> |
|---|--------------------------|--------------------------|
| Present value of partially funded defined benefit obligations | 1,381,073                | 1,114,219                |
| Fair value of plan assets                                     | (1,027,850)              | (790,509)                |
|   | <b>353,223</b>           | <b>323,710</b>           |

- (b) Changes in the present value of the defined benefit obligations for the years ended December 31, 2015 and 2014 are as follows:

*(In millions of won)*

|                                     | <b>2015</b> | <b>2014</b> |
|-------------------------------------|-------------|-------------|
| Opening defined benefit obligations | 1,114,219   | 807,347     |
| Current service cost                | 187,500     | 158,978     |
| Past service cost                   |             | 21,990      |
| Interest cost                       | 38,776      | 34,596      |
| Remeasurements (before tax)         | 104,817     | 144,100     |
| Benefit payments                    | (66,592)    | (54,376)    |
| Transfers from related parties      | 2,353       | 1,584       |
| Closing defined benefit obligations | 1,381,073   | 1,114,219   |

Weighted average remaining maturity of defined benefit obligations as of December 31, 2015, and 2014 are 14.5 years and 13.7 years, respectively.

- (c) Changes in fair value of plan assets for the years ended December 31, 2015 and 2014 are as follows:

*(In millions of won)*

|                                   | <b>2015</b> | <b>2014</b> |
|-----------------------------------|-------------|-------------|
| Opening fair value of plan assets | 790,509     | 488,651     |
| Expected return on plan assets    | 27,511      | 19,069      |

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|   |           |          |
|---|-----------|----------|
| Remeasurements (before tax)                       | (5,440)   | (3,722)  |
| Contributions by employer directly to plan assets | 270,000   | 330,000  |
| Benefit payments                                  | (54,809)  | (43,489) |
| Transfers from related parties                    | 79        |          |
| Closing fair value of plan assets                 | 1,027,850 | 790,509  |

17. Employee Benefits, Continued

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

*(In millions of won)*

|                              | <b>December 31, 2015</b> | <b>December 31, 2014</b> |
|------------------------------|--------------------------|--------------------------|
| Guaranteed deposits in banks | 1,027,850                | 790,509                  |

As of December 31, 2015, the Company maintains the plan assets with Mirae Asset Securities Co., Ltd., Shinhan Bank, etc.

The Company's estimated contribution to the plan assets for the year ending December 31, 2016 is 235,000 million under the assumption that the Company continues to maintain the plan assets at 80% of the amount payable and all the employees of the Company would leave the Company on December 31, 2016.

(e) Expenses recognized in profit or loss for the years ended December 31, 2015 and 2014 are as follows:

*(In millions of won)*

|                      | <b>2015</b> | <b>2014</b> |
|----------------------|-------------|-------------|
| Current service cost | 187,500     | 158,978     |
| Past service cost    |             | 21,990      |
| Net interest cost    | 11,265      | 15,527      |
|                      | 198,765     | 196,495     |

Expenses are recognized in the following line items in the separate statements of comprehensive income.

*(In millions of won)*

|                                   | <b>2015</b> | <b>2014</b> |
|-----------------------------------|-------------|-------------|
| Cost of sales                     | 159,347     | 157,323     |
| Selling expenses                  | 11,300      | 11,612      |
| Administrative expenses           | 14,809      | 15,252      |
| Research and development expenses | 13,309      | 12,308      |
|                                   | 198,765     | 196,495     |

17. Employee Benefits, Continued

- (f) Remeasurements of net defined benefit liabilities (assets) included in other comprehensive income for the years ended December 31, 2015 and 2014 are as follows:

*(In millions of won)*

|  | <b>2015</b> | <b>2014</b> |
|--|-------------|-------------|
| Included in other comprehensive income |             |             |
| Balance at January 1                   | (197,310)   | (85,261)    |
| Remeasurements                         |             |             |
| Actuarial profit or loss arising from: |             |             |
| Experience adjustment                  | 15,567      | (24,399)    |
| Demographic assumptions                | (22,267)    | 7,016       |
| Financial assumptions                  | (98,117)    | (126,717)   |
| Return on plan assets                  | (5,440)     | (3,722)     |
|  | (110,257)   | (147,822)   |
| Income tax                             | 26,682      | 35,773      |
| Balance at December 31                 | (280,885)   | (197,310)   |

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

|   | <b>December 31, 2015</b> | <b>December 31, 2014</b> |
|---|--------------------------|--------------------------|
| Expected rate of salary increase              | 5.1%                     | 5.1%                     |
| Discount rate for defined benefit obligations | 2.9%                     | 3.5%                     |

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:

|          |         | <b>December 31, 2015</b> | <b>December 31, 2014</b> |
|----------|---------|--------------------------|--------------------------|
| Teens    | Males   | 0.01%                    | 0.01%                    |
|          | Females | 0.00%                    | 0.00%                    |
| Twenties | Males   | 0.01%                    | 0.01%                    |
|          | Females | 0.00%                    | 0.00%                    |
| Thirties | Males   | 0.01%                    | 0.01%                    |
|          | Females | 0.01%                    | 0.01%                    |
| Forties  | Males   | 0.03%                    | 0.03%                    |
|          | Females | 0.02%                    | 0.01%                    |
| Fifties  | Males   | 0.05%                    | 0.06%                    |
|          | Females | 0.02%                    | 0.03%                    |

- (h) Reasonably possible changes to respective relevant actuarial assumptions would have affected the defined benefit obligations by the amounts as of December 31, 2015 are as follows:

|   | <b>Defined benefit obligation</b> |                    |
|---|-----------------------------------|--------------------|
|   | <b>1%</b>                         |                    |
|   | <b>increase</b>                   | <b>1% decrease</b> |
| Discount rate for defined benefit obligations | (174,511)                         | 212,842            |
| Expected rate of salary increase              | 206,384                           | (173,120)          |

18. Provisions and Other Liabilities

(a) Changes in provisions for the year ended December 31, 2015 are as follows:

(In millions of won)

|                              | <b>Litigations<br/>and claims<br/>(*1)</b> | <b>Warranties<br/>(*2)</b> | <b>Others</b> | <b>Total</b> |
|------------------------------|--|----------------------------|---------------|--------------|
| Balance of January 1, 2015   | 148,303                                    | 51,509                     | 1,631         | 201,443      |
| Additions                    | 110,181                                    | 109,678                    | 3,248         | 223,107      |
| Usage and reclassification   | (197,239)                                  | (106,110)                  | (839)         | (304,188)    |
| Balance at December 31, 2015 | 61,245                                     | 55,077                     | 4,040         | 120,362      |
| Current                      | 61,245                                     | 46,508                     | 792           | 108,545      |
| Non-current                  |  | 8,569                      | 3,248         | 11,817       |

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

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

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

(In millions of won)

|                                  | <b>December 31, 2015</b> | <b>December 31, 2014</b> |
|----------------------------------|--------------------------|--------------------------|
| <b>Current liabilities</b>       |                          |                          |
| Withholdings                     | 28,958                   | 18,230                   |
| Unearned revenues                | 8,812                    | 12,395                   |
|                                  | 37,770                   | 30,625                   |
| <b>Non-current liabilities</b>   |                          |                          |
| Long-term accrued expenses       | 48,158                   |                          |
| Long-term other accounts payable | 8,384                    | 12,805                   |
| Long-term unearned revenues      |                          | 8,623                    |
|                                  | 56,542                   | 21,428                   |



19. Commitments

Factoring 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 USD 2,183 million ( 2,558,476 million) in connection with the Company's export sales transactions with its subsidiaries. As of December 31, 2015, no accounts and notes receivable were sold but are not past due. In connection with all of the contracts in this paragraph, the Company has sold its accounts receivable with recourse.

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 100,000 million in connection with its domestic sales transactions and, as of December 31, 2015, no accounts and notes receivable sold to Shinhan Bank were outstanding in connection with the agreement. In connection with the contract above, the Company has sold its accounts receivable without recourse.

Letters of credit

As of December 31, 2015, the Company has agreements with KEB Hana Bank in relation to the opening of letters of credit up to USD 45 million ( 52,740 million), USD 15 million ( 17,580 million) with China Construction Bank, USD 80 million ( 93,760 million) with Bank of China, USD 50 million ( 58,600 million) with Sumitomo Mitsui Banking Corporation.

Payment guarantees

The Company obtained payment guarantees amounting to USD 200 million ( 234,400 million) from Korea Exchange Bank for borrowings, USD 8.5 million ( 9,962 million) from Shinhan bank for value added tax payments in Poland and USD 75 million ( 87,900 million) from Westchester Fire Insurance Company for ongoing legal proceeding. In addition, the Company provides a payment guarantee in connection with the term loan credit facilities of LG Display Yantai, Co., Ltd. amounting to USD 135 million ( 158,220 million) for principals and related interests.

License agreements

As of December 31, 2015, 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.

20. Legal Proceedings

Delaware Display Group LLC and Innovative Display Technologies LLC ( DDG and IDT )

In December 2013, Delaware Display Group LLC and Innovative Display Technologies LLC filed a patent infringement case ( First Case ) against the Company and LG Display America, Inc. in the United States District Court for the District of Delaware. In December 2015, DDG and IDT filed a new patent infringement case against the Company and LG Display America, Inc. over the three patents that were dismissed without prejudice from the First case. The Company does not have a present obligation for these matters and has not recognized any provision at December 31, 2015. It is not possible to reasonably estimate an amount of potential loss, if any, because the plaintiffs have not provided any information regarding damages.

Surpass Tech Innovation LLC

In March 2014, Surpass Tech Innovation LLC filed a complaint in the United States District Court for the District of Delaware against the Company and LG Display America, Inc. for alleged patent infringement. In November 2014, the case has been stayed by the United States District Court for the District of Delaware pending Inter Partes Review. The Company does not have a present obligation for this matter and has not recognized any provision at December 31, 2015. It is not possible to reasonably estimate an amount of potential loss, if any, because the plaintiffs have not provided any information regarding damages.

Anti-trust litigations

Certain individual plaintiffs filed complaints in various state or federal courts in the United States alleging violation of the respective antitrust laws and related laws by various LCD panel manufacturers. As of December 31, 2015, the Company is currently defending against Costco Wholesale Corp.. The timing and amounts of outflows are uncertain and the outcomes depend upon the various court proceedings.

In Canada, class action complaints alleging violations of Canada competition laws were filed in 2007 against the Company and other TFT-LCD manufacturers in Ontario, British Columbia and Quebec. The Ontario Superior Court of Justice certified the class action complaints filed by the direct and indirect purchasers in May 2011. In April 2014, the Company filed an appeal of the class certification decision and the Ontario Divisional Court dismissed the Company's appeal of the class certification in December 2015. The actions in Quebec and British Columbia are in abeyance. The timing and amount of outflows are uncertain and the outcome depends upon the court proceedings.

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

21. Capital and Reserves

## (a) Share capital

The Company is authorized to issue 500,000,000 shares of capital stock (par value 5,000), and as of December 31, 2015 and December 31, 2014, the number of issued common shares is 357,815,700. There have been no changes in the capital stock from January 1, 2014 to December 31, 2015.

## (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.

22. Retained Earnings

## (a) Retained earnings at the reporting date are as follows:

*(In millions of won)*

|                                     | <b>December 31, 2015</b> | <b>December 31, 2014</b> |
|-------------------------------------|--------------------------|--------------------------|
| Legal reserve                       | 158,485                  | 140,594                  |
| Other reserve                       | 68,251                   | 68,251                   |
| Defined benefit plan actuarial loss | (280,885)                | (197,310)                |
| Retained earnings                   | 7,343,482                | 6,572,072                |
|                                     | <b>7,289,333</b>         | <b>6,583,607</b>         |

## (b) For the years ended December 31, 2015 and 2014, details of the Company's appropriations of retained earnings are as follows:

*(In millions of won, except for cash dividend per common stock)*

|   | <b>2015</b>      | <b>2014</b>      |
|---|------------------|------------------|
| <b>Retained earnings before appropriations</b>                |                  |                  |
| Unappropriated retained earnings carried over from prior year | 6,375,273        | 5,598,954        |
| Profit for the year   | 968,209          | 973,118          |
|   | <b>7,343,482</b> | <b>6,572,072</b> |
| <b>Appropriation of retained earnings (*)</b>                 |                  |                  |
| Earned surplus reserve  | 17,891           | 17,891           |
| Cash dividend   |                  |                  |
| (Dividend per common stock (%): 2015: 500 (10%))              | 178,908          | 178,908          |

|   |           |           |
|---|-----------|-----------|
|   | 196,799   | 196,799   |
| <b>Unappropriated retained earnings carried forward to the following year</b> | 7,146,683 | 6,375,273 |

(\* ) For the years ended December 31, 2015 and 2014, the date of appropriation is March 11, 2016 and March 13, 2015, respectively.

23. Related Parties

## (a) Related parties

Related parties for the year ended December 31, 2015 are as follows:

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

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

Related parties that have transactions such as sales or balance of trade accounts and notes receivable and payable with the Company excluding subsidiaries, associates, and joint ventures for the years ended December 31, 2015 and 2014 are as follows:

| <b>Classification</b>  | <b>December 31, 2015</b>   | <b>December 31, 2014</b>   |
|--|--|--|
| Subsidiaries of associates   | ADP System Co., Ltd.<br>New Optics USA, Inc.   | ADP System Co., Ltd.<br>-  |
| Entity that has significant influence over the Company                     | LG Electronics Inc.  | LG Electronics Inc.  |
| Subsidiaries of the entity that has significant influence over the Company | Hi Business Logistics Co., Ltd.<br>Hiplaza Co., Ltd.<br>Hi Entech Co., Ltd.<br>LG Hitachi Water Solutions Co., Ltd.<br>LG Innotek Co., Ltd.<br>Hanuri Co., Ltd.<br>Hi M Solutek<br>Inspur LG Digital Mobile Communication Co., Ltd.<br>Qingdao LG Inspur Digital Communication Co., Ltd.<br>Hi Logistics Europe B.V<br>LG Electronics Mlawa Sp. z o.o.<br>LG Electronics U.S.A., Inc.<br>- | Hi Business Logistics Co., Ltd.<br>Hiplaza Co., Ltd.<br>Hi Entech Co., Ltd.<br>LG Hitachi Water Solutions Co., Ltd.<br>LG Innotek Co., Ltd.<br>Hanuri Co., Ltd.<br>Hi M Solutek<br>-<br>Qingdao LG Inspur Digital Communication Co., Ltd.<br>Hi Logistics Europe B.V<br>-<br>-<br>LG Innotek Poland Sp. z o.o. |

|   |   |
|---|---|
| -   | LG Electronics Vietnam Co., Ltd.          |
| LG Electronics Vietnam Haiphong Co., Ltd. | LG Electronics Vietnam Haiphong Co., Ltd. |
| LG Electronics Thailand Co., Ltd.         | LG Electronics Thailand Co., Ltd.         |

23. Related Parties, Continued

| Classification | December 31, 2015                           | December 31, 2014                           |
|----------------|---|---|
|                | LG Electronics RUS, LLC                     | LG Electronics RUS, LLC                     |
|                | LG Electronics Nanjing Display Co., Ltd.    | LG Electronics Nanjing Display Co., Ltd.    |
|                | LG Electronics India Pvt. Ltd.              | LG Electronics India Pvt. Ltd.              |
|                | LG Electronics do Brasil Ltda.              | LG Electronics do Brasil Ltda.              |
|                | LG Electronics (Kunshan) Computer Co., Ltd. | LG Electronics (Kunshan) Computer Co., Ltd. |
|                | -   | LG Electronics Alabama Inc.                 |
|                | -   | LG Electronics Reynosa S.A. DE C.V.         |
|                | LG Electronics Singapore Pte. Ltd.          | LG Electronics Singapore Pte. Ltd.          |
|                | LG Electronics Japan, Inc.                  | LG Electronics Japan, Inc.                  |
|                | -   | LG Electronics Philippines Inc.             |
|                | P.T. LG Electronics Indonesia               | P.T. LG Electronics Indonesia               |
|                | LG Electronics Kazakhstan                   | -   |
|                | LG Electronics S.A. (Pty) Ltd.              | -   |

## (b) Key management personnel compensation

Compensation costs of key management for the years ended December 31, 2015 and 2014 are as follows:

*(In millions of won)*

|  | 2015  | 2014  |
|--|-------|-------|
| Short-term benefits                          | 2,940 | 2,607 |
| Expenses related to the defined benefit plan | 378   | 355   |
|  | 3,318 | 2,962 |

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

23. Related Parties, Continued

- (c) Significant transactions such as sales of goods and purchases of raw material and outsourcing service and others, which occurred in the normal course of business with related parties for the years ended December 31, 2015 and 2014 are as follows:

(In millions of won)

|  | 2015                |                    |   |  |  |             |
|--|---------------------|--------------------|---|--|--|-------------|
|  | Sales<br>and others | Dividend<br>Income | Purchase of raw<br>material and<br>others | Acquisition of<br>property, plant<br>and equipment | Purchase and others<br>Outsourcing<br>fees | Other costs |
| <b>Subsidiaries</b>                        |                     |                    |   |  |  |             |
| LG Display America, Inc.                   | 11,229,009          |                    | 2   |  |  | 19          |
| LG Display Japan Co., Ltd.                 | 1,564,664           |                    | 39  |  |  | 959         |
| LG Display Germany GmbH                    | 2,123,553           |                    |   |  |  | 11,993      |
| LG Display Taiwan Co., Ltd.                | 1,961,207           | 1,999              |   |  |  | 719         |
| LG Display Nanjing Co., Ltd.               | 31,697              | 42,847             | 13  |  | 403,088                                    |             |
| LG Display Shanghai Co., Ltd.              | 1,487,056           | 31,902             |   |  |  | 151         |
| LG Display Poland Sp. z o.o.               | 699                 | 27,682             | 27  |  | 60,709                                     |             |
| LG Display Guangzhou Co.,<br>Ltd.          | 29,110              | 339,859            | 12,154                                    |  | 2,061,443                                  | 8,776       |
| LG Display Shenzhen Co.,<br>Ltd.           | 1,773,966           | 12,647             |   |  |  | 6           |
| LG Display Yantai Co., Ltd.                | 48,774              | 65,206             | 35,468                                    |  | 2,051,296                                  | 10,839      |
| LG Display (China) Co., Ltd.               | 1,226               |                    | 279,937                                   |  |  |             |
| LG Display U.S.A., Inc.                    | 4,332               |                    |   |  |  |             |
| LG Display Singapore Pte.<br>Ltd.          | 1,098,080           | 3,185              |   |  |  | 6           |
| L&T Display Technology<br>(Fujian) Limited | 513,427             | 5,977              | 26  |  |  | 124         |
| Nanumnuri Co., Ltd.                        | 52                  |                    |   |  |  | 9,753       |
| Global OLED Technology<br>LLC              |                     |                    |   |  |  | 4,643       |
| LG Display Guangzhou<br>Trading            | 185,211             |                    |   |  |  |             |
|  | 22,052,063          | 531,304            | 327,666                                   |  | 4,576,536                                  | 47,988      |



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

|   | 2015                |                    |  |   |  |             |
|---|---------------------|--------------------|--|---|--|-------------|
|   | Sales<br>and Others | Dividend<br>Income | Purchase of raw<br>material<br>and<br>others | Acquisition of<br>property, plant<br>and<br>equipment | Purchase and others<br>Outsourcing<br>fees | Other costs |
| <b>Joint Venture</b>  |                     |                    |  |   |  |             |
| Suzhou Raken Technology Co.,<br>Ltd.                              | 143,125             |                    |  |   |  | 361         |
| <b>Associates and their<br/>subsidiaries</b>                      |                     |                    |  |   |  |             |
| New Optics Ltd.   | 92                  |                    | 47,404                                       |   | 5,881                                      | 441         |
| NEW OPTICS USA, Inc   |                     |                    |  |   | 29,475                                     |             |
| LIG INVENIA Co., Ltd. (LIG<br>ADP Co., Ltd.)                      | 9                   |                    | 49   | 40,348  |  | 122         |
| TLI Inc.  |                     | 101                | 84,732                                       |   |  | 929         |
| AVACO Co., Ltd.   |                     | 128                | 1,826  | 69,361  |  | 4,596       |
| AVATEC Co., Ltd.  |                     | 530                | 278  |   | 52,098                                     | 1,599       |
| Paju Electric Glass Co., Ltd.                                     |                     | 24,058             | 425,314                                      |   |  | 2,772       |
| LB Gemini New Growth Fund<br>No. 16                               |                     | 760                |  |   |  |             |
| Narenanotech Corporation  | 3                   |                    | 634  | 20,515  |  | 534         |
| Glonix Co., Ltd. (*1)   | 8                   |                    | 4,581  |   |  | 227         |
| ADP System Co., Ltd.  |                     |                    | 2,464  | 2,268   |  | 629         |
| YAS Co., Ltd.   | 9                   |                    | 809  | 20,324  |  | 974         |
|   | 121                 | 25,577             | 568,091                                      | 152,816   | 87,454                                     | 12,823      |
| <b>Entity that has significant<br/>influence over the Company</b> |                     |                    |  |   |  |             |
| LG Electronics Inc.   | 1,657,871           |                    | 39,791                                       | 245,637   |  | 133,536     |

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

|   | 2015             |                 |                                     |  |                                      |             |
|---|------------------|-----------------|-------------------------------------|--|--------------------------------------|-------------|
|   |                  |                 | Purchase of raw material and others | Acquisition of property, plant and equipment | Purchase and others Outsourcing fees | Other costs |
|   | Sales and others | Dividend Income |                                     |  |                                      |             |
| <b>Subsidiaries of the entity that has significant influence over the Company</b> |                  |                 |                                     |  |                                      |             |
| LG Electronics India Pvt. Ltd.  | 156,428          |                 |                                     |  |                                      | 131         |
| LG Electronics Vietnam Haiphong Co., Ltd.   | 95,626           |                 |                                     |  |                                      |             |
| LG Electronics Thailand Co., Ltd.   | 12,902           |                 |                                     |  |                                      | 188         |
| LG Electronics U.S.A., Inc.   | 5,305            |                 |                                     |  |                                      | 868         |
| LG Electronics RUS, LLC   | 13,017           |                 |                                     |  |                                      | 420         |
| LG Electronics do Brasil Ltda.  | 4,412            |                 |                                     |  |                                      | 490         |
| LG Electronics (Kunshan) Computer Co., Ltd.                                       | 9,282            |                 |                                     |  |                                      |             |
| Hi Business Logistics Co., Ltd.   | 34               |                 |                                     |  |                                      | 24,832      |
| LG Innotek Co., Ltd.  | 5,647            |                 | 299,033                             |  |                                      | 14,334      |
| LG Hitachi Water Solutions Co., Ltd.  |                  |                 |                                     | 40,436                                       |                                      |             |
| Inspur LG Digital Mobile Communication Co., Ltd.                                  | 94,575           |                 |                                     |  |                                      |             |
| Qingdao LG Inspur Digital Communication Co., Ltd.                                 | 237,595          |                 |                                     |  |                                      |             |
| Hi Entech Co., Ltd.   |                  |                 |                                     |  |                                      | 24,963      |
| Others  | 18               |                 | 3                                   |  |                                      | 5,712       |
|   | 634,841          |                 | 299,036                             | 40,436                                       |                                      | 71,938      |
|   | 24,488,021       | 556,881         | 1,234,584                           | 438,889                                      | 4,663,990                            | 266,646     |

(\*1) Glonix Co., Ltd. includes transactions until the day before of its entire investments disposal.

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

|   | 2014                        |                    |                        |                  |                     |             |
|---|-----------------------------|--------------------|------------------------|------------------|---------------------|-------------|
|   | Purchase and others         |                    |                        |                  |                     |             |
|   | Acquisition of              |                    |                        |                  |                     |             |
|   | Purchase of property, plant |                    |                        |                  |                     |             |
|   | Sales<br>and others         | Dividend<br>Income | material and<br>others | and<br>equipment | Outsourcing<br>fees | Other costs |
| <b>Subsidiaries</b>                           |                             |                    |                        |                  |                     |             |
| LG Display America, Inc.                      | 9,152,108                   |                    | 3                      |                  |                     | 7           |
| LG Display Japan Co., Ltd.                    | 1,599,585                   |                    |                        |                  |                     | 88          |
| LG Display Germany GmbH                       | 2,971,423                   | 22,766             |                        |                  |                     | 7,138       |
| LG Display Taiwan Co., Ltd.                   | 2,178,463                   | 35,956             |                        |                  |                     | 638         |
| LG Display Nanjing Co., Ltd.                  | 2,170                       | 19,363             | 15                     | 391              | 392,527             |             |
| LG Display Shanghai Co.,<br>Ltd.              | 2,357,326                   |                    |                        |                  |                     | 116         |
| LG Display Poland Sp. z o.o.                  | 496                         | 37,124             | 60                     |                  | 73,652              |             |
| LG Display Guangzhou Co.,<br>Ltd.             | 31,984                      | 301,935            | 14,661                 |                  | 2,069,655           | 5,583       |
| LG Display Shenzhen Co.,<br>Ltd.              | 2,002,633                   |                    |                        |                  |                     | 321         |
| LG Display Yantai Co., Ltd.                   | 30,401                      |                    | 9,872                  |                  | 904,422             | 2,021       |
| LG Display (China) Co., Ltd.                  | 31,522                      |                    | 172,866                |                  |                     | 23          |
| LUCOM Display Technology<br>(Kunshan) Limited | 505                         |                    |                        |                  | 9,464               |             |
| LG Display U.S.A., Inc.                       | 78,128                      |                    |                        |                  |                     |             |
| LG Display Singapore Pte.<br>Ltd.             | 1,200,847                   | 13,390             |                        |                  |                     | 234         |
| L&T Display Technology<br>(Fujian) Limited    | 469,180                     |                    | 19                     |                  |                     | 355         |
| Nanumnuri Co., Ltd.                           | 44                          |                    |                        |                  | 331                 | 7,916       |
|   | 22,106,815                  | 430,534            | 197,496                | 391              | 3,450,051           | 24,440      |

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

|   | <b>2014</b>                 |                            |   |   |                             |                    |
|---|-----------------------------|----------------------------|---|---|-----------------------------|--------------------|
|   | <b>Purchase and others</b>  |                            |   |   |                             |                    |
|   | <b>Sales<br/>and Others</b> | <b>Dividend<br/>Income</b> | <b>Purchase of raw<br/>materials<br/>and others</b> | <b>Acquisition of<br/>property, plant<br/>and equipment</b> | <b>Outsourcing<br/>fees</b> | <b>Other costs</b> |
| <b>Joint Venture</b>  |                             |                            |   |   |                             |                    |
| Suzhou Raken Technology Co., Ltd.                             | 190,780                     |                            |   |   | 101,830                     |                    |
| Global OLED Technology LLC                                    |                             |                            |   |   |                             | 2,045              |
|   | 190,780                     |                            |   |   | 101,830                     | 2,045              |
| <b>Associates and their subsidiaries</b>                      |                             |                            |   |   |                             |                    |
| New Optics Ltd.   | 579                         |                            | 56,412  |   | 11,057                      | 2,015              |
| LIG INVENIA Co., Ltd. (LIG ADP Co., Ltd.)                     |                             |                            | 413   | 16,647  |                             | 722                |
| TLI Inc.  |                             |                            | 76,047  |   |                             | 2,753              |
| AVACO Co., Ltd.   | 41                          |                            | 1,520   | 46,671  |                             | 3,673              |
| AVATEC Co., Ltd.  |                             | 265                        | 143   |   | 92,353                      | 360                |
| Paju Electric Glass Co., Ltd.                                 |                             |                            | 600,655   |   |                             | 3,097              |
| Narenanotech Corporation                                      |                             | 180                        | 519   | 8,873   |                             | 1,403              |
| Glonix Co., Ltd.  |                             |                            | 21,344  |   |                             | 315                |
| ADP System Co., Ltd.  |                             |                            | 1,810   | 1,263   |                             | 497                |
| LB Gemini New Growth Fund No. 16                              |                             | 613                        |   |   |                             |                    |
| YAS Co., Ltd.   |                             |                            | 734   | 21,614  |                             | 460                |
|   | 620                         | 1,058                      | 759,597   | 95,068  | 103,410                     | 15,295             |
| <b>Entity that has significant influence over the Company</b> |                             |                            |   |   |                             |                    |
| LG Electronics Inc.   | 1,657,634                   |                            | 60,002  | 168,395   |                             | 70,189             |

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

|   | 2014                        |          |              |           |             |             |
|---|-----------------------------|----------|--------------|-----------|-------------|-------------|
|   | Purchase and others         |          |              |           |             |             |
|   | Acquisition of              |          |              |           |             |             |
|   | Purchase of property, plant |          |              |           |             |             |
|   | Sales                       | Dividend | material and | and       | Outsourcing | Other costs |
|   | and others                  | Income   | others       | equipment | fees        |             |
| <b>Subsidiaries of the entity that has significant influence over the Company</b> |                             |          |              |           |             |             |
| LG Electronics India Pvt. Ltd.  | 117,075                     |          |              |           |             |             |
| LG Electronics Vietnam Co., Ltd.  | 36,204                      |          |              |           |             | 2           |
| LG Electronics Vietnam Haiphong Co., Ltd.   | 19,476                      |          |              |           |             |             |
| LG Electronics Thailand Co., Ltd.   | 68,212                      |          |              |           |             |             |
| LG Electronics RUS, LLC   | 25,945                      |          |              |           |             |             |
| LG Electronics do Brasil Ltda.  | 8,083                       |          |              |           |             | 502         |
| LG Electronics (Kunshan) Computer Co., Ltd.                                       | 15,968                      |          |              |           |             |             |
| Hi Business Logistics Co., Ltd.   | 41                          |          |              |           |             | 29,788      |
| LG Innotek Co., Ltd.  | 3,514                       |          | 509,352      |           |             | 2,791       |
| LG Hitachi Water Solutions Co., Ltd.  |                             |          |              | 29,827    |             |             |
| Qingdao LG Inspur Digital Communication Co., Ltd.                                 | 173,821                     |          |              |           |             |             |
| Hi Entech Co., Ltd.   |                             |          |              |           |             | 25,676      |
| Others  | 10                          |          | 810          |           |             | 5,322       |
|   | 468,349                     |          | 510,162      | 29,827    |             | 64,081      |
|   | 24,424,198                  | 431,592  | 1,527,257    | 293,681   | 3,655,291   | 176,050     |

23. Related Parties, Continued

(d) Trade accounts and notes receivable and payable as of December 31, 2015 and 2014 are as follows:

*(In millions of won)*

|  | Trade accounts and notes receivable<br>and others |                   | Trade accounts and notes payable<br>and others |                   |
|--|---|-------------------|--|-------------------|
|  | December 31, 2015                                 | December 31, 2014 | December 31, 2015                              | December 31, 2014 |
| <b>Subsidiaries</b>                        |   |                   |  |                   |
| LG Display America, Inc.                   | 1,476,329   | 1,810,674         |  |                   |
| LG Display Japan Co., Ltd.                 | 139,273   | 128,248           |  |                   |
| LG Display Germany GmbH                    | 477,752   | 306,277           | 9,862  | 6,312             |
| LG Display Taiwan Co., Ltd.                | 659,464   | 368,188           | 37   | 52                |
| LG Display Nanjing Co., Ltd.               | 248   | 19,732            | 37,460   | 86,499            |
| LG Display Shanghai Co.,<br>Ltd.           | 231,673   | 311,532           | 73   | 20                |
| LG Display Poland Sp. z o.o.               | 192   | 131               | 9,612  | 10,746            |
| LG Display Guangzhou Co.,<br>Ltd.          | 323,252   | 307,469           | 446,336  | 772,702           |
| LG Display Shenzhen Co.,<br>Ltd.           | 227,966   | 260,602           | 2  |                   |
| LG Display Yantai Co., Ltd.                | 62,000  | 2,214             | 623,523  | 447,994           |
| LG Display China Co., Ltd.                 | 4,133   |                   | 23,459   | 12,147            |
| LG Display U.S.A., Inc.                    |   | 4,397             |  | 2,923             |
| LG Display Singapore Pte.<br>Ltd.          | 79,360  | 106,506           |  |                   |
| L&T Display Technology<br>(Fujian) Limited | 91,155  | 81,898            | 206,706  | 199,470           |
| Nanumnuri Co., Ltd.                        |   |                   | 1,299  | 1,077             |
| Global OLED Technology<br>LLC(*1)          |   |                   | 2,924  | 505               |
| LG Display Guangzhou<br>Trading            | 93,775  |                   |  |                   |
|  | 3,866,572   | 3,707,868         | 1,361,293                                      | 1,540,447         |

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

|   | Trade accounts and notes receivable<br>and others |                   | Trade accounts and notes payable<br>and others |                   |
|---|---|-------------------|--|-------------------|
|   | December 31, 2015                                 | December 31, 2014 | December 31, 2015                              | December 31, 2014 |
| <b>Joint Venture</b>  |   |                   |  |                   |
| Suzhou Raken Technology Co., Ltd.                             | 14,657  | 27,750            | 182  |                   |
| <b>Associates and their subsidiaries</b>                      |   |                   |  |                   |
| New Optics Ltd.   |   | 440               | 8,584  | 14,785            |
| NEWOPTICS USA, INC  |   |                   | 5,313  |                   |
| LIG INVENIA Co., Ltd.<br>(LIG ADP Co., Ltd.)                  | 956   |                   | 6,349  | 2,471             |
| TLI Inc.  |   |                   | 15,232   | 14,086            |
| AVACO Co., Ltd.   |   |                   | 8,283  | 12,700            |
| AVATEC Co., Ltd.  |   |                   | 5,493  | 10,645            |
| Paju Electric Glass Co., Ltd.                                 |   |                   | 68,066   | 82,792            |
| Narenanotech Corporation                                      | 283   |                   | 2,161  | 1,532             |
| Glonix Co., Ltd. (*2)   |   |                   |  | 1,752             |
| ADP System Co., Ltd.  |   |                   | 482  | 1,822             |
| YAS Co., Ltd.   | 956   |                   | 5,248  | 7,300             |
|   | 2,195   | 440               | 125,211  | 149,885           |
| <b>Entity that has significant influence over the Company</b> |   |                   |  |                   |
| LG Electronics Inc.   | 404,807   | 379,977           | 117,428  | 110,281           |

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

|   | Trade accounts and notes receivable<br>and others |                   | Trade accounts and notes payable<br>and others |                   |
|---|---|-------------------|--|-------------------|
|   | December 31, 2015                                 | December 31, 2014 | December 31, 2015                              | December 31, 2014 |
| <b>Subsidiaries of the entity<br/>that has significant<br/>influence over the<br/>Company</b> |   |                   |  |                   |
| LG Electronics India Pvt.<br>Ltd.   | 12,736  | 13,825            |  |                   |
| LG Electronics Vietnam<br>Haiphong Co., Ltd.  | 20,296  | 13,491            |  |                   |
| LG Electronics Thailand Co.,<br>Ltd.  |   | 17,792            |  |                   |
| LG Innotek Co., Ltd.  | 311   | 4                 | 66,177   | 84,931            |
| LG Hitachi Water Solutions<br>Co., Ltd.   |   |                   | 11,603   | 7,079             |
| Inspur LG Digital Mobile<br>Communication Co., Ltd  | 38,669  |                   |  |                   |
| Qingdao LG Inspur Digital<br>Communication Co., Ltd.  | 21,472  | 65,641            |  |                   |
| Hi Entech Co., Ltd.   |   |                   | 3,695  | 5,954             |
| Others  | 5,763   | 7,082             | 487  | 5,008             |
|   | 99,247  | 117,835           | 81,962   | 102,972           |
|   | 4,387,478   | 4,233,870         | 1,686,076                                      | 1,903,585         |

(\*1) The Company acquired additional ownership in Global OLED Technology and classified it as subsidiaries as of December 31, 2015.

(\*2) Excluded from related parties as the company disposed of the entire investments in Glonix Co., Ltd.



23. Related Parties, Continued

- (e) Details of significant cash transactions such as loans and collection of loans, which occurred in the normal course of business with related parties for the year ended December 31, 2015 are as follows:

*(In millions of won)*

| <b>Associates</b>                         | <b>Loans<br/>(* )</b> |
|---|-----------------------|
| LIG INVENIA Co., Ltd. (LIG ADP Co., Ltd.) | 1,000                 |
| Narenanotech Corporation                  | 300                   |
| YAS Co., Ltd.                             | 1,000                 |
|   | 2,300                 |

(\* ) Loans are presented based on nominal prices.

**24. Revenue**

Details of revenue for the years ended December 31, 2015 and 2014 are as follows:

*(In millions of won)*

|                | <b>2015</b> | <b>2014</b> |
|----------------|-------------|-------------|
| Sales of goods | 25,801,488  | 25,331,787  |
| Royalties      | 18,025      | 14,582      |
| Others         | 36,913      | 37,301      |
|                | 25,856,426  | 25,383,670  |

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

(a) Details of other non-operating income for the years ended December 31, 2015 and 2014 are as follows:

*(In millions of won)*

|   | <b>2015</b> | <b>2014</b> |
|---|-------------|-------------|
| Rental income   | 3,436       | 3,550       |
| Foreign currency gain   | 892,392     | 787,972     |
| Reversal of allowance for doubtful accounts for other receivables | 98          |             |
| Gain on disposal of property, plant and equipment                 | 40,782      | 18,248      |
| Reversal of impairment on intangible assets                       | 80          |             |
| Commission earned   | 1,304       | 3,001       |
| Others (*)  | 14,912      | 49,396      |
|   | 953,004     | 862,167     |

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

(b) Details of other non-operating expenses for the years ended December 31, 2015 and 2014 are as follows:

*(In millions of won)*

|   | <b>2015</b> | <b>2014</b> |
|---|-------------|-------------|
| Other bad debt expense                            |             | 283         |
| Foreign currency loss                             | 843,206     | 767,369     |
| Loss on disposal of property, plant and equipment | 3,873       | 2,204       |

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|  |         |         |
|--|---------|---------|
| Loss on disposal of intangible assets                      | 18      | 115     |
| Impairment loss on property, plant and equipment           | 423     | 8,097   |
| Impairment loss on intangible assets                       | 239     | 492     |
| Donations  | 14,016  | 11,597  |
| Expenses related to legal proceedings or claims and others | 127,701 | 108,821 |
|  | 989,476 | 898,978 |

26. Personnel Expenses

Details of personnel expenses for the years ended December 31, 2015 and 2014 are as follows:

*(In millions of won)*

|  | <b>2015</b>      | <b>2014</b>      |
|--|------------------|------------------|
| Salaries and wages                       | 2,114,026        | 2,040,568        |
| Other employee benefits                  | 298,768          | 280,717          |
| Contributions to National Pension plan   | 66,191           | 64,077           |
| Expenses related to defined benefit plan | 198,765          | 196,495          |
|  | <b>2,677,750</b> | <b>2,581,857</b> |

27. Finance Income and Finance Costs

(a) Finance income and costs recognized in profit or loss for the years ended December 31, 2015 and 2014 are as follows:

*(In millions of won)*

|   | <b>2015</b>    | <b>2014</b>    |
|---|----------------|----------------|
| <b>Finance income</b>                                   |                |                |
| Interest income   | 36,583         | 43,001         |
| Dividend income   | 556,881        | 431,874        |
| Foreign currency gain                                   | 7,971          | 3,671          |
| Gain on disposal of investments                         | 4,938          |                |
| Reversal of impairment loss on investments              | 24,550         |                |
| Gain on disposal of available-for-sale financial assets |                | 775            |
| Gain on derivatives transactions                        | 602            |                |
|   | <b>631,525</b> | <b>479,321</b> |
| <b>Finance costs</b>                                    |                |                |
| Interest expense  | 103,661        | 107,260        |
| Foreign currency loss                                   | 47,714         | 53,277         |
| Loss on early redemption of debt                        |                | 6,986          |
| Loss on disposal of investments                         |                | 5,434          |
| Loss on impairment of investments                       | 32,186         | 32,599         |
| Loss on sale of trade accounts and notes receivable     |                | 52             |
| Loss on derivatives transactions                        | 722            |                |
|   | <b>184,283</b> | <b>205,608</b> |

- (b) Finance income and costs recognized in other comprehensive income or loss for the years ended December 31, 2015 and 2014 are as follows:

*(In millions of won)*

|   | <b>2015</b> | <b>2014</b> |
|---|-------------|-------------|
| Net change in fair value of available-for-sale financial assets   | (288)       | 767         |
| Tax effect  | 70          | (186)       |
| Finance income recognized in other comprehensive income after tax | (218)       | 581         |

28. Income Taxes

(a) Details of income tax expense for the years ended December 31, 2015 and 2014 are as follows:

*(In millions of won)*

|   | <b>2015</b>    | <b>2014</b>    |
|---|----------------|----------------|
| Current tax expense                               |                |                |
| Current year                                      | 74,206         | 160,952        |
| Deferred tax expense (benefit)                    |                |                |
| Origination and reversal of temporary differences | 129,407        | (4,627)        |
| Change in unrecognized deferred tax assets        | 9,804          | 92,249         |
|   | 139,211        | 87,622         |
| <b>Income tax expense</b>                         | <b>213,417</b> | <b>248,574</b> |

(b) Income taxes recognized directly in other comprehensive income for the years ended December 31, 2015 and 2014 are as follows:

*(In millions of won)*

|   | <b>2015</b>       |                    |                   |
|---|-------------------|--------------------|-------------------|
|   | <b>Before tax</b> | <b>Tax benefit</b> | <b>Net of tax</b> |
| Net change in fair value of available-for-sale financial assets | (288)             | 70                 | (218)             |
| Remeasurements of net defined benefit liabilities (assets)      | (110,257)         | 26,682             | (83,575)          |
|   | (110,545)         | 26,752             | (83,793)          |

*(In millions of won)*

|   | <b>2014</b>       |                              |                   |
|---|-------------------|------------------------------|-------------------|
|   | <b>Before tax</b> | <b>Tax (expense) benefit</b> | <b>Net of tax</b> |
| Net change in fair value of available-for-sale financial assets | 767               | (186)                        | 581               |
| Remeasurements of net defined benefit liabilities (assets)      | (147,822)         | 35,773                       | (112,049)         |
|   | (147,055)         | 35,587                       | (111,468)         |

28. Income Taxes, Continued

(c) Reconciliation of the actual effective tax rate for the years ended December 31, 2015 and 2014 is as follows:

| <i>(In millions of won)</i>                                  | <b>2015</b>      |                | <b>2014</b>      |                |
|--|------------------|----------------|------------------|----------------|
| Profit for the year  | 968,209          |                | 973,118          |                |
| Income tax expense   | 213,417          |                | 248,574          |                |
| <b>Profit before income tax</b>                              | <b>1,181,626</b> |                | <b>1,221,692</b> |                |
| Income tax expense using the Company's<br>statutory tax rate | 24.20%           | 285,953        | 24.20%           | 295,649        |
| Non-deductible expenses (benefits)                           | 2.69%            | 31,732         | (2.38%)          | (29,059)       |
| Tax credits  | (9.36%)          | (110,575)      | (9.47%)          | (115,659)      |
| Change in unrecognized deferred tax assets                   | 0.83%            | 9,804          | 7.56%            | 92,249         |
| Others   | (0.30%)          | (3,497)        | 0.44%            | 5,394          |
| <b>Actual income tax expense</b>                             |                  | <b>213,417</b> |                  | <b>248,574</b> |
| <b>Actual effective tax rate</b>                             |                  | <b>18.06%</b>  |                  | <b>20.35%</b>  |

29. Deferred Tax Assets and Liabilities

(a) Unrecognized deferred tax liabilities

As of December 31, 2015, in relation to the temporary differences on investments in subsidiaries amounting to 210,319 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 differences will not reverse in the foreseeable future.

29. Deferred Tax Assets and Liabilities, Continued

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

Realization of deferred tax assets related to tax credit carryforwards is dependent on whether sufficient taxable income will be generated prior to their expiration. As of December 31, 2015, the Company recognized deferred tax assets of 385,017 million, in relation to tax credit carryforwards, to the extent that management believes the realization is probable. The amount of unused tax credit carryforwards for which no deferred tax asset is recognized and their expiration dates are as follows:

(In millions of won)

|                          | <b>December 31, 2016</b> |
|--------------------------|--------------------------|
| Tax credit carryforwards | 78,656                   |

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

(In millions of won)

|   | <b>Assets</b>            |                          | <b>Liabilities</b>       |                          | <b>Total</b>             |                          |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
|   | <b>December 31, 2015</b> | <b>December 31, 2014</b> | <b>December 31, 2015</b> | <b>December 31, 2014</b> | <b>December 31, 2015</b> | <b>December 31, 2014</b> |
| Other accounts receivable, net                    |                          |                          | (2,388)                  | (3,440)                  | (2,388)                  | (3,440)                  |
| Inventories, net                                  | 43,170                   | 44,543                   |                          |                          | 43,170                   | 44,543                   |
| Available-for-sale financial assets               |                          |                          | (19)                     | (88)                     | (19)                     | (88)                     |
| Defined benefit liabilities, net                  | 58,962                   | 112,213                  |                          |                          | 58,962                   | 112,213                  |
| Accrued expenses                                  | 120,359                  | 173,635                  |                          |                          | 120,359                  | 173,635                  |
| Property, plant and equipment                     | 137,393                  | 129,370                  |                          |                          | 137,393                  | 129,370                  |
| Intangible assets                                 | 817                      | 1,423                    |                          |                          | 817                      | 1,423                    |
| Provisions  | 14,152                   | 12,710                   |                          |                          | 14,152                   | 12,710                   |
| Gain or loss on foreign currency translation, net | 11                       | 169                      |                          | (1)                      | 11                       | 168                      |
| Others  | 14,032                   | 16,326                   |                          |                          | 14,032                   | 16,326                   |
| Tax credit carryforwards                          | 385,017                  | 397,105                  |                          |                          | 385,017                  | 397,105                  |
| Deferred tax assets (liabilities)                 | 773,913                  | 887,494                  | (2,407)                  | (3,529)                  | 771,506                  | 883,965                  |



29. Deferred Tax Assets and Liabilities, Continued

(d) Changes in deferred tax assets and liabilities for the years ended December 31, 2015 and 2014 are as follows:

| <i>(In millions of won)</i>                       | <b>January 1,<br/>2014</b> | <b>Profit or<br/>loss</b> | <b>Other<br/>Comprehensive<br/>income</b> | <b>December 31,<br/>2014</b> | <b>Profit or<br/>loss</b> | <b>Other<br/>Comprehensive<br/>income</b> | <b>December 31,<br/>2015</b> |
|---|----------------------------|---------------------------|---|------------------------------|---------------------------|---|------------------------------|
| Other accounts receivable, net                    | (2,476)                    | (964)                     |   | (3,440)                      | 1,052                     |   | (2,388)                      |
| Inventories, net                                  | 17,500                     | 27,043                    |   | 44,543                       | (1,373)                   |   | 43,170                       |
| Available-for-sale financial assets               | 98                         |                           | (186)                                     | (88)                         | (1)                       | 70  | (19)                         |
| Defined benefit liabilities, net                  | 72,709                     | 3,731                     | 35,773                                    | 112,213                      | (79,933)                  | 26,682                                    | 58,962                       |
| Accrued expenses                                  | 81,193                     | 92,442                    |   | 173,635                      | (53,276)                  |   | 120,359                      |
| Property, plant and equipment                     | 102,651                    | 26,719                    |   | 129,370                      | 8,023                     |   | 137,393                      |
| Intangible assets                                 | (1,207)                    | 2,630                     |   | 1,423                        | (606)                     |   | 817                          |
| Provisions  | 11,460                     | 1,250                     |   | 12,710                       | 1,442                     |   | 14,152                       |
| Gain or loss on foreign currency translation, net | (675)                      | 843                       |   | 168                          | (157)                     |   | 11                           |
| Others  | 5,908                      | 10,418                    |   | 16,326                       | (2,294)                   |   | 14,032                       |
| Tax losses carryforwards                          | 110,550                    | (110,550)                 |   |                              |                           |   |                              |
| Tax credit carryforwards                          | 538,289                    | (141,184)                 |   | 397,105                      | (12,088)                  |   | 385,017                      |
| Deferred tax assets (liabilities)                 | 936,000                    | (87,622)                  | 35,587                                    | 883,965                      | (139,211)                 | 26,752                                    | 771,506                      |

Statutory tax rate applicable to the Company to calculate tax base and deferred tax expense is 24.2% for the year ended December 31, 2015.

30. Earnings per Share

(a) Basic earnings per share for the years ended December 31, 2015 and 2014 are as follows:

| <i>(In won and No. of shares)</i>                       | <b>2015</b>     | <b>2014</b>     |
|---|-----------------|-----------------|
| <b>Profit for the period</b>                            | 968,208,835,992 | 973,118,312,897 |
| Weighted-average number of common<br>stocks outstanding | 357,815,700     | 357,815,700     |
| <b>Earnings per share</b>                               | 2,706           | 2,720           |

For the years ended December 31, 2015 and 2014, there were no events or transactions that resulted in changes in the number of common stocks used for calculating earnings per share.

(b) Diluted earnings per share are not calculated since there was no potential common stock for the years ended December 31, 2015 and 2014.

31. Supplemental Cash Flow Information

Supplemental cash flow information for the years ended December 31, 2015 and 2014 is as follows:

| <i>(In millions of won)</i>   | <b>2015</b> | <b>2014</b> |
|---|-------------|-------------|
| <b>Non-cash investing and financing activities:</b>   |             |             |
| Changes in other accounts payable arising from the purchase of<br>property, plant and equipment | 204,696     | (63,276)    |

### 32. Business Combinations

In December 2015, the Company acquired OLED Lighting business with the investment amounting to 160,000 million and from LG Chem Ltd. in order to maximize synergy and strengthen competitiveness in OLED Lighting business. The Company measured the identifiable assets acquired and the liabilities assumed at their acquisition-date fair value. The entire consideration transferred for the acquisition was paid in cash.

The fair value of the consideration transferred, assets acquired and liabilities assumed are as follows

| <i>(In millions of won)</i>                               | <b>Amount</b> |
|---|---------------|
| Consideration transferred                                 | 160,000       |
| Identifiable assets acquired and the liabilities assumed: |               |
| Trade accounts and notes receivable                       | 616           |
| Inventories   | 2,432         |
| Other current assets                                      | 580           |
| Property, plant and equipment                             | 26,967        |
| Intangible assets (*1)                                    | 64,462        |
| Other non-current assets                                  | 7,808         |
| Current liabilities                                       | (860)         |
| Identifiable net asset                                    | 102,005       |
| Goodwill (*2)   | 57,995        |

(\*1) Patents amounting to 29,139 million are measured at fair value using the income approach and considering the present value of expected net cash flow from patents and customer relationships amounting to 35,165 million are measured considering the present value of future economic benefits expected to be received arising from relationship with customers.

(\*2) Goodwill amounting to 57,995 million arose from the acquired work force with specialized knowledge and experience.

The amount of the revenue and profit in the separate statement of comprehensive income for the year ended December 31, 2015, based on the assumption that the acquisition date had been at the beginning of the annual reporting period, are 25,860,967 million and 946,866 million, respectively, and the amount of the revenue and net loss of OLED Lighting business included in the separate statement of comprehensive income for the year ended December 31, 2015 are 52 million and 1,473 million, respectively. In addition, acquisition-related costs, such as legal consulting and accounting valuation fees amounting to 65 million are recognized as administrative expenses.

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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, 2015. 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, 2015, 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 separate 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, 2015 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, 2015. We did not review the Company s IACS subsequent to December 31, 2015. 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 19, 2016

**Notice to Readers**

This report is annexed in relation to the audit of the separate financial statements as of December 31, 2015 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.



**Report on the Operation of Internal Accounting Control System**

**English translation of a Report Originally Issued in Korean**

To the Board of Directors and Audit Committee of LG Display Co., Ltd.

We, as the Internal Accounting Control System ( IACS ) Officer and Chief Executive Officer ( CEO ) of LG Display ( the Company ), assessed the effectiveness of the design and operation of the Company 's ICFR as of December 31, 2015.

The Company 's management, including myself, is responsible for designing and operating an IACS. We assessed the design and operational effectiveness of the IACS in the prevention and detection of an error or fraud which may cause a misstatement in the preparation and disclosure of reliable separate financial statements. We followed the IACS Framework to evaluate the effectiveness of the IACS design and operation.

Based on the assessment results, we believe that the Company 's IACS, as of December 31, 2015, is effectively designed and operating, in all material respects, in conformity with the IACS Framework issued by the Internal Accounting Control System Operation Committee.

January 18, 2016

/s/Sangdon Kim

Internal Control over Financial Reporting Officer

/s/Sang Beom Han

Chief Executive Officer

**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 30, 2016

By: /s/ Heeyeon Kim

(Signature)

Name: Heeyeon Kim

Title: Head of IR / Vice President

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