

LG Display Co., Ltd.  
Form 20-F  
May 03, 2011  
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As filed with the Securities and Exchange Commission on May 3, 2011

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**

**FORM 20-F**

(Mark One)

**REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

**OR**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the fiscal year ended December 31, 2010

**OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**OR**

**SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
Date of event requiring this shell company report

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

# **LG Display Co., Ltd.**

(Exact name of Registrant as specified in its charter)

**LG Display Co., Ltd.**

(Translation of Registrant's name into English)

**The Republic of Korea**

(Jurisdiction of incorporation or organization)

**65-228, Hangangro, 3-ga, Yongsan-gu, Seoul 140-716, Republic of Korea**

(Address of principal executive offices)

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Suk Heo

65-228, Hangangro, 3-ga, Yongsan-gu, Seoul 140-716, Republic of Korea

Telephone No.: +82-2-3777-0978

Facsimile No.: +82-2-3777-0797

(Name, telephone, e-mail and/or facsimile number and address of company contact person)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

| Title of each class  | Name of each exchange on which registered |
|--|---|
| American Depositary Shares, each representing one-half of<br>one share of Common Stock | New York Stock Exchange                   |
| Common Stock, par value (Won)5,000 per share   | New York Stock Exchange*                  |

\* Not for trading, but only in connection with the registration of the American Depositary Shares.

Securities registered or to be registered pursuant to Section 12(g) of the Act.

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

**357,815,700 shares of common stock, par value (Won)5,000 per share**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  Yes  No

Note: Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934.  Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  Yes  No

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP  International Financial Reporting Standards as issued by  Other

the International Accounting Standards Board

If  Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.  Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  Yes  No

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**PRESENTATION OF FINANCIAL AND OTHER INFORMATION**

In this annual report, the terms we, us, our and LG Display refer to LG Display Co., Ltd. and, unless otherwise indicated or required by context, our consolidated subsidiaries. Notwithstanding the foregoing, in the context of any legal proceedings, LG Display refers to LG Display Co., Ltd. and does not include any of its subsidiaries, or any other entities or persons.

The financial statements included in this annual report are prepared in accordance with International Financial Reporting Standards, or IFRS, as issued by the International Accounting Standards Board, or IASB. As such, we make an explicit and unreserved statement of compliance with IFRS, as issued by the IASB, with respect to our consolidated financial statements as of and for the years ended December 31, 2009 and 2010 included in this annual report.

In accordance with rule amendments adopted by the U.S. Securities and Exchange Commission, or the SEC, which became effective on March 4, 2008, we are not required to provide a reconciliation to generally accepted accounting principles in the United States, or U.S. GAAP. Furthermore, pursuant to the transitional relief granted by the SEC in respect of the first-time application of IFRS, no audited financial statements and financial information prepared under IFRS for the year ended December 31, 2008 have been included in this annual report.

The consolidated financial statements included in our annual reports on Form 20-F previously filed with the SEC in respect of the years ended December 31, 2009, 2008, 2007, 2006, 2005 and 2004 were prepared in accordance with U.S. GAAP. For additional information, please refer to our annual reports on Form 20-F previously filed with the SEC. For an explanation of how the transition to IFRS has affected our consolidated financial statements, see Note 34 of the notes to our financial statements.

Unless expressly stated otherwise, all financial data included in this annual report are presented on a consolidated basis.

All references to Korean Won, Won or (Won) in this annual report are to the currency of the Republic of Korea, all references to U.S. dollars or US\$ are to the currency of the United States, all references to Japanese Yen, Yen or ¥ are to the currency of Japan, all references to RMB or Chinese Renminbi are to the currency of the People's Republic of China, all references to NT\$ are to the currency of Taiwan, all references to Euro or € are to the official currency of the European Economic and Monetary Union, all references to PLN are to the currency of the Republic of Poland, and all references to SG\$ are to the currency of Singapore.

Any discrepancies in any table between the totals and the sums of the amounts listed are due to rounding.

For your convenience, this annual report contains translations of Won amounts into U.S. dollars at the noon buying rate of the Federal Reserve Bank of New York for Won in effect on December 30, 2010, which was (Won)1,130.60 = US\$1.00.



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**FORWARD-LOOKING STATEMENTS**

We have made forward-looking statements in this annual report. Our forward-looking statements contain information regarding, among other things, our financial condition, future plans and business strategy. Words such as contemplate, seek to, anticipate, believe, estimate, expect, intend, plan and similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflect management's present expectations and projections about future events and are not a guarantee of future performance. Although we believe that these expectations and projections are reasonable, such forward-looking statements are inherently subject to risks, uncertainties and assumptions about us, including, among other things:

the cyclical nature of our industry;

our dependence on introducing new products on a timely basis;

our dependence on growth in the demand for our products;

our ability to compete effectively;

our dependence on a select group of key customers;

our ability to successfully expand our capacity;

our dependence on key personnel;

general economic and political conditions, including those related to the TFT-LCD industry;

possible disruptions in commercial activities caused by events such as natural disasters, terrorist activity and armed conflict;

fluctuations in foreign currency exchange rates; and

those other risks identified in the Risk Factors section of this annual report.

Except as required by law, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the events discussed in the forward-looking statements in this annual report might not occur and our actual results could differ materially from those anticipated in these forward-looking statements.

All subsequent forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section.

**Table of Contents****PART I****Item 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS**

Not applicable.

**Item 2. OFFER STATISTICS AND EXPECTED TIMETABLE**

Not applicable.

**Item 3. KEY INFORMATION****Item 3.A. Selected Financial Data**

You should read the selected consolidated financial data below in conjunction with our audited consolidated financial statements as of December 31, 2009 and 2010 and for each of the years in the two-year period ended December 31, 2010, and the related notes included in this annual report. These audited financial statements and the related notes have been prepared under IFRS as issued by the IASB. The selected consolidated financial data for the two years ended December 31, 2010 have been derived from our audited consolidated financial statements.

In accordance with rule amendments adopted by the SEC which became effective on March 4, 2008, we are not required to provide a reconciliation to U.S. GAAP. Furthermore, pursuant to the transitional relief granted by the SEC in respect of the first-time application of IFRS, no audited financial statements and financial information prepared under IFRS for the year ended December 31, 2008 have been included in this annual report.

The information set forth below is not necessarily indicative of the results of future operations and should be read in conjunction with Item 5. Operating and Financial Review and Prospects and our consolidated financial statements and related notes included in this annual report.

**Consolidated statement of comprehensive income data**

|   | Year Ended December 31,                                 |   |  |
|---|---|---|--|
|   | 2009<br>(in billions of Won, except for per share data) | 2010<br>(in billions of Won, except for per share data) | 2010 <sup>(7)</sup><br>(in millions of<br>US\$, except for<br>per share<br>data) |
| Revenue                                   | (Won) 20,038  | (Won) 25,512  | US\$ 22,565  |
| Cost of sales                             | (17,477)  | (21,781)  | (19,265)   |
| Gross profit                              | 2,561   | 3,731   | 3,300  |
| Selling expenses                          | (713)   | (846)   | (748)  |
| Administrative expenses                   | (325)   | (521)   | (461)  |
| Research and development expenses         | (408)   | (675)   | (597)  |
| Results from operating activities         | 1,010   | 1,310   | 1,159  |
| Profit before income tax                  | 1,013   | 1,266   | 1,120  |
| Income tax expense (benefit)              | (105)   | 106   | 94   |
| Profit for the period                     | 1,118   | 1,159   | 1,025  |
| Total comprehensive income for the period | 1,051   | 1,178   | 1,042  |
| Basic earnings per share                  | 3,124   | 3,232   | 2.86   |

|                            |       |       |      |
|----------------------------|-------|-------|------|
| Diluted earnings per share | 3,124 | 3,152 | 2.79 |
|----------------------------|-------|-------|------|

**Table of Contents****Consolidated statement of financial position data**

|  | 2009                 | As of December 31,<br>2010 | 2010 <sup>(7)</sup> |
|--|----------------------|----------------------------|---------------------|
|  | (in billions of Won) |                            | (in millions        |
|  |                      |                            | of US\$)            |
| Cash and cash equivalents                | (Won) 818            | (Won) 1,631                | US\$ 1,443          |
| Deposits in banks                        | 2,500                | 1,503                      | 1,329               |
| Trade accounts and notes receivable, net | 2,950                | 3,001                      | 2,654               |
| Inventories                              | 1,668                | 2,215                      | 1,959               |
| Total current assets                     | 8,226                | 8,840                      | 7,819               |
| Property, plant and equipment, net       | 9,596                | 12,815                     | 11,335              |
| Total assets                             | 19,703               | 23,858                     | 21,102              |
| Trade accounts and notes payable         | 2,031                | 2,962                      | 2,620               |
| Current financial liabilities            | 2,007                | 2,101                      | 1,858               |
| Other accounts payable                   | 1,596                | 2,593                      | 2,293               |
| Total current liabilities                | 6,495                | 8,882                      | 7,856               |
| Non-current financial liabilities        | 2,076                | 2,543                      | 2,249               |
| Long-term advance received               | 584                  | 945                        | 836                 |
| Total liabilities                        | 9,663                | 12,797                     | 11,319              |
| Share capital and share premium          | 4,040                | 4,040                      | 3,573               |
| Retained earnings                        | 6,051                | 7,031                      | 6,219               |
| Total equity                             | 10,040               | 11,061                     | 9,783               |

**Other Financial Data**

|  | 2009   | Year Ended December 31,<br>2010 | 2010 <sup>(7)</sup> |
|--|--|---------------------------------|---------------------|
|  | (in billions of Won, except for percentages) |                                 | (in millions of     |
|  |  |                                 | US\$, except for    |
|  |  |                                 | percentages)        |
| Gross margin <sup>(1)</sup>                              | 12.8%  | 14.6%                           | 14.6%               |
| Operating margin <sup>(2)</sup>                          | 5.0%   | 5.1%                            | 5.1%                |
| Net margin <sup>(3)</sup>                                | 5.6%   | 4.5%                            | 4.5%                |
| EBITDA <sup>(4)</sup>                                    | (Won) 3,852                                  | (Won) 4,236                     | US\$ 3,747          |
| Capital expenditures                                     | 3,761  | 4,942                           | 4,371               |
| Depreciation and amortization <sup>(5)</sup>             | 2,842  | 2,926                           | 2,588               |
| Net cash provided by operating activities <sup>(6)</sup> | 4,153  | 4,884                           | 4,320               |
| Net cash used in investing activities                    | (4,564)                                      | (4,515)                         | (3,993)             |
| Net cash provided by (used in) financing activities      | (117)  | 408                             | 361                 |

(1) Gross margin represents gross profit (loss) divided by revenue.

(2) Operating margin represents results from operating activities divided by revenue.

(3) Net margin represents profit for the period divided by revenue.

(4) EBITDA is defined as profit for the period (x) plus finance costs (income), other non-operating loss, net, income tax expense (benefit), depreciation and amortization of intangible assets and (y) minus equity income on investments, net. EBITDA is a key financial measure used by our senior management to internally evaluate the performance of our business and for other required or discretionary purposes. Specifically, our significant capital assets are in different stages of depreciation, and because we do not have separate operating divisions, our senior management uses EBITDA internally to measure the performance of these assets on a comparable basis. We also believe that the presentation of EBITDA will enhance an investor's understanding of our operating performance as we believe it is commonly reported

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and widely used by analysts and investors in our industry. It also provides useful information for comparison on a more comparable basis of our operating performance and those of our competitors, who follow different accounting policies. For example, depreciation on most of our equipment is made based on a four-year useful life while most of our competitors use different depreciation schedules from our own. EBITDA is not a measure determined in accordance with IFRS. EBITDA should not be considered as an alternative to results of operating activities, cash flows from operating activities or profit for the period, as determined in accordance with IFRS. Our calculation of EBITDA may not be comparable to similarly titled measures reported by other companies. A reconciliation of profit for the period to EBITDA is as follows:

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|                                   | Year Ended December 31,      |                              |  |
|-----------------------------------|------------------------------|------------------------------|--|
|                                   | 2009<br>(in billions of Won) | 2010<br>(in billions of Won) | 2010 <sup>(7)</sup><br>(in millions of US\$) |
| <b>Profit for the period</b>      | (Won) 1,118                  | (Won) 1,159                  | US\$ 1,025                                   |
| Finance income                    | (333)                        | (241)                        | (213)  |
| Finance costs                     | 344                          | 288                          | 255  |
| Other non-operating loss, net     | 6                            | 16                           | 14   |
| Equity income on investments, net | (20)                         | (18)                         | (16)   |
| Income tax expense (benefit)      | (105)                        | 106                          | 94   |
| Depreciation                      | 2,779                        | 2,757                        | 2,439  |
| Amortization of intangible assets | 63                           | 169                          | 149  |
| <b>EBITDA</b>                     | (Won) 3,852                  | (Won) 4,236                  | US\$ 3,747                                   |

(5) Includes amortization of intangible assets.

(6) Effect of exchange rate change on cash and cash equivalents has been excluded from net cash provided by operating activities.

(7) For convenience, the Korean Won amounts are expressed in U.S. dollars at the rate of (Won)1,130.60 to US\$1.00, the noon buying rate in effect on December 30, 2010 as quoted by the Federal Reserve Bank of New York. This translation should not be construed as a representation that the Korean Won amounts represent, have been or could be converted to U.S. dollars at that rate or any other rate.

|  | Year Ended December 31, |                |
|--|-------------------------|----------------|
|  | 2009                    | 2010           |
| (in thousands)                               |                         |                |
| <b>Operating Data:</b>                       |                         |                |
| Number of panels sold by product category:   |                         |                |
| Televisions <sup>(1)</sup>                   | 35,316                  | 51,184         |
| Notebook computers <sup>(2)</sup>            | 50,632                  | 70,124         |
| Desktop monitors <sup>(3)</sup>              | 43,384                  | 49,336         |
| Mobile and other applications <sup>(4)</sup> | 161,804                 | 188,798        |
| <b>Total</b>                                 | <b>291,136</b>          | <b>359,442</b> |

|  | Year Ended December 31,      |                              |  |
|--|------------------------------|------------------------------|--|
|  | 2009<br>(in billions of Won) | 2010<br>(in billions of Won) | 2010 <sup>(5)</sup><br>(in millions of US\$) |
| <b>Revenue by category:</b>                  |                              |                              |  |
| Televisions <sup>(1)</sup>                   | (Won) 10,965                 | (Won) 14,079                 | US\$ 12,453                                  |
| Notebook computers <sup>(2)</sup>            | 3,568                        | 4,424                        | 3,913  |
| Desktop monitors <sup>(3)</sup>              | 4,640                        | 5,390                        | 4,767  |
| Mobile and other applications <sup>(4)</sup> | 865                          | 1,619                        | 1,432  |
| <b>Total</b>                                 | (Won) 20,038                 | (Won) 25,512                 | US\$ 22,565                                  |

(1) Includes television sets manufactured and sold by our joint venture company, L&T Display Technology (Xiamen) Limited.

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- (2) Includes panels for certain types of tablet personal computers.
- (3) Includes desktop monitors and sold by our joint venture company, L&T Display Technology (Fujian) Limited.
- (4) Includes, among others, panels for handheld application products, including mobile phones and certain types of tablet personal computers, and industrial and other applications, including entertainment systems, automotives, portable navigation devices, e-books, digital photo displays and medical diagnostic equipment.
- (5) For convenience, the Korean Won amounts are expressed in U.S. dollars at the rate of (Won)1,130.60 to US\$1.00, the noon buying rate in effect on December 30, 2010 as quoted by the Federal Reserve Bank of New York. This translation should not be construed as a representation that the Korean Won amounts represent, have been or could be converted to U.S. dollars at that rate or any other rate.

**Table of Contents****Exchange Rates**

The table below sets forth, for the periods and dates indicated, information concerning the noon buying rate for Korean Won, expressed in Korean Won per one U.S. dollar. The noon buying rate is the rate in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York. Unless otherwise stated, translations of Korean Won amounts into U.S. dollars in this annual report were made at the noon buying rate in effect on December 30, 2010, which was (Won)1,130.60 to US\$1.00. We do not intend to imply that the Korean Won or U.S. dollar amounts referred to herein could have been or could be converted into U.S. dollars or Korean Won, as the case may be, at any particular rate, or at all. On April 29, 2011, the noon buying rate was (Won)1,080.80 = US\$1.00.

Fluctuation in the exchange rate between the Korean Won and the U.S. dollar will affect the amount of U.S. dollars received in respect of cash dividends or other distributions paid in Korean Won by us on, and the Korean Won proceeds received from any sales of, our common stock.

| Year Ended December 31,  | At End of Period | Average Rate <sup>(1)</sup><br>(Korean Won per US\$1.00) | High          | Low         |
|--------------------------|------------------|--|---------------|-------------|
| 2006                     | (Won) 930.0      | (Won) 950.1  | (Won) 1,002.9 | (Won) 913.7 |
| 2007                     | 935.8            | 928.0  | 950.2         | 903.2       |
| 2008                     | 1,262.0          | 1,105.8  | 1,507.9       | 935.2       |
| 2009                     | 1,163.7          | 1,270.0  | 1,570.1       | 1,149.0     |
| 2010                     | 1,130.6          | 1,158.7  | 1,253.2       | 1,104.0     |
| October                  | 1,124.0          | 1,121.9  | 1,130.3       | 1,109.6     |
| November                 | 1,157.2          | 1,129.6  | 1,164.1       | 1,106.5     |
| December                 | 1,130.6          | 1,145.5  | 1,155.2       | 1,130.0     |
| 2011 (through April 29)  | 1,080.8          | 1,105.2  | 1,130.6       | 1,076.5     |
| January                  | 1,115.6          | 1,118.9  | 1,128.1       | 1,111.0     |
| February                 | 1,127.9          | 1,118.1  | 1,127.9       | 1,104.4     |
| March                    | 1,097.3          | 1,119.3  | 1,135.6       | 1,097.3     |
| April (through April 29) | 1,080.8          | 1,085.1  | 1,091.8       | 1,076.5     |

- (1) The average rate for each full year is calculated as the average of the noon buying rates on the last business day of each month during the relevant year. The average rate for a full month is calculated as the average of the noon buying rates on each business day during the relevant month (or portion thereof).



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**Item 3.B. Capitalization and Indebtedness**

Not applicable.

**Item 3.C. Reasons for the Offer and Use of Proceeds**

Not applicable.

**Item 3.D. Risk Factors**

You should carefully consider the risks described below.

**Risks Relating to Our Industry**

*A global economic downturn may result in reduced demand for our products and adversely affect our profitability.*

In recent years, difficulties affecting the global financial sectors, adverse conditions and volatility in the worldwide credit and financial markets, fluctuations in oil and commodity prices and the general weakness of the global economy have increased the uncertainty of global economic prospects in general and have adversely affected the global and Korean economies. The recent global economic downturn has adversely affected demand for consumer products manufactured by our customers in Korea and overseas, including televisions, notebook computers, desktop monitors and mobile and other application products utilizing TFT-LCD panels, which has in turn led them to reduce or plan reductions of their production beginning in the fourth quarter of 2008. Partly in response to such weak demand, we reduced our TFT-LCD production from July 2008 to February 2009. Although demand for our products increased in the second half of 2009 and, despite a decrease in the second half of 2010, generally remained strong in 2010, we cannot provide any assurance that demand for our products will not decrease again in the future due to another such economic downturn which may adversely affect our profitability. We may decide to adjust our TFT-LCD production in the future subject to market demand for our products, the production outlook of the global TFT-LCD industry and global economic conditions in general. Any decline in demand for TFT-LCD products may adversely affect our business, results of operations and/or financial condition.

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

The average selling prices of display panels have declined in general and are expected to continually decline with time irrespective of industry-wide cyclical fluctuations as a result of, among other factors, technological advancements and cost reductions. Although we may be able to take advantage of the higher selling prices typically associated with new products and technologies when they are first introduced in the market, such prices decline over time, and in certain cases, very rapidly, as a result of market competition or otherwise. If we are unable to effectively anticipate and counter the price erosion that accompanies our products, or if the average selling prices of our display panels decrease faster than the speed at which we are able to reduce our manufacturing costs, our gross margins would decrease and our results of operations and financial condition may be materially and adversely affected.

*We operate in a highly competitive environment and we may not be able to sustain our current market position.*

The TFT-LCD industry is highly competitive. We have experienced pressure on the prices and margins of our major products due largely to additional industry capacity from panel makers in Korea, Taiwan, China and Japan. Our main competitors in the industry include Samsung Electronics (including the joint venture formed by Samsung Electronics and Sony), Samsung Mobile Display, Invision, Hydis Technologies, AU Optronics, Chimei Innolux, Chunghwa Picture Tubes, HannStar, SAVIC, BOE-OT, Sharp, Hitachi, TMDisplay, Mitsubishi and IPS-Alpha. Some of our competitors may currently, or at some point in the future, have greater financial, sales and marketing, manufacturing, research and development or technological resources than we do. In addition, our competitors may be able to manufacture panels on a larger scale or with greater cost efficiencies than we do and we anticipate increases in production capacity in the future by other TFT-LCD manufacturers. Any price erosion resulting from strong global competition or additional industry capacity may materially adversely affect our financial condition and results of operations.

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In addition, industry consolidation among our competitors may result in increased competition as the entities emerging from such consolidation may have greater financial, manufacturing, research and development and other resources than we do, especially if such mergers or consolidations are sponsored by a government entity. Increased competition resulting from such mergers or consolidations may lead to decreased margins, which may have a material adverse effect on our financial condition and results of operations.

We and our competitors each seek to establish our own products as the industry standards. For example, in the growing large-size television panel market, we currently manufacture primarily 32-inch, 37-inch, 42-inch, 47-inch and 55-inch television panels. Other TFT-LCD manufacturers produce competitive large-size television panels in slightly different dimensions. If our competitors' panels become the standard market size, we may lose market share, which may have a material adverse effect on our financial condition and results of operations.

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

***Our industry is subject to cyclical fluctuations, including recurring periods of capacity increases, that may adversely affect our results of operations.***

TFT-LCD manufacturers are vulnerable to cyclical market conditions. Intense competition and demand growth expectations may result in panel manufacturers investing in manufacturing capacity on similar schedules, resulting in a surge in capacity when production is ramped up at new fabrication facilities. During such surges in capacity growth, our customers can exert and have exerted strong downward pricing pressure, resulting in sharp declines in average selling prices and significant fluctuations in our gross margins. Conversely, demand surges and fluctuations in the supply chain can lead to price increases. In recent years, there has been a general decline in the average selling price of our display panels. For example, the overall average selling price of our display panels (including small panel applications) per square meter of net display area, which is derived by dividing total sales revenues by total square meters of net display area shipped, decreased by 2.9% from US\$834 per square meter of net display area in 2009 to US\$810 in 2010.

Our gross margins have also fluctuated from period to period, from 12.8% in 2009 to 14.6% in 2010. Principal factors affecting our gross margins include declines in the average selling prices of our display panels, as well as our ability to maintain or increase unit sales volume and market share, minimize the impact of fluctuations in prices and foreign exchange rates and the supply and demand for principal components and raw materials, reduce unit manufacturing costs and introduce new products with higher margins in a timely manner. We anticipate continued capacity expansion in the TFT-LCD industry due to scheduled ramp-up of new fabrication facilities, and any large increases in capacity that this may create could further drive down the average selling prices of our panels, which would affect our gross margins. Any decline in prices may be further compounded by a seasonal weakening in demand growth for personal computer products, consumer electronics products and mobile and other application products. We cannot assure you that any future downturns resulting from any large increases in capacity or other factors affecting the industry would not have a material adverse effect on our business, financial condition and results of operations.

***Our operating results fluctuate from period to period, so you should not rely on period-to-period comparisons to predict our future performance.***

The TFT-LCD industry is affected by market conditions that are often outside the control of manufacturers. Our results of operations may fluctuate significantly from period to period due to a number of factors, including seasonal variations in consumer demand, capacity ramp-up by competitors, industry-wide technological changes, the loss of a key customer and the postponement, rescheduling or cancellation of large orders by a key customer. As a result of these factors and other risks discussed in this section, you should not rely on period-to-period comparisons to predict our future performance.

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### **Risks Relating to Our Company**

*Our financial condition may be adversely affected if we cannot introduce new products to adapt to rapidly evolving customer needs on a timely basis.*

New products are developed in anticipation of future demand. Our success will depend greatly on our ability to respond quickly to emerging customer requirements and to develop new products in anticipation of future demand. Any delay in our development of commercially successful products with reliable quality and advanced features may adversely affect our business.

Success of a new product also depends on other factors such as close cooperation with our customers to gain insights into their product needs and to understand general trends in the market. When developing new products, we often work with equipment suppliers to design equipment that will make our production processes for such new products more efficient. If we are unable to work together with our customers and equipment suppliers, or to sufficiently understand their respective needs and capabilities, we may not be able to introduce new products in a timely manner, which may have a material adverse effect on our financial situation.

We plan to continue to expand our operations to meet the growing demand for new applications in consumer electronics and other markets. Because these products, such as televisions and mobile devices, are expected to be marketed to a diverse group of end users with different specifications, functions and prices, we have developed different sales and marketing strategies to promote our panels for these products. We cannot provide assurance that our expansion strategy for these panels will be successful.

*Problems with product quality, including defects, in our TFT-LCD panels could result in a decrease in customers and sales, unexpected expenses and loss of market share.*

Our products are manufactured using advanced and often new technology and must meet stringent quality requirements. Products manufactured using advanced and new technology such as ours may contain undetected errors or defects, especially when first introduced. For example, our TFT-LCD panels may contain defects that are not detected until after they are shipped or installed because we cannot test for all possible scenarios.

Such defects could cause us to incur significant re-designing costs, divert the attention of our technology personnel from product development efforts and significantly affect our customer relations and business reputation. In addition, future product failures could cause us to incur substantial expense to repair or replace defective products. If we deliver TFT-LCD panels with errors or defects, or if there is a perception that our TFT-LCD panels contain errors or defects, our credibility and the market acceptance and sales of our products could be harmed. Widespread product failures may damage our market reputation and reduce our market share and cause our sales to decline.

*We sell our products to a select group of key customers, including our largest shareholder, and any significant decrease in their order levels will negatively affect our financial condition and results of operations.*

A substantial portion of our sales is attributable to a limited group of end-brand customers and their designated system integrators. Sales attributed to our end-brand customers are for their end-brand products and do not include sales to these customers for their system integration activities for other end-brand products, if any. Our top ten end-brand customers, including LG Electronics, our largest shareholder, together accounted for 76.5% of our sales in 2009 and 75.8% in 2010. Our top five end-brand customers together accounted for 55.1% of our sales in 2009 and 55.0% in 2010. In 2010, only two end-brand customers, LG Electronics and Apple, contributed to 10% or more of our sales.

We benefit from the strong collaborative relationships we maintain with our end-brand customers by participating in the development of their products and gaining insights about levels of future demand for our products and other industry trends. Customers look to us for a dependable supply of quality products, even during downturns in the industry, and we benefit from the brand recognition of our customers' end products. The loss of these end-brand customers, as a result of customers entering into strategic supplier arrangements with our competitors or otherwise, would thus result not only in reduced sales, but also in the loss of these benefits.

In addition, we engage in related party transactions with LG Electronics, our largest shareholder, and its affiliates:

Sales to LG Electronics – sales to LG Electronics (including its overseas subsidiaries) on an invoiced basis, which include sales to LG Electronics both as an end-brand customer and a system integrator, amounted to 25.9% and 24.8% of our sales in 2009 and 2010,

respectively.

Sales to LG International sales to LG International and its subsidiaries on an aggregate basis amounted to 7.3% and 8.8% of our sales in 2009 and 2010, respectively.

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We expect that we will continue to be dependent upon LG Electronics and its affiliates for a significant portion of our revenues for the foreseeable future. See Item 7.B. Related Party Transactions for a description of these related party transactions with LG Electronics and its affiliates. Our results of operations and financial condition could be affected by the overall performance of LG Electronics and its affiliates.

We cannot provide assurance that a select group of key end-brand customers, including our largest shareholder, will continue to place orders with us in the future at the same levels as in prior periods, or at all.

***Any material deterioration in the financial condition of our key end-brand customers, their system integrators or our affiliated trading company will have an adverse effect on our results of operations.***

Our top ten end-brand customers together accounted for 76.5% of our sales in 2009 and 75.8% in 2010. Although we negotiate directly with our end-brand customers concerning the price and quantity of the sales, for some sales transactions we invoice the end-brand customers designated system integrators. In addition, a portion of our sales to end-brand customers and their system integrators located in certain regions are sold through our affiliated trading company, LG International Corp. and its subsidiaries. As a result of our significant dependence on a concentrated group of end-brand customers and their designated system integrators, as well as the sales we make to our affiliated trading company and its subsidiaries, we are exposed to credit risks associated with these entities.

***Changes at our end-brand customers could cause sales of our products to decline.***

Mergers, acquisitions, divestments or consolidations involving our end-brand customers can present risks to our business, as management at the new entity may change the way they do business, including their transactions with us, or may decide not to use us as one of their suppliers of TFT-LCD products. In addition, we cannot provide assurance that a combined entity resulting from a merger, acquisition or consolidation will continue to purchase TFT-LCD panels from us at the same level as each entity purchased in the aggregate when they were separate companies or that a divested company will purchase panels from us at all.

***Our results of operations depend on our ability to keep pace with changes in technology.***

Advances in technology typically lead to rapid declines in sales volumes for products made with older technologies and may lead to these products becoming less competitive in the marketplace, or even obsolete. As a result, we will likely be required to make significant expenditures to develop or acquire new process and product technologies. In particular, many TFT-LCD panel producers, including us, are currently focused on developing 3D televisions and other 3D products using the latest technology in order to gain a competitive advantage over the other producers in this relatively new market for 3D products. Also, our ability to manufacture our products by utilizing advanced process technologies to increase production yields at low production cost will be critical to our sustained competitiveness. We cannot provide assurance that we will be able to continue to successfully develop new products through our research and development efforts or through obtaining technology licenses, or that we will keep pace with technological changes in the marketplace.

***Our revenues depend on continuing demand for televisions, notebook computers, desktop monitors and mobile and other application products with TFT-LCD panels. Our sales may not grow at the rate we expect if consumers do not purchase these products.***

Currently, our total sales are derived principally from customers using our products in televisions, notebook computers, desktop monitors and mobile and other application products with display devices. In particular, a substantial percentage of our sales is increasingly derived from end-brand customers, or their designated system integrators, who use our panels in their televisions, which accounted for 54.7% and 55.2% of our total sales revenues in 2009 and 2010, respectively. A substantial portion of our sales is also derived from end-brand customers, or their designated system integrators, who use our TFT-LCD panels in their desktop monitors, which accounted for 23.2% and 21.1% of our total sales revenues in 2009 and 2010, respectively, and those who use our panels in their notebook computers, which accounted for 17.8% and 17.3% of our total sales revenues in 2009 and 2010, respectively. We will continue to be dependent on the growth in the television industry as well as the personal computer industry for a substantial portion of our sales, and any downturn in the television and personal computer industry would result in reduced demand for our products, reduced revenues, lower average selling prices and/or reduced margins.

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***The introduction of alternative display panel technologies, including those currently under development by our competitors and us, may erode future sales of TFT-LCD panels, which may have a material adverse effect on our financial condition and results of operations.***

New display technologies being developed by us and other panel makers, such as organic light emitting diode, or OLED, electronic paper display and flexible display, may gain wider market acceptance than TFT-LCD technology for use in certain products, such as mobile phones, certain types of tablet personal computers and industrial and other applications, including entertainment systems, automotives, portable navigation devices, e-books, digital photo displays and medical diagnostic equipment. If consumers do not purchase products utilizing TFT-LCD panels as we expect, or if TFT-LCD technology itself is rendered obsolete, this would have a material adverse effect on our financial condition and results of operations to the extent we cannot offset such loss in demand for TFT-LCD products by selling products using other display technologies.

***We will have significant capital requirements in connection with our business strategy and if capital resources are not available we may not be able to implement our strategy and future plans.***

In connection with our strategy to expand the diversity and capacity of our TFT-LCD production, we estimate that we will incur significant capital expenditures for the expansion of existing production facilities, including the construction of additional production lines, and the construction of new production facilities. For example, we are currently equipping and building out P83, our second expansion to P8, which commenced mass production in March 2011, constructing AP2E, the expansion to our 4.5-generation LTPS fabrication facility, AP2, as well as constructing P9, a new eighth-generation panel fabrication facility, in Korea. Currently, our largest capital expenditure project is the construction of P9, for which we expect to incur capital expenditures on a cash out basis in the aggregate amount of approximately (Won)3.1 trillion. In addition, in November 2010, we received final approval from the Chinese government to build an eighth-generation panel fabrication facility in Guangzhou, China. We have not yet commenced construction of this panel fabrication facility.

In 2010, our total capital expenditure on a cash out basis amounted to approximately (Won)4.9 trillion. In 2011, we expect that our total capital expenditures on a cash out basis will amount to approximately (Won)5.0 trillion. Such amounts are subject to periodic assessment, and we cannot provide any assurance that such amounts may not change materially after assessment.

These capital expenditures will be made well in advance of any additional sales that will be generated from these expenditures. However, in the event of adverse market conditions, or if our actual expenditures far exceed our planned expenditures, our external financing activities combined with our internal sources of liquidity may not be sufficient to effect our current and future operational plans, and we may decide not to expand the capacity of certain of our facilities or construct new production facilities as scheduled or at all. Our ability to obtain additional financing will depend upon several factors outside our control, including general economic, financial, competitive, regulatory and other considerations.

In recent years, disruptions and volatility in the global financial markets have resulted in increases in credit spreads and limitations on the availability of credit. Starting in mid-2007, credit markets in the United States began experiencing difficult conditions and increased volatility, which in turn adversely affected worldwide financial markets. Adverse conditions in the global credit and financial markets were further exacerbated in 2008 by the bankruptcy or acquisition of, and government assistance to, several major U.S. and European financial institutions. These developments resulted in reduced liquidity, greater volatility, widening of credit spreads and a reduction in price transparency in the U.S. and global financial markets. In response to such developments, legislators and financial regulators in the United States and other jurisdictions, including Korea, implemented a number of policy measures designed to add stability to the financial markets and stimulate the economy, including the provision of direct and indirect assistance to distressed financial institutions. However, while the rate of deterioration of the global economy slowed in the second half of 2009 and into 2010, with some signs of stabilization and improvement, the overall prospects for the Korean and global economy remain uncertain. For example, many governments worldwide, in particular in Greece and other countries in southern Europe, have shown signs of fiscal stress and may experience difficulties in meeting their debt service requirements. Any of these or other developments could potentially trigger another financial and economic crisis. Furthermore, while many governments worldwide are considering or are in the process of implementing exit strategies, in the form of reduced government spending, higher interest rates or otherwise, with respect to the economic stimulus measures adopted in response to the global financial crisis, such strategies may, for reasons related to timing, magnitude or other factors, have the unintended consequence of prolonging or worsening global economic and financial difficulties. Adverse conditions and uncertainty surrounding the Korean and global economies and financial markets may negatively impact the demand for and sales of our products, our credit ratings and our ability to meet our liquidity and other funding requirements.

The failure to obtain sufficient financing on commercially reasonable terms to complete our expansion plans could delay or derail our ability to pursue our business strategy, which could materially and adversely affect our business and results of operations.

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***Our manufacturing processes are complex and periodic improvements to increase efficiency can expose us to potential disruptions in operations.***

The manufacturing process for TFT-LCD products is highly complex, requiring sophisticated and costly equipment that is periodically modified and updated to improve manufacturing yields and product performance, and reduce unit manufacturing costs. These updates expose us to the risk that from time to time production difficulties will arise that could cause delivery delays, reduced output or both. We cannot provide assurance that we will not experience manufacturing problems in achieving acceptable output, product delivery delays or both as a result of, among other factors, construction delays, difficulties in upgrading or modifying existing production lines or ramping up new plants, difficulties in changing manufacturing line technologies or delays in equipment deliveries, any of which could constrain our capacity and adversely affect our results of operations.

***We may be unable to successfully execute our expansion strategy or manage and sustain our growth on a timely basis, if at all, and, as a result, our business may be harmed.***

We have experienced, and expect to continue to experience, rapid growth in the scope and complexity of our operations. For example, with respect to our Korean facilities in recent years, we expanded our capacity by commencing mass production at our seventh-generation panel fabrication facility, P7, in January 2006, our eighth-generation panel fabrication facility, P8, in March 2009, our sixth-generation panel fabrication expansion, P62, in April 2009, our eighth-generation panel fabrication expansion, P82, in May 2010 and our eighth-generation panel fabrication expansion, P83, in March 2011. We are currently constructing our new eighth-generation panel fabrication facility, P9, which is expected to commence mass production during the fourth quarter of 2011. With respect to our overseas facilities in recent years, we commenced mass production at our module production plant in Wroclaw, Poland, in March 2007 and at our module production plant in Guangzhou, China, in December 2007. In November 2010, we received final approval from the Chinese government to build an eighth-generation panel fabrication facility in Guangzhou, China. See We will have significant capital requirements in connection with our business strategy and if capital resources are not available we may not be able to implement our strategy and future plans above.

This sustained growth may strain our managerial, financial, manufacturing and other resources. We may experience manufacturing difficulties in starting new production lines, upgrading existing facilities or ramping up new plants, as a result of cost overruns, construction delays or shortages of, or quality problems with, materials, labor or equipment, any of which could result in a loss of future revenues. In addition, failure to keep up with our competitors in future investments in next generation panel fabrication facilities or in the manufacturing capacity of existing facilities would impair our ability to effectively compete within the TFT-LCD industry. Failure to obtain intended economic benefits from expansion projects could adversely affect our business, financial condition and results of operations.

***If we cannot maintain high capacity utilization rates, our profitability will be adversely affected.***

The production of TFT-LCD panels entails high fixed costs resulting from considerable expenditures for the construction of complex fabrication and assembly facilities and the purchase of costly equipment. We aim to maintain high capacity utilization rates so that we can allocate these fixed costs over a greater number of panels produced and realize higher gross margins. However, we cannot provide assurance that we will be able to sustain our capacity utilization rates in the future.

***Limited availability of raw materials, components and manufacturing equipment could materially and adversely affect our business, results of operations or financial condition.***

Our production operations depend on obtaining adequate supplies of quality raw materials and components on a timely basis. As a result, it is important for us to control our component and raw material costs and reduce the effects of fluctuations in price and availability. In general, we source most of our raw materials as well as key components of TFT-LCD products, such as backlight units, glass substrates, driver integrated circuits and polarizers, from two or more suppliers for each key component. However, we may establish a working relationship with a single supplier if we believe it is advantageous to do so due to performance, quality, support, delivery, capacity, price or other considerations. We may experience shortages in the supply of these key components, as well as other components or raw materials, as a result of, among other things, anticipated capacity expansion in the TFT-LCD industry or our dependence on a limited number of suppliers. Our results of operations would be adversely affected if we were unable to obtain adequate supplies of high-quality raw materials or components in a timely manner or make alternative arrangements for such supplies, or if there were significant increases in the costs of raw materials or components that we could not pass on to our customers.

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We have purchased, and expect to purchase, a substantial portion of our equipment from a limited number of qualified foreign and local suppliers. From time to time, increased demand for new equipment may cause lead times to extend beyond those normally required by the equipment vendors. The unavailability of equipment, delays in the delivery of equipment, or the delivery of equipment that does not meet our specifications, could delay implementation of our expansion plans and impair our ability to meet customer orders. This could result in a loss of revenues and cause financial stress on our operations.

***The earthquake, tsunami and nuclear problem in Japan could materially adversely affect our business, results of operations or financial condition.***

A number of suppliers of our raw materials, components and manufacturing equipment are located in Japan. Some of these suppliers were affected by the March 2011 earthquake and tsunami that occurred in Japan (which also resulted in the release of radioactive materials from a nuclear plant that had been damaged by the earthquake) and some continue to be affected by unreliable power, shipping constraints and issues with their suppliers. We are rigorously assessing our potential exposure but significant uncertainties exist such that the extent and duration of these supply constraints cannot be currently determined. Although we believe that we have sufficient inventory to cover our immediate needs, we may experience shortages or delays in the supply of raw materials, components and manufacturing equipment that could cause us to change our manufacturing processes, limit our capacity, force us to seek alternative suppliers and/or increase the cost of our products. We may also encounter reduced demand for our products in the event customers are unable to obtain adequate supplies of other components or experience a slowdown in their business operations due to the events in Japan. As a result, our business, results of operations or financial condition could be materially adversely affected.

***Purchase orders from our customers, which are placed generally one month in advance of delivery, vary in volume from period to period, and we operate with a modest inventory, which may make it difficult for us to efficiently allocate capacity on a timely basis in response to changes in demand.***

Our major customers and their designated system integrators provide us with three- to six-month rolling forecasts of their product requirements. However, firm orders are not placed until one month before delivery when negotiations on purchase prices are also finalized. Firm orders may be less than anticipated based on these three- to six-month forecasts. Due to the cyclical nature of the TFT-LCD industry, purchase order levels from our customers have varied from period to period. Although we typically operate with a two- to four-week inventory, it may be difficult for us to adjust production costs or to allocate production capacity in a timely manner to compensate for any such volatility in order volumes. Our inability to respond quickly to changes in overall demand for TFT-LCD products as well as changes in product mix and specifications may result in lost revenues, which would adversely affect our results of operations.

***We may experience losses on inventories.***

Frequent new product introductions in the computer and consumer electronics industries can result in a decline in the average selling prices of our TFT-LCD panels and the obsolescence of our existing TFT-LCD panel inventory. This can result in a decrease in the stated value of our TFT-LCD panel inventory, which we value at the lower of cost or market value.

We manage our inventory based on our customers' and our own forecasts. Although adjustments are regularly made based on market conditions, we typically deliver our goods to the customers one month after a firm order has been placed. While we maintain open channels of communication with our major customers to avoid unexpected decreases in firm orders or subsequent changes to placed orders, and try to minimize our inventory levels, such actions by our customers may have an adverse effect on our inventory management.

***Sanctions or judgments against us and other TFT-LCD panel producers for possible anti-competitive activities may have a direct and indirect material impact on our operations.***

In December 2006, LG Display received notices of investigation by the Korea Fair Trade Commission, the Japan Fair Trade Commission, the U.S. Department of Justice, and the European Commission with respect to possible anti-competitive activities in the TFT-LCD industry. LG Display subsequently received similar notices from the Canadian Bureau of Competition Policy, the Secretariat of Economic Law of Brazil and the Taiwan Fair Trade Commission. In addition, in July 2009, the Federal Competition Commission of Mexico announced a similar investigation into possible anti-competitive practices in the LCD industry.

In November 2008, LG Display executed an agreement with the U.S. Department of Justice whereby LG Display and its subsidiary, LG Display America, Inc., pleaded guilty to a Sherman Antitrust Act violation and agreed to pay a single total fine of US\$400 million. In December 2008, the U.S. District Court for the Northern District of California accepted the terms of the plea agreement and entered a judgment against LG Display and LG Display America, Inc. and ordered the payment of US\$400 million according to the following schedule: US\$20 million plus any



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accrued interest by June 15, 2009, and US\$76 million plus any accrued interest by each of June 15, 2010, June 15, 2011, June 15, 2012, June 15, 2013 and December 15, 2013. The agreement resolved all federal criminal charges against LG Display and LG Display America, Inc. in the United States in connection with this matter.

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In December 2010, the European Commission issued a decision finding that LG Display engaged in anti-competitive activities in the TFT-LCD industry in violation of European Union competition laws, and imposed a fine of 215 million. In February 2011, LG Display filed with the European Union General Court an application for partial annulment and reduction of the fine imposed by the European Commission. As of May 2, 2011, the European Union General Court has not ruled on our application.

In November 2009, the Taiwan Fair Trade Commission terminated its investigation without any finding of violations or levying of fines. As of May 2, 2011, investigations by the Canadian Bureau of Competition Policy, the Japan Fair Trade Commission, the Korea Fair Trade Commission, the Federal Competition Commission of Mexico and the Secretariat of Economic Law of Brazil are ongoing.

After the commencement of the U.S. Department of Justice investigation, a number of class action complaints were filed against LG Display, LG Display America, Inc. and other TFT-LCD panel manufacturers in the United States and Canada alleging violation of respective antitrust laws and related laws. In a series of decisions in 2007 and 2008, the class action lawsuits in the United States were transferred to the Northern District of California for pretrial proceedings ( MDL Proceedings ). In March 2010, the federal district court granted the class certification motion filed by the indirect purchaser plaintiffs, and granted in part and denied in part the class certification motion filed by the direct purchaser plaintiffs. In June 2010, the Ninth Circuit Court of Appeals denied the defendants' petitions appealing the class certification decisions. In January 2011, 78 entities (including groups of affiliated entities) submitted requests for exclusion from the direct purchaser class. The time period for submitting requests for exclusion from the indirect purchaser class has not yet begun. Trial is set to begin in the two class action lawsuits on February 13, 2012. Class certification in Canada remains pending.

In addition, in 2010 and 2011, the attorneys general of Arkansas, California, Florida, Illinois, Michigan, Mississippi, Missouri, New York, Oregon, South Carolina, Washington, West Virginia and Wisconsin filed complaints against LG Display, alleging similar antitrust violations as alleged in the MDL Proceedings. The attorneys general actions all remain in the initial pleadings stages.

In relation to the MDL Proceedings, in 2009, ATS Claim, LLC (assignee of Ricoh Electronics, Inc.), AT&T Corp. and its affiliates, Motorola, Inc., and Electrograph Technologies Corp. and its subsidiary filed separate claims in the United States, and all of the actions were subsequently consolidated into the MDL Proceedings. In November 2010, ATS Claim, LLC dismissed its action as to LG Display pursuant to a settlement agreement. In addition, in 2010, TracFone Wireless Inc., Best Buy Co., Inc. and its affiliates, Target Corp., Sears, Roebuck and Co., Kmart Corp., Old Comp Inc., Good Guys, Inc., RadioShack Corp., Newegg Inc., Costco Wholesale Corp., Sony Electronics, Inc., Sony Computer Entertainment America LLC, SB Liquidation Trust, and the trustee of the Circuit City Stores, Inc. Liquidation Trust, filed claims in the United States. In addition, in 2011, Office Depot, Inc. and T-Mobile U.S.A., Inc. filed similar claims in the United States. To the extent these claims were not filed in the MDL Proceedings, they have been transferred to the MDL Proceedings or motions have been made to transfer them to the MDL Proceedings.

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

In connection with these ongoing proceedings and claims, our management evaluates, based on the relevant facts and legal principles, the likelihood of an unfavorable outcome and whether the amount of the loss could be reasonably estimated. Significant subjective judgments were required in these evaluations, including judgments regarding the validity of asserted claims and the likely outcome of these proceedings. The outcome of these proceedings, however, is subject to a number of factors beyond our control, most notably the uncertainty associated with predicting decisions by courts and regulatory agencies. In addition, estimates of the potential costs associated with legal and regulatory proceedings frequently cannot be subjected to any sensitivity analysis, as damage estimates or settlement offers by claimants may bear little or no relation to the eventual outcome.

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In each of the foregoing matters that are ongoing, LG Display is continually evaluating the merits of the respective claims and vigorously defending itself. Irrespective of the validity or the successful assertion of the claims described above, LG Display may incur significant costs with respect to litigating or settling any or all of the asserted claims. See Item 8.A. Consolidated Statements and Other Financial Information Legal Proceedings for a description of these matters. While we continue to vigorously defend the various proceedings described above, it is possible that one or more proceedings may result in an unfavorable outcome. We have recognized provisions in 2010 with respect to those contingencies in which management has concluded that the likelihood of an unfavorable outcome is probable and the amount of loss is reasonably estimable. However, actual liability may be materially different from that estimated as of December 31, 2010 and may have a material adverse effect on our operating results or financial condition.

***We need to observe certain financial and other covenants under the terms of our debt instruments, the failure to comply with which would put us in default under those instruments.***

Certain of our debt instruments contain financial and other covenants with which we are required to comply on an annual and semi-annual basis. The financial covenants include, but are not limited to, maintenance of credit ratings and debt-to-equity ratios. The documentation for such debt also contains negative pledge provisions limiting our ability to provide liens on our assets as well as cross-default and cross-acceleration clauses, which give related creditors the right to accelerate the amounts due under such debt if an event of default or acceleration has occurred with respect to our existing or future indebtedness, or if any material part of our indebtedness or indebtedness of our subsidiaries is capable of being declared payable before the stated maturity date. In addition, such covenants restrict our ability to raise future debt financing.

If we breach our financial or other covenants, our financial condition will be adversely affected to the extent we are not able to cure such breaches or repay the relevant debt.

***Our results of operations are subject to exchange rate fluctuations.***

There has been considerable volatility in foreign exchange rates in recent years, including rates between the Won and the U.S. dollar. To the extent that we incur costs in one currency and make sales in another, our profit margins may be affected by changes in the exchange rates between the two currencies.

Our sales of display panels are denominated mainly in U.S. dollars, whereas our purchases of raw materials are denominated mainly in U.S. dollars and Japanese Yen. Our expenditures on capital equipment are denominated principally in Korean Won. In 2010, 96.9% of our sales were denominated in U.S. dollars. During the same period, 73.2% of our purchases of raw materials were denominated in U.S. dollars and 25.8% in Japanese Yen. In addition, 66.1% of our equipment purchases and construction costs, which represented almost all of our total capital expenditures in 2010, were denominated in Korean Won.

Accordingly, fluctuations in exchange rates, in particular between the U.S. dollar and the Korean Won as well as between the Japanese Yen and the Korean Won, affect our operating profits and pre-tax income. Beginning in the second half of 2008, the value of the Won relative to the U.S. dollar has fluctuated widely. See Item 3.A. Selected Financial Data Exchange Rates. During this period, the value of the Won relative to the Japanese Yen has also fluctuated. Although a depreciation in the Korean Won against the U.S. dollar or the Japanese Yen increases the Korean Won value of our export sales or causes our export products to be more competitive by lowering our prices in U.S. dollar or Japanese Yen terms, it also increases the cost of imported raw materials in Korean Won terms and our cost in Korean Won of servicing our foreign currency debt. In addition, continued exchange rate volatility may also result in foreign exchange losses for us. Although a depreciation in the Korean Won against the U.S. dollar, in general, has a net positive impact on our results of operations that more than offsets the net negative impact caused by a depreciation in the Korean Won against the Japanese Yen, we cannot provide assurance that the exchange rate will not be subject to significant fluctuations, including a sharp appreciation of the Korean Won against the U.S. dollar or the Japanese Yen, and that the impact of such fluctuations will not adversely affect the results of our operations.

***Our business relies on our patent rights which may be narrowed in scope or found to be invalid or otherwise unenforceable.***

Our success will depend, to a significant extent, on our ability to obtain and enforce our patent rights both in Korea and worldwide. The coverage claimed in a patent application can be significantly reduced before a patent is issued, either in Korea or abroad. Consequently, we cannot provide assurance that any of our pending or future patent applications will result in the issuance of patents. Patents issued to us may be subjected to further proceedings limiting their scope and may not provide significant proprietary protection or competitive advantage. Our patents also may be challenged, circumvented, invalidated or deemed unenforceable. In addition, because patent applications in certain countries generally are not published until more than 18 months after they are first filed, because we currently monitor patent applications filed only by other parties in Korea, Japan and the United States, and because publication of discoveries in scientific or patent literature often lags behind actual discoveries, we cannot be certain that we were, or any of our licensors was, the first creator of inventions covered by pending patent

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applications, that we or any of our licensors will be entitled to any rights in purported inventions claimed in pending or future patent applications, or that we were, or any of our licensors was, the first to file patent applications on such inventions.

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Furthermore, pending patent applications or patents already issued to us or our licensors may become subject to dispute, and any dispute could be resolved against us. For example, we may become involved in re-examination, reissue or interference proceedings and the result of these proceedings could be the invalidation or substantial narrowing of our patent claims. We also could be subject to court proceedings that could find our patents invalid or unenforceable or could substantially narrow the scope of our patent claims. In addition, depending on the jurisdiction, statutory differences in patentable subject matter may limit the protection we can obtain on some of our inventions.

### ***Failure to protect our intellectual property rights could impair our competitiveness and harm our business and future prospects.***

We believe that developing new products and technologies that can be differentiated from those of our competitors is critical to the success of our business. We take active measures to obtain international protection of our intellectual property by obtaining patents and undertaking monitoring activities in our major markets. However, we cannot assure you that the measures we are taking will effectively deter competitors from improper use of our proprietary technologies. Our competitors may misappropriate our intellectual property, disputes as to ownership of intellectual property may arise and our intellectual property may otherwise become known or independently developed by our competitors.

Any failure to protect our intellectual property could impair our competitiveness and harm our business and future prospects.

### ***Our rapid introduction of new technologies and products may increase the likelihood that third parties will assert claims that our products infringe upon their proprietary rights.***

Although we take and will continue to take steps to ensure that our new products do not infringe upon third party rights, the rapid technological changes that characterize our industry require that we quickly implement new processes and components with respect to our products. Often with respect to recently developed processes and components, a degree of uncertainty exists as to who may rightfully claim ownership rights in such processes and components. Uncertainty of this type increases the risk that claims alleging that such components or processes infringe upon third party rights may be brought against us. If our products or manufacturing processes are found to infringe upon third party rights, we may be subject to significant liabilities and be required to change our manufacturing processes or be prohibited from manufacturing certain products, which could have a material adverse effect on our operations and financial condition.

We may be required to defend against charges of infringement of patent or other proprietary rights of third parties. Although patent and other intellectual property disputes in our industry have often been settled through licensing or similar arrangements, such defense could require us to incur substantial expense and to divert significant resources of our technical and management personnel, and could result in our loss of rights to develop or make certain products or require us to pay monetary damages or royalties to license proprietary rights from third parties.

Furthermore, we cannot be certain that the necessary licenses would be available to us on acceptable terms, if at all. Accordingly, an adverse determination in a judicial or administrative proceeding or failure to obtain necessary licenses could prevent us from manufacturing and selling certain of our products. Any such litigation, whether successful or unsuccessful, could result in substantial costs to us and diversions of our resources, either of which could adversely affect our business.

In December 2006, we filed a complaint in the United States District Court for the District of Delaware against Chi Mei Optoelectronics Corp. and AU Optronics Corp. claiming infringement of patents related to liquid crystal displays and the manufacturing processes for TFT-LCDs. We are seeking, among other things, monetary damages for past infringement and an injunction against future infringement. In March 2007, AU Optronics filed a counter-claim against us in the United States District Court for the Western District of Wisconsin for alleged infringement of patents related to the manufacturing processes for TFT-LCDs but the suit was transferred to the United States District Court for the District of Delaware in May 2007. In May 2007, Chi Mei Optoelectronics filed a counter-claim against us for patent infringement in the United States District Court for the Eastern District of Texas, but the suit was transferred to the United States District Court for the District of Delaware in March 2008. The Delaware court bifurcated the trial between AU Optronics and Chi Mei Optoelectronics, holding the first trial against AU Optronics in June 2009.

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Although we had a total of nine patents to be tried and AU Optronics had a total of seven patents to be tried in the first trial against AU Optronics, the trial was further bifurcated so that only four patents from each side were tried. In February 2010, the Delaware court found that the four AU Optronics patents were valid and were infringed by us, and in April 2010, the Delaware court further found that our four patents were valid but were not infringed by AU Optronics. In October and November 2010, we filed a motion for a new trial and to amend certain findings on the AU Optronics patents and our patents, respectively. As of May 2, 2011, the Delaware court has not ruled on our motions.

In February 2007, Anvik Corporation filed a complaint in the United States District Court for the Southern District of New York against us, along with other TFT-LCD manufacturing companies, for alleged patent infringement in connection with the use of photo-masking equipment manufactured by Nikon Corporation. Anvik is seeking monetary damages for past infringement and an injunction against future infringement.

***We rely on technology provided by third parties and our business will suffer if we are unable to renew our licensing arrangements with them.***

From time to time, we have obtained licenses for patent, copyright, trademark and other intellectual property rights to process and device technologies used in the production of our display panels. We have entered into key licensing arrangements with third parties, for which we have made, and continue to make, periodic license fee payments. In addition, we also have cross-license agreements with certain other third parties. These agreements terminate upon the expiration of the respective terms of the patents.

If we are unable to renew our technology licensing arrangements on acceptable terms, we may lose the legal protection to use certain of the processes we employ to manufacture our products and be prohibited from using those processes, which may prevent us from manufacturing and selling certain of our products, including our key products. In addition, we could be at a disadvantage if our competitors obtain licenses for protected technologies on more favorable terms than we do.

In the future, we may also need to obtain additional patent licenses for new or existing technologies. We cannot provide assurance that these license agreements can be obtained or renewed on acceptable terms or at all, and if not, our business and operating results could be adversely affected.

***We rely upon trade secrets and other unpatented proprietary know-how to maintain our competitive position in the TFT-LCD industry and any loss of our rights to, or unauthorized disclosure of, our trade secrets or other unpatented proprietary know-how could negatively affect our business.***

We also rely upon trade secrets, unpatented proprietary know-how and information, as well as continuing technological innovation in our business. The information we rely upon includes price forecasts, core technology and key customer information. We enter into confidentiality agreements with each of our employees and consultants upon the commencement of an employment or consulting relationship. These agreements generally provide that all inventions, ideas, discoveries, improvements and copyrightable material made or conceived by the individual arising out of the employment or consulting relationship and all confidential information developed or made known to the individual during the term of the relationship is our exclusive property. We cannot provide assurance that the enforceability of these types of agreements, or that they will not be breached. We also cannot be certain that we will have adequate remedies for any breach. The disclosure of our trade secrets or other know-how as a result of such a breach could adversely affect our business. Also, our competitors may come to know about or determine our trade secrets and other proprietary information through a variety of methods. Disputes may arise concerning the ownership of intellectual property or the applicability or enforceability of our confidentiality agreements, and there can be no assurance that any such disputes would be resolved in our favor. Further, others may acquire or independently develop similar technology, or if patents are not issued with respect to products arising from research, we may not be able to maintain information pertinent to such research as proprietary technology or trade secrets and that could have an adverse effect on our competitive position within the TFT-LCD industry.

***We rely on key researchers and engineers, senior management and production facility operators, and the loss of the services of any such personnel or the inability to attract and retain them may negatively affect our business.***

Our success depends to a significant extent upon the continued service of our research and development and engineering personnel, and on our ability to continue to attract, retain and motivate qualified researchers and engineers, especially during periods of rapid growth. In particular, our focus on leading the market in introducing new products and advanced manufacturing processes has meant that we must aggressively recruit engineers with expertise in cutting-edge technologies.

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We also depend on the services of experienced key senior management, and if we lose their services, it would be difficult to find and integrate replacement personnel in a timely manner, or at all. We also employ highly skilled line operators at our various production facilities.

The loss of the services of any of our key research and development and engineering personnel, senior management or skilled operators without adequate replacement, or the inability to attract new qualified personnel, would have a material adverse effect on our operations.

***The interests of LG Electronics, our largest shareholder, and the directors and officers nominated by it, may differ from or conflict with those of us or our other shareholders.***

When exercising its rights as our largest shareholder, LG Electronics may take into account not only our interests but also its interests and the interests of its affiliates. The interests of display businesses of LG Electronics may at times conflict with ours since the growth of our business depends, in part, on successful competition with other display technologies. For example, LG Electronics manufactures plasma display panels, or PDPs, which is an alternative display technology to TFT-LCDs, and it has invested in a PDP production facility in Gumi, Korea, as well as overseas PDP module plants in Mexico and Poland. These conflicts may result in alternative display technologies gaining wider market acceptance than TFT-LCDs or a decision by our largest shareholder to sell products using other display technologies.

Various other conflicts of interest between LG Electronics and us may arise in the future in a number of areas relating to our business and relationships, including potential acquisitions of businesses or properties, incurrence of indebtedness, financial commitments, sales and marketing functions, indemnity arrangements, service arrangements and the exercise by LG Electronics of control over our management and affairs. See Item 6.A. Directors and Senior Management for a description of the composition of our current board of directors.

***Labor unrest may disrupt our operations.***

As of December 31, 2010, approximately 66% of our total employees, including those of our subsidiaries, were union members, and production employees accounted for substantially all of these members. We have a collective bargaining arrangement with our labor union, which is negotiated once a year. If our relationship with our employees deteriorates and there is labor unrest resulting in a work stoppage or strike, our production facilities will not be able to continue operations and this will have a material adverse effect on our financial condition and results of operations.

***We are subject to strict environmental regulations and we may be subject to fines or restrictions that could cause our operations to be interrupted.***

Our manufacturing processes generate chemical waste, waste water and other industrial waste at various stages in the manufacturing process, and we are subject to a variety of laws and regulations relating to the use, storage, discharge and disposal of such chemical by-products and waste substances. We have installed various types of anti-pollution equipment, consistent with industry 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.

### **Risks Relating to our American Depositary Shares, or ADSs, or our Common Stock**

***Future sales of shares of our common stock in the public market may depress our stock price and make it difficult for you to recover the full value of your investment in our common stock or our ADSs.***

We cannot predict the effect, if any, that market sales of shares of our common stock or the availability of our common stock for sale will have on the market price of our common stock prevailing from time to time. Our largest shareholder, LG Electronics, currently owns approximately 37.9% of our voting stock. There is no assurance that LG Electronics will not sell a portion of its ownership interest in us.





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Any future sales of a significant number of shares of our common stock in the public market by us or by LG Electronics, or the perception that these events may occur, could cause the market price of our common stock to decrease or to be lower than it might be in the absence of these events or perceptions.

***Our public shareholders may have more difficulty protecting their interests than they would as shareholders of a U.S. corporation.***

Our corporate affairs are governed by our articles of incorporation and by the laws governing Korean corporations. The rights and responsibilities of our shareholders and members of our board of directors under Korean law may be different from those that apply to shareholders and directors of a U.S. corporation. For example, minority shareholder rights afforded under Korean law often require the minority shareholder to meet minimum shareholding requirements in order to exercise certain rights. In the case of public companies, a shareholder must own, individually or collectively with other shareholders, at least 0.01% of our common stock for at least six consecutive months in order to file a derivative suit on behalf of us. While the facts and circumstances of each case will differ, the duty of care required of a director under Korean law may not be the same as the fiduciary duty of a director of a U.S. corporation. Holders of our common stock or our ADSs may have more difficulty protecting their interests against actions of our management, members of our board of directors or controlling shareholders than they would as shareholders of a U.S. corporation.

***You may be limited in your ability to deposit or withdraw the common stock underlying the ADSs, which may adversely affect the value of your investment.***

Under the terms of our deposit agreement, holders of common stock may deposit such common stock with the depositary's custodian in Korea and obtain ADSs, and holders of ADSs may surrender ADSs to the depositary and receive common stock. However, to the extent that a deposit of common stock exceeds the difference between:

the aggregate number of shares of common stock we have consented to allow to be deposited for the issuance of ADSs (including deposits in connection with offerings of ADSs and stock dividends or other distributions relating to ADSs); and

the number of shares of common stock on deposit with the custodian for the benefit of the depositary at the time of such proposed deposit,

such common stock will not be accepted for deposit unless (1) our consent, subject to governmental authorization, with respect to such deposit has been obtained or (2) such consent is no longer required under Korean laws and regulations.

Under the terms of the deposit agreement, no consent is required if the shares of common stock are obtained through a dividend, free distribution, rights offering or reclassification of such stock. The current limit on the number of shares that may be deposited into our ADR facility is 68,095,700 as of May 2, 2011. The number of shares issued or sold in any subsequent offering by us or our major shareholders, subject to government authorization, raises the limit on the number of shares that may be deposited into the ADR facility, except to the extent such deposit is prohibited by applicable laws or violates our articles of incorporation, or we determine with the ADR depositary to limit the number of shares of common stock so offered that would be eligible for deposit under the deposit agreement in order to maintain liquidity for the shares in Korea as may be requested by the relevant Korean authorities. We might not consent to the deposit of any additional common stock. As a result, if a holder surrenders ADSs and withdraws common stock, it may not be able to deposit the common stock again to obtain ADSs.

***Holders of ADSs will not have preemptive rights in some circumstances.***

The Korean Commercial Code of 1962, as amended, and our articles of incorporation require us, with some exceptions, to offer shareholders the right to subscribe for new shares of our common stock in proportion to their existing shareholding ratio whenever new shares are issued, except under certain circumstances as provided in our articles of incorporation. Accordingly, if we issue new shares to non-shareholders based on such exception, a holder of our ADSs may experience dilution in its holdings. Furthermore, if we offer any right to subscribe for additional shares of our common stock or any rights of any other nature to existing shareholders subject to their preemptive rights, the depositary, after consultation with us, may make the rights available to holders of our ADSs or use reasonable efforts to dispose of the rights on behalf of such holders and make the net proceeds available to such holders. The depositary, however, is not required to make available to holders any rights to purchase any additional shares of our common stock unless it deems that doing so is lawful and feasible and;



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a registration statement filed by us under the U.S. Securities Act of 1933, as amended, is in effect with respect to those shares; or

the offering and sale of those shares is exempt from or is not subject to the registration requirements of the Securities Act. We are under no obligation to file any registration statement with the U.S. Securities and Exchange Commission or to endeavor to cause such a registration statement to be declared effective. Moreover, we may not be able to establish an exemption from registration under the Securities Act. Accordingly, a holder of our ADSs may be unable to participate in our rights offerings and may experience dilution in its holdings. If a registration statement is required for a holder of our ADSs to exercise preemptive rights but is not filed by us or is not declared effective, the holder will not be able to exercise its preemptive rights for additional ADSs and it will suffer dilution of its equity interest in us. If the depository is unable to sell rights that are not exercised or not distributed or if the sale is not lawful or feasible, it will allow the rights to lapse, in which case the holder will receive no value for these rights.

***Holders of ADSs will not be able to exercise dissent and appraisal rights unless they have withdrawn the underlying shares of our common stock and become our direct shareholders.***

In some limited circumstances, including the transfer of the whole or any significant part of our business and our merger or consolidation with another company, dissenting shareholders have the right to require us to purchase their shares under Korean law. However, a holder of our ADSs will not be able to exercise such dissent and appraisal rights if the depository refuses to do so on their behalf. Our deposit agreement does not require the depository to take any action in respect of exercising dissent and appraisal rights. In such a situation, holders of our ADSs must initiate the withdrawal of the underlying common stock from the ADS facility (and incur charges relating to that withdrawal) by the day immediately following the date of public disclosure of our board of directors' resolution of a merger or other events triggering appraisal rights and become our direct shareholder prior to the record date of the shareholders' meeting at which the relevant transaction is to be approved, in order to exercise dissent and appraisal rights.

***Dividend payments and the amount you may realize upon a sale of our common stock or ADSs that you hold will be affected by fluctuations in the exchange rate between the U.S. dollar and the Korean Won.***

Cash dividends, if any, in respect of the shares represented by our ADSs will be paid to the depository in Korean Won and then converted by the depository into U.S. dollars, subject to certain conditions. Accordingly, fluctuations in the exchange rate between the Korean Won and the U.S. dollar will affect, among other things, the amounts a holder will receive from the depository in respect of dividends, the U.S. dollar value of the proceeds that a holder would receive upon sale in Korea of the shares of our common stock obtained upon surrender of ADSs and the secondary market price of ADSs. Such fluctuations will also affect the U.S. dollar value of dividends and sales proceeds received by holders of our common stock.

**Risks Relating to Korea**

***If economic conditions in Korea deteriorate, our current business and future growth could be materially and adversely affected.***

We are incorporated in Korea, and a significant portion of our operations and assets are located in Korea. As a result, we are subject to political, economic, legal and regulatory risks specific to Korea. The economic indicators in Korea in recent years have shown mixed signs, and future growth of the Korean economy is subject to many factors beyond our control.

Recent difficulties affecting the U.S. and global financial sectors, adverse conditions and volatility in the U.S. and worldwide credit and financial markets, fluctuations in oil and commodity prices and the general weakness of the U.S. and global economy have increased the uncertainty of global economic prospects in general and have adversely affected, and may continue to adversely affect, the Korean economy. Beginning in the second half of 2008, the value of the Won relative to major foreign currencies in general and the U.S. dollar in particular has fluctuated widely. Item 3A. Selected Financial Data Exchange Rates. A depreciation of the Won increases the cost of imported goods and services and the Won revenue needed by Korean companies to service foreign currency denominated debt. An appreciation of the Won, on the other hand, causes export products of Korean companies to be less competitive by raising their prices in terms of the relevant foreign currency and reduces the Won value of such export sales. Furthermore, as a result of volatile global and Korean economic conditions, there has been continued fluctuations in the stock prices of Korean companies. The Korea Composite Stock Price Index (known as the KOSPI) declined from 1,897.1 on December 31, 2007 to 938.8 on October 24, 2008. On May 2, 2011, the KOSPI closed at 2,229.0. While the KOSPI has fully recovered from its lowest point in 2008 and has since exceeded its previous highest record of 2,085.45 set in 2007, there is no guarantee that the stock prices of Korean companies will not decline significantly in the future. Future declines in the KOSPI and large amounts of sales of Korean securities by foreign investors and subsequent repatriation of the proceeds of such sales may continue to adversely affect the value of the Won, the foreign currency reserves held by financial institutions in Korea, and the ability of Korean companies to raise capital. Any future

deterioration of the Korean or global economy could adversely affect our business, financial condition and results of operations.

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Developments that could have an adverse impact on Korea's economy in the future include:

difficulties in the housing and financial sectors in the United States and elsewhere and increased sovereign default risks in selected countries and the resulting adverse effects on the global financial markets;

adverse changes or volatility in foreign currency reserve levels, commodity prices (including oil prices), exchange rates (including fluctuation of the U.S. dollar or Japanese Yen exchange rates or revaluation of the Chinese Renminbi), interest rates and stock markets;

continuing adverse conditions in the economies of countries that are important export markets for Korea, such as the United States, Japan and China, or in emerging market economies in Asia or elsewhere;

substantial decreases in the market prices of Korean real estate;

increasing delinquencies and credit defaults by consumer and small- and medium-sized enterprise borrowers;

declines in consumer confidence and a slowdown in consumer spending;

the continued emergence of the Chinese economy, to the extent its benefits (such as increased exports to China) are outweighed by its costs (such as competition in export markets or for foreign investment and the relocation of the manufacturing base from Korea to China);

social and labor unrest;

a decrease in tax revenues and a substantial increase in the Korean government's expenditures for fiscal stimulus measures, unemployment compensation and other economic and social programs that, together, would lead to an increased Korean government budget deficit;

financial problems or lack of progress in the restructuring of Korean conglomerates, other large troubled companies, their suppliers or the financial sector;

loss of investor confidence arising from corporate accounting irregularities and corporate governance issues at certain Korean conglomerates;

the economic impact of any pending or future free trade agreements, including the free trade agreements with the United States and the European Union;

geo-political uncertainty and risk of further attacks by terrorist groups around the world;

the recurrence of severe acute respiratory syndrome or an outbreak of swine or avian flu in Asia and other parts of the world;

deterioration in economic or diplomatic relations between Korea and its trading partners or allies, including deterioration resulting from trade disputes or disagreements in foreign policy;

political uncertainty or increasing strife among or within political parties in Korea;

the occurrence of severe earthquakes, tsunami or other natural disasters in Korea and other parts of the world, particularly in trading partners (such as the March 2011 earthquake and tsunami in Japan, which also resulted in the release of radioactive materials from a nuclear plant that had been damaged by the earthquake);

hostilities or political or social tensions involving oil producing countries in the Middle East and North Africa and any material disruption in the supply of oil or increase in the price of oil; and

an increase in the level of tensions or an outbreak of hostilities between North Korea and Korea or the United States.

***Escalations in tensions with North Korea could have an adverse effect on us and the market value of our common stock.***

Relations between Korea and North Korea have been tense throughout Korea's modern history. The level of tension between the two Koreas has fluctuated and may increase abruptly as a result of current and future events. In recent years, there have been heightened security concerns stemming from North Korea's nuclear weapons and long-range missile programs and increased uncertainty regarding North Korea's actions and possible responses from the international community. In January 2003, North Korea renounced its obligations under the Nuclear Non-Proliferation Treaty. Since the renouncement, Korea, the United States, North Korea, China, Japan and Russia have held numerous rounds of six party multi-lateral talks in an effort to resolve issues relating to North Korea's nuclear weapons program.

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In addition to conducting test flights of long-range missiles, North Korea announced in October 2006 that it had successfully conducted a nuclear test, which increased tensions in the region and elicited strong objections worldwide. In May 2009, North Korea announced that it had successfully conducted a second nuclear test and test-fired three short-range surface-to-air missiles. In response, the United Nations Security Council unanimously passed a resolution in June 2009 that condemned North Korea for the nuclear test and decided to expand and tighten sanctions against North Korea. In March 2010, a Korean warship was destroyed by an underwater explosion, killing many of the crewmen on board. The government formally accused North Korea of causing the sinking in May 2010, and North Korea has denied responsibility for the sinking and has threatened retaliation for any attempt to punish it for the act. In November 2010, North Korean forces fired more than one hundred artillery shells targeting Yeonpyeong Island located near the maritime border between Korea and North Korea on the west coast of the Korean peninsula, killing two Korean soldiers and two civilians as well as causing substantial property damage. Korea responded by firing approximately 80 artillery shells and putting the military on its highest alert level. The Government condemned North Korea for the act and vowed stern retaliation should there be further provocation.

In addition, there recently has been increased uncertainty with respect to the future of North Korea's political leadership and concern regarding its implications for political stability in the region. In September 2010, Kim Jong-il, the North Korean ruler who reportedly suffered a stroke in August 2008, named Kim Jong-un, his third son who is reported to be in his twenties, as the vice chairman of the Central Military Commission and the general of the North Korean army. Although Kim Jong-il has designated his son to be his successor, the implementation of the succession plan remains uncertain. North Korea's economy also faces severe challenges. In November 2009, the North Korean government redenominated its currency at a ratio of 100 to 1 as part of a currency reform undertaken in an attempt to control inflation and reduce income gaps. Such developments may further aggravate social and political tensions within North Korea.

Over the longer term, reunification of the two Koreas could occur. Reunification may entail a significant economic commitment by Korea. In President Lee Myung Bak's national address in August 2010, he suggested the possible adoption of a reunification tax in order to prepare for long-term economic burden associated with reunification. Such discussions on reunification are preliminary, and it has not been decided whether or when such tax would be implemented. If a reunification tax is implemented, it may lead to a decrease in domestic consumption, which in turn may have a material adverse effect on the Korean economy. In addition, there can be no assurance that the level of tension on the Korean peninsula will not escalate in the future. Any further increase in tension, which may occur, for example, if North Korea experiences a leadership crisis, high-level contacts between Korea and North Korea break down or military hostilities occur, could have a material adverse effect on our business, financial condition and results of operations and the market value of our common stock.

***If the Korean government deems that emergency circumstances are likely to occur, it may restrict holders of our ADSs and the depository from converting and remitting dividends and other amounts in U.S. dollars.***

Under the Korean Foreign Exchange Transaction Law, if the Korean government deems that certain emergency circumstances, including sudden fluctuations in interest rates or exchange rates, extreme difficulty in stabilizing the balance of payments or substantial disturbance in the Korean financial and capital markets, are likely to occur, it may impose any necessary restrictions as requiring Korean or foreign investors to obtain prior approval from the Minister of Strategy and Finance for the acquisition of Korean securities or the repatriation of interest, dividends or sales proceeds arising from Korean securities or from disposition of such securities or other transactions involving foreign exchange. See Item 10.D. Exchange Controls.

## **Item 4. INFORMATION ON THE COMPANY**

### **Item 4.A. History and Development of the Company**

We are a leading innovator of thin-film transistor liquid crystal display, or TFT-LCD, technology. We manufacture TFT-LCD panels in a broad range of sizes and specifications primarily for use in televisions, notebook computers, desktop monitors and various other applications, including mobile products.

The origin of our TFT-LCD business can be traced to the TFT-LCD research that began in 1987 at the Goldstar R&D Center, which was then part of LG Electronics. TFT-LCD research continued at the Anyang R&D Center, a research and development center established by LG Electronics in 1990 in Anyang, Korea, which was subsequently moved to our Paju Display Cluster in 2008, and which today continues to lead our technology innovation efforts. In 1993, the TFT-LCD business division was launched within LG Electronics, and in September 1995 mass production of TFT-LCD panels began at P1, its first fabrication facility, producing mainly TFT-LCD panels for notebook computers and other applications. In December 1997, LG Semicon Inc., a subsidiary of LG Electronics, began mass production at P2, producing mainly TFT-LCD panels for notebook computers.





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We were incorporated in 1985 under the laws of the Republic of Korea under the original name of LG Soft, Ltd., a subsidiary of LG Electronics whose main business was the development and marketing of software. At the end of 1998, LG Electronics and LG Semicon transferred their respective TFT-LCD-related businesses to LG Soft, Ltd., which, as part of the business transfer, changed its name to LG LCD Co., Ltd.

In July 1999, LG Electronics entered into a joint venture agreement with Philips Electronics pursuant to which Philips Electronics acquired a 50% interest in LG LCD. In connection with this transaction, LG LCD transferred its existing software-related business to LG Electronics in order to focus solely on the TFT-LCD business. The joint venture, which was renamed LG.Philips LCD Co., Ltd., was officially launched in August 1999. In July 2004, we completed our initial public offering and listed shares of our common stock on the Korea Exchange under the identifying code 034220 and our ADSs on the New York Stock Exchange under the symbol LPL. Prior to the listings, LG Electronics and Philips Electronics terminated the joint venture agreement and entered into a shareholders' agreement to reflect new arrangements between them as controlling shareholders. The shareholders' agreement automatically terminated upon Philips Electronics' sale of all of its remaining ownership interest in us in March 2009. See Item 7.A. Major Shareholders for a more detailed discussion of the shareholding structure and Philips Electronics' change in ownership interest in us.

We have continued to develop our manufacturing process technologies and expand our production facilities. Each of our new fabs has been designed to process increasingly larger-size glass substrates, which allows us to cut a larger number of panels, sometimes with larger sizes, from each glass substrate. The ability to process larger glass substrates allows us to produce a larger variety of display sizes to accommodate evolving business and consumer demands. For example, in order to respond to business and consumer demands for large-size panels, in March 2009, we commenced mass production at P8, which is optimized to produce 32-inch, 47-inch and 55-inch wide-format display panels for televisions. Our capital expenditures for the construction and build-out of P8 on a delivery basis amounted to approximately (Won)3.3 trillion in total. In April 2009, we commenced mass production at P62, the expanded production lines of P6, which is optimized to produce large and wide-format panels for notebook computers, such as 15.4-inch and 15.6-inch wide-format display panels, as well as panels for desktop monitors, such as 18.5-inch and 20-inch wide-format display panels. Our capital expenditures for the construction and build-out of P62 on a delivery basis amounted to approximately (Won)1.4 trillion in total. In May 2010, we commenced mass production at P82, the expanded production lines of P8, which is optimized to produce 32-inch, 47-inch and 55-inch wide-format display panels for televisions. In addition, in March 2011, we commenced mass production at P83, our second expanded production lines of P8, which is optimized to produce 32-inch, 47-inch and 55-inch wide-format display panels for televisions.

We are currently constructing our new eighth-generation panel fabrication facility, P9, which is expected to commence mass production during the fourth quarter of 2011. See Item 3.D. Risk Factors Risks Relating to Our Company We will have significant capital requirements in connection with our business strategy and if capital resources are not available we may not be able to implement our strategy and future plans.

From 1995 to early 2003, we assembled all panels in our Gumi assembly facility adjacent to our P1 facility. In May 2003, we commenced operations at a new assembly facility in Nanjing, China, which we built and have since expanded, in order to manage our expanding display capacity and better serve the growing needs of our global customers with manufacturing facilities in China. In November 2005, we commenced operations at a new assembly facility in Paju, Korea, and in March 2007, we commenced mass production at our module production plant in Wroclaw, Poland. In December 2007, we also commenced mass production at our module production plant in Guangzhou, China, our second such module production site in China. In addition, in November 2010, we received final approval from the Chinese government to build an eighth-generation panel fabrication facility in Guangzhou, China. We anticipate that our overseas plants will help better serve our customers, especially our Chinese and European customers, and further expand our global production capabilities.

Effective March 3, 2008, we changed our name from LG.Philips LCD Co., Ltd. to LG Display Co., Ltd.

Due to ongoing renovation works at our principal executive offices located at West Tower, LG Twin Towers, 20 Yoido-dong, Youngdungpo-gu, Seoul 150-721, Korea (telephone number, +82-2-3777-1010), effective as of September 13, 2010, we have temporarily moved our principal executive offices to 65-228, Hangangro, 3-ga, Yongsan-gu, Seoul 140-716, Korea (telephone number, +82-2-3777-0978). Under the current schedule, which is subject to change, we plan to move our principal executive offices back to our office space at the LG Twin Towers during the fourth quarter of 2011.

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### **Item 4.B. *Business Overview*** **Overview**

We manufacture TFT-LCD panels in a broad range of sizes and specifications primarily for use in televisions, notebook computers and desktop monitors, and we are one of the world's leading suppliers of high-definition television panels. We also manufacture TFT-LCDs for other application products, such as mobile phones, certain types of tablet personal computers and industrial and other applications, including entertainment systems, automotives, portable navigation devices, e-books, digital photo displays and medical diagnostic equipment. In 2010, we sold a total of 160.4 million large-size (9-inch or larger) TFT-LCD panels. According to DisplaySearch, we had a global market share for large-size display panels of approximately 25.4% based on sales revenue in 2010.

In addition to TFT-LCD panels, we also manufacture OLEDs and flexible displays. In January 2008, as part of our plan to pursue commercialization of OLED technology, we acquired LG Electronics' active matrix OLED, or AMOLED, business by way of taking over its inventory, intellectual property rights and employees related to the AMOLED business. OLED is a next-generation flat panel display technology particularly because it is able to display clearer images of fast moving objects than conventional technology. In December 2009, we launched our Mobile/OLED Business Division in anticipation of future growth in the OLED business. In the first quarter of 2011, we commenced mass production of OLED displays at our 4.5-generation production lines with an initial monthly input capacity of 4,000 substrates. We expect to increase the monthly input capacity to 12,000 substrates by the end of 2011. See Item 4.B. Business Overview Strategy Leverage our technology to develop new markets for, and pursue commercialization of, new flat panel display products.

We currently operate a total of twelve panel fabrication facilities (five in Paju, Korea and seven in Gumi, Korea, and including expansions of certain facilities) and a total of nine module facilities (three in Nanjing, China, two in Guangzhou, China and one each in Gumi and Paju, Korea, Yantai, China and Wroclaw, Poland). For a full description of our current facilities, see Item 4.D. Property, Plants and Equipment Current Facilities.

We seek to build our market position based on collaborative customer relationships, a focus on high-end display products and manufacturing productivity. Our end-brand customers include many of the world's leading manufacturers of televisions, notebook computers and desktop monitors. In 2010, for example, our display panels were included in products sold by LG Electronics, Apple, Toshiba, Dell, Hewlett-Packard, Philips Electronics, among others. LG Electronics is our largest shareholder, and terms of our sales to LG Electronics are substantially the same as those of our sales to non-affiliated end-brand customers. In May 2008, we received the Best Supplier Award from Hewlett-Packard Development Company, L.P., in recognition of our superior product technology and customer satisfaction activities at Hewlett-Packard Worldwide Supplier Conference held in Houston, Texas. The Best Supplier Award program recognizes outstanding companies among Hewlett-Packard's worldwide suppliers of parts and services that satisfy strict purchasing standards in quality, service and technology, and are judged to have made the greatest contributions to Hewlett-Packard.

At the direction of our end-brand customers, we typically ship our display panels to their original equipment manufacturers, known as system integrators, who use our display panels in products they assemble on a contract basis for our end-brand customers. Our sales are conducted through our multi-channel sales and distribution network, including direct sales to end-brand customers and their system integrators, sales through our overseas subsidiaries and sales through our affiliated trading company, LG International, and its subsidiaries.

Our sales were (Won)20,038 billion in 2009 and (Won)25,512 billion (US\$22,565 million) in 2010.

### **Technology Description**

#### ***TFT-LCD Technology***

TFT-LCD consists of two thin glass substrates and polarizer films between which a layer of liquid crystals is deposited and behind which a light source called a backlight unit is mounted. The front glass substrate is fitted with a color filter, while the back glass substrate, also called a TFT array, has a thin film of transistors, or TFT, formed on its surface. The liquid crystals are normally aligned to allow the polarized light from the backlight unit to pass through the two glass panels to form a picture element, or pixel. When voltage is applied to the transistors on the TFT array, the liquid crystals change their alignment and alter the amount of light that passes through them. Meanwhile, the color filter on the front glass substrate gives each pixel its own color. The combination of these pixels in different colors and levels of brightness forms the image on the panel.

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### ***Manufacturing Process***

The process for manufacturing a TFT-LCD consists of four steps:

*TFT array process* involves fabricating a large number of thin film transistors on the back glass substrate. The number of transistors corresponds to the number of pixels on the screen. The process is similar to the process for manufacturing semiconductor chips, except that transistors are fabricated on large glass substrates instead of silicon wafers. Unlike in the semiconductor industry, however, the number of transistors per glass substrate is not a primary driver of the manufacturing costs for TFT-LCDs. Once the TFT array process on glass substrates is completed, the substrates are cut into panel-sized pieces;

*Color filter process* involves fabricating a large number of color regions on the front glass substrate that overlays the TFT array in the cell process. The colored dots of red, green and blue combine to form various colors. The process is similar to the TFT array process but involves depositing colored dyes instead of transistors;

*Cell process* involves joining together the back glass substrate that is arrayed with transistors and the front glass substrate that is patterned with a color filter. The space between the two glass substrates is filled with liquid crystal materials. The resulting panel is called a cell; and

*Module assembly process* involves connecting additional components, such as driver integrated circuits and backlight units, to the cell formed by combining the glass substrates and liquid crystal materials.

The TFT array, color filter and cell processes are capital-intensive and require highly automated production equipment and are the primary determinants of fixed manufacturing cost. In contrast, the module assembly process involves semi-automated production equipment and manual labor to assemble the various components. Materials are the primary drivers of variable manufacturing cost.

### **Products**

We manufacture TFT-LCD panels of various specifications that are integrated by our customers into principally the following products:

Televisions, which typically utilize large-size display panels ranging from 15 inches to 72-inch wide-format, including full high-definition television panels;

Notebook computers, which typically utilize display panels ranging from 7 inches to 20.1-inch wide-format;

Desktop monitors, which typically utilize large-size display panels ranging from 15 inches to 30-inch wide-format; and

Mobile and other applications, which utilize a wide array of display panel sizes, including mobile phones, certain types of tablet personal computers and industrial and other applications, including entertainment systems, automotives, portable navigation devices, e-books, digital photo displays and medical diagnostic equipment.

Unless otherwise specified, when we refer to panels in this annual report we mean assembled cells with added components, such as driver integrated circuits and backlight units.

We design and manufacture our panels to meet the various size and performance specifications of our customers, including specifications relating to thickness, weight, resolution, color quality, power consumption, response times and viewing angles. The specifications vary from product to product. For televisions, a premium is placed on faster response times, wider viewing angles, higher resolution and greater color

fidelity. Notebook computers require an emphasis on thinness, light weight and power efficiency, while desktop monitors demand a greater focus on brightness, color brilliance and wide viewing angles.

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In addition to manufacturing and selling TFT-LCD panels, we also manufacture and sell television sets and desktop monitors through our joint venture companies. See [Joint Ventures and Collaboration](#).

### ***Televisions***

Our television panels range from 15 inches to 72-inch wide-format in size. We began mass production of television display panels in 2001. Our sales of display panels for televisions were (Won)10,965 billion, or 54.7% of sales, in 2009 and (Won)14,079 billion (US\$12,453 million), or 55.2% of sales, in 2010.

The market for large-size televisions developed later than that for notebook computers and desktop monitors, but it has become our largest product category in terms of sale revenues and volume as consumer demand grew for large-size televisions. We believe that we can leverage our experience in the notebook computer and desktop monitor markets to take advantage of the growth potential in the market for large-size televisions. We began mass production with 15-inch panels and have since broadened our product portfolio to include panels of various sizes such as 17-inch, 19-inch, 20-inch, 22-inch, 26-inch, 32-inch, 37-inch, 42-inch, 47-inch and 55-inch panels. Currently, 32-inch, 37-inch, 42-inch and 47-inch wide-format panels comprise our principal products in this category in terms of sales revenue and sales volume.

Brand manufacturers of televisions and their distribution channels prefer long-term arrangements with a limited number of display panel suppliers that can offer a full product line, and we believe that we are well positioned to meet their requirements with our strengths in technology, manufacturing scale and efficiency as well as the breadth of our product portfolio.

### ***Desktop Monitors***

Our desktop monitor display panels range from 15 inches to 30-inch wide-format in size in a variety of display resolutions and formats. We began mass production of desktop monitor display panels in 1999. Our sales of display panels for desktop monitors were (Won)4,640 billion, or 23.2% of sales, in 2009 and (Won)5,390 billion (US\$4,767 million), or 21.1% of sales, in 2010.

Desktop monitor display panels have grown to become our second largest product category in terms of sales revenues and volume. In recent years, consumer demand for larger panels for desktop monitors has steadily grown. In 2008, 17-inch and 19-inch display panels for desktop monitors were our principal products in this category, whereas in 2009, 18.5-inch and 19-inch display panels were our principal products. In 2010, 19-inch and 21.5-inch display panels were our principal products in terms of sales revenue and sales volume in this category.

### ***Notebook Computers***

Our display panels for notebook computers range from 7 inches to 20.1-inch wide-format in size in a variety of display formats. Our sales of display panels for notebook computers were (Won)3,568 billion, or 17.8% of sales, in 2009 and (Won)4,424 billion (US\$3,913 million), or 17.3% of sales, in 2010.

Notebook computer display panels were our principal product from our formation until 2001 but is now our third largest product category in terms of sales revenues and volume. In 2008, 14.1-inch, 15.4-inch and 17.1-inch panels maintained their position as the principal products in terms of sales revenue and sales volume in the category of notebook computer display panels, while in 2009, 14.1-inch, 15.4-inch and 15.6-inch panels were our principal products in this category. In 2010, 15.6-inch, 9.7-inch and 14-inch panels were our principal products in this category.

### ***Mobile and Other Applications***

Our product portfolio also includes panels for mobile and other applications, which utilize a wide array of display panel sizes, including mobile phones, certain types of tablet personal computers and industrial and other applications, including entertainment systems, automotives, portable navigation devices, e-books, digital photo displays and medical diagnostic equipment. TFT-LCD panels that are nine inches and smaller are referred to as small and medium-size panels, with those smaller than four inches being considered small-size panels. In 2010, sales of small-size panels constituted a significant majority in terms of both sales revenue and sales volume in the mobile and other applications category.

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Some of the panels we produce for industrial products, such as medical diagnostic equipment, are highly specialized niche products manufactured to the specifications of our clients, while others, such as industrial controllers, may be manufactured by slightly modifying a standard product design for our other products, such as desktop monitors. Display panels for these other applications broaden our sales base and product mix. They are also often a good channel through which we can commercialize a particular technology that we have developed. We generally determine the production level and specification of our TFT-LCD panels for mobile and other applications by assessing various business opportunities as they arise.

Our sales of display panels for mobile and other applications were (Won)865 billion, or 4.3% of sales, in 2009 and (Won)1,619 billion (US\$1,432 million), or 6.4% of sales, in 2010.

## **Sales and Marketing**

### ***Customer Profile***

Our display panels are included primarily in televisions, notebook computers, desktop monitors and mobile and other applications sold by our global end-brand customers. In 2010, our top ten end-brand customers included LG Electronics, Apple, Toshiba, Dell, Hewlett-Packard, Philips Electronics, AmTRAN, TPV, Skyworth and Acer. LG Electronics is our largest shareholder, and the terms of our sales to LG Electronics are conducted on an arm's-length basis and are substantially the same as those of our sales to non-affiliated end-brand customers.

We negotiate directly with our end-brand customers concerning the terms and conditions of the sales, but typically ship our display panels to designated system integrators at the direction of these end-brand customers. Sales data to end-brand customers include direct sales to these end-brand customers as well as sales to their designated system integrators, including through our affiliated trading company, LG International, and its subsidiaries, as further discussed below under Sales.

A substantial portion of our sales is attributable to a limited number of our end-brand customers. Our top ten end-brand customers, including our largest shareholder, together accounted for 76.5% of our sales in 2009 and 75.8% for 2010, respectively. Our top five end-brand customers together accounted for 55.1% in 2009 and 55.0% in 2010. In 2010, only two end-brand customers, LG Electronics and Apple, contributed to 10% or more of our sales.

The following table presents our top five end-brand customers based on sales in our principal product categories for 2010:

| Televisions         | Computer Products  |                  | Mobile and Other Applications |
|---------------------|--------------------|------------------|-------------------------------|
|                     | Notebook Computers | Desktop Monitors |                               |
| LG Electronics      | Apple              | Apple            | Apple                         |
| Toshiba             | Hewlett-Packard    | LG Electronics   | LG Electronics                |
| Philips Electronics | Dell               | Dell             | Truly Semiconductors          |
| AmTRAN              | Toshiba            | Hewlett-Packard  | LG Innotek                    |
| Skyworth            | Acer               | TPV              | Continental Automotive        |

In January 2009 and April and December 2010, we entered into separate long-term supply agreements with Apple Inc. to supply display panels to Apple Inc. for five years. In connection with these agreements, we received long-term advances in the amount of US\$830 million from Apple.

In addition to our top ten end-brand customers, we sell our TFT-LCD panels to a variety of other manufacturers of computers and electronic products. Sales to these other manufacturers constituted 23.5% of our sales in 2009 and 24.2% in 2010, respectively.

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The following table sets forth for the periods indicated the geographic breakdown of our sales by the region where purchase orders are originated, without regard to the location of end-brand customers. The figures below therefore reflect orders from our end-brand customers, their system integrators and our affiliated trading company, LG International, and its subsidiaries:

|                        | Year Ended December 31,                               |             |  |                      |             |  |
|------------------------|---|-------------|--|----------------------|-------------|--|
|                        | 2009  |             | 2010   |                      |             |  |
|                        | Sales<br>(in billions of Won, except for percentages) | %           | Sales<br>(in millions of US\$, except for percentages) | Sales <sup>(1)</sup> | %           |  |
| Korea                  | (Won) 1,205   | 6%          | (Won) 1,705  | US\$ 1,508           | 7%          |  |
| China                  | 10,504  | 52          | 14,077   | 12,450               | 55          |  |
| Europe                 | 3,751   | 19          | 4,125  | 3,649                | 16          |  |
| United States          | 2,491   | 12          | 2,853  | 2,523                | 11          |  |
| Asia (excluding China) | 2,086   | 11          | 2,746  | 2,429                | 11          |  |
| Others                 | 1   | 0           | 6  | 5                    | 0           |  |
| <b>Total</b>           | <b>(Won) 20,038</b>                                   | <b>100%</b> | <b>(Won) 25,512</b>                                    | <b>US\$ 22,564</b>   | <b>100%</b> |  |

- (1) For convenience, the Korean Won amounts are expressed in U.S. dollars at the rate of (Won)1,130.60 to US\$1.00, the noon buying rate in effect on December 30, 2010 as quoted by the Federal Reserve Bank of New York. This translation should not be construed as a representation that the Korean Won amounts represent, have been or could be converted to U.S. dollars at that rate or any other rate.

**Sales**

Our sales and marketing departments seek to maintain and strengthen relationships with our current customers in existing markets as well as expand our business in new markets and with new customers. We currently have wholly-owned sales subsidiaries in the United States, Japan, Germany, Taiwan, China and Singapore. As of December 31, 2010, our sales and marketing force employed a total of approximately 1,530 employees in regional offices in these countries and in our head office in Korea.

The focus of our sales activities is on strengthening our relationships with large end-brand customers, with whom we maintain strong collaborative relationships. Customers look to us for a reliable supply of a wide range of TFT-LCD products. We believe our reliability and scale as a supplier helps support our customers' product positions. We view our relationships with our end-brand customers as important to their product development strategies, and we collaborate with our end-brand customers in the design and development stages of their new products. In addition, our sales teams coordinate closely with our end-brand customers' designated system integrators to ensure timely delivery. For each key customer, we appoint an account manager who is primarily responsible for our relationship with that specific customer, complemented by a product development team consisting of engineers who participate in meetings with that customer to understand the customer's specific needs. In May 2008, we received the Best Supplier Award from Hewlett-Packard Development Company, L.P., in recognition of our superior product technology and customer satisfaction activities at Hewlett-Packard Worldwide Supplier Conference held in Houston, Texas. The Best Supplier Award program recognizes outstanding companies among Hewlett-Packard's worldwide suppliers of parts and services that satisfy strict purchasing standards in quality, service and technology, and are judged to have made the greatest contributions to Hewlett-Packard.

We do not typically enter into binding long-term contracts with our customers. However, we have in place long-term supply and purchase agreements with certain major end-brand customers, whereby we and our end-brand customers agree on general volume parameters and, in some cases, product specifications and delivery terms. These agreements serve as an indication of the size and key components of a customer's order, and neither party is committed to supply or purchase any products until a firm purchase order is issued.

Our sales are conducted through our multi-channel sales and distribution network, including direct sales to end-brand customers and their system integrators, sales through our overseas subsidiaries and sales through our affiliated trading company, LG International, and its subsidiaries. Our sales subsidiaries procure purchase orders from and distribute our products to system integrators and end-brand customers located in their region. In regions where we do not have a sales subsidiary, or where doing so is consistent with local market practices, we sell our products to LG International and its subsidiaries. These subsidiaries of LG International process orders from and distribute products to customers located in their region. In particular, we have sold a portion of our products to LG International Japan, Ltd. and LG International (HK) Ltd. Sales to LG International and its subsidiaries on an aggregate basis amounted to 8.8% in 2010. See Item 7.B. Related Party Transactions for further discussion of these sales arrangements.





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We establish sales subsidiaries in the relevant geographical markets when the benefit of doing so outweighs the cost of utilizing our affiliated trading company, LG International, or its subsidiaries, and where local market practice permits. Based on this approach, we established sales subsidiaries in Hong Kong and Shanghai, China, in January 2003, to replace LG International (HK) in conducting sales to system integrators located in China. Our sales subsidiary in Hong Kong was subsequently liquidated in November 2009. In January 2009, we established a sales subsidiary in Singapore to replace LG International Singapore Ltd. in conducting sales to system integrators located in Singapore. We expect to continue to utilize LG International Japan, consistent with local market practices there, to conduct our sales to end-brand customers in Japan, but may establish additional sales subsidiaries in the future in these or other regions as sales volumes to customers located in these regions increase and/or market practice warrants.

Our end-brand customers or their system integrators generally place purchase orders with us one month prior to delivery based on our non-binding supply and purchase agreements with them. Generally, the head office of an end-brand customer provides us with three- to six-month forecasts, which, together with our own forecasts, enable us to plan our production schedule in advance. Our customers usually issue monthly purchase orders containing prices we have negotiated with the end-brand customer one month prior to delivery, at which point the customer becomes committed to the order at the volumes and prices indicated in the purchase orders. Under certain special circumstances, however, a negotiated price may be subject to change during the one-month period prior to delivery.

Prices for our products are generally determined based on negotiations with our end-brand customers. Pricing of our display panel products is generally market-driven, based on the complexity of the product specifications and the labor and technology involved in the design or production processes. Purchase prices and payment terms for sales to our largest shareholder is substantially the same as those for our non-affiliated end-brand customers.

We generally provide a limited warranty to our end-brand customers, including the provision of replacement parts and after-sale services for our products. Costs incurred under our warranty liabilities consist primarily of repairs. We set aside a warranty reserve based on our historical experience and future expectations as to the rate and cost of claims under our warranties.

Our credit policy typically requires payment within 30 to 90 days, and payments on the vast majority of our sales have been collected within 65 days. Where system integrators located in certain regions are invoiced directly, we have established certain measures, such as factoring arrangements and accounts receivable insurance programs, to protect us from excessive exposure to credit risks. To date we have not experienced any material problems relating to customer payments.

## **Competition**

The TFT-LCD industry is highly competitive. Due to the capital intensive nature of the display industry and the high production volumes required to achieve economies of scale, the international market for display devices is characterized by significant barriers to entry, but the competition among the relatively small number of major producers is intense. Currently almost all TFT-LCD manufacturers are located in Asia, and we compete principally with manufacturers from Korea, Taiwan, China and Japan.

The principal elements of competition for customers in the TFT-LCD market include:

product portfolio range and availability;

product specifications and performance;

price;

capacity allocation and reliability;

customer service, including product design support; and

logistics support and proximity of regional stocking facilities.

Our principal competitors are:

Samsung Electronics (including the joint venture formed by Samsung Electronics and Sony Corporation), Samsung Mobile Display and Hydis Technologies in Korea;

AU Optronics, Chimei Innolux, Chunghwa Picture Tubes and HannStar in Taiwan;

Sharp, Hitachi, TMDisplay, Mitsubishi and IPS-Alpha in Japan; and

SAVIC, Infovision and BOE-OT in China.

According to DisplaySearch, in 2010, Korean TFT-LCD manufacturers had a market share of 51% of the 9-inch or larger panel market based on revenue, Taiwanese manufacturers had 34% and Japanese manufacturers had 13%.

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### **Components, Raw Materials and Suppliers**

Components and raw materials accounted for 71.3% of our cost of sales in 2009 and 71.9% in 2010. The key components and raw materials of our TFT-LCD products include backlight units, glass substrates, driver integrated circuits, polarizers, color filters and liquid crystal materials. We source these components and raw materials from outside sources, although, unlike many other TFT-LCD manufacturers, we produce a substantial portion of the color filters we use. With respect to glass substrates, Paju Electric Glass Co., Ltd., a joint venture company of which we and Nippon Electric Glass Co., Ltd. own 40% and 60%, respectively, provides us with a stable supply at competitive prices.

We generally negotiate non-binding master supply agreements with our suppliers several times a year, but pricing terms are negotiated on a quarterly basis, or if necessary, on a monthly basis. Firm purchase orders are issued generally six weeks prior to the scheduled delivery, except in the case of purchase orders for driver integrated circuits, which are issued generally six to ten weeks prior to the scheduled delivery. We purchase our components and raw materials based on forecasts from our end-brand customers as well as our own assessments of our end-brand customers' needs.

In January 2008, we entered into a purchase agreement with HannStar, pursuant to which HannStar agreed to supply us, on a monthly basis, with TFT-LCD modules and cells to be used in our TFT-LCD products. The agreement has a term of three years but will be automatically renewed unless either party provides the other with prior notice to terminate. We pay the purchase price for the modules and cells on a delivery basis. In addition, in February 2008, we purchased 180 million shares of non-voting mandatorily redeemable convertible preferred shares of HannStar for a purchase price of (Won)96 billion. In January 2011, we exercised our put option and converted all of the preferred shares of HannStar into common shares of HannStar at a ratio of one-to-one, and we received (Won)124 billion, which was classified as receivables. As of March 31, 2011, we currently held a 0.5% equity interest in HannStar.

In order to reduce our component and raw material costs and our dependence on any one supplier, we generally develop compatible components and raw materials and purchase our components and raw materials from more than one source. However, we source the key components and raw materials from a limited group of suppliers in order to ensure timely supply and consistent quality. Also, in order to facilitate implementation of our cost reduction strategies, we continually review and weigh the reduction in logistics and transportation costs we may achieve by sourcing our components and raw materials from suppliers based in Korea against the price reduction we may achieve by sourcing from suppliers based abroad that are price competitive. We perform periodic evaluations of our component and raw material suppliers based on a number of factors, including the quality and price of the components, delivery and response time, the quality of the services and the financial health of the suppliers. We reassess our supplier pool accordingly.

We maintain a strategic relationship with many of our key material suppliers, and from time to time, we make equity investments in our material suppliers as part of our efforts to secure a stable supply of key components and raw materials. For example, in May 2008, we purchased 1,008,875 shares of common stock of TLi Inc., which was approximately 12.9% of its outstanding shares as of December 31, 2008, at a purchase price of (Won)14 billion. TLi Inc. produces key components such as timing controllers and driver integrated circuits. In addition, in July 2008, we purchased 6,850,000 shares of common stock of New Optics Ltd., which accounted for approximately 36.7% of its then outstanding shares, at a purchase price of (Won)10 billion, and in February 2010, we purchased an additional 1,000,000 shares of common stock of New Optics, which accounted for approximately 5.4% of its then outstanding shares, at a purchase price of (Won)2.5 billion. New Optics produces backlight units. In May 2009, we purchased 6,800,000 shares of common stock of Wooree LED Co., Ltd., which accounted for approximately 29.6% of its then outstanding shares, at a purchase price of (Won)12 billion. Wooree LED is an LED packaging company. In November 2009, we purchased NT\$400 million (including NT\$188 million purchased by our subsidiary, LG Display Taiwan) in convertible bonds from Everlight Electronics Co., Ltd. Everlight Electronics is an LED packaging company based in Taiwan. In January 2010, we invested US\$10.8 million in return for a 15% equity interest in Can Yang Investment Limited, a company that manufactures LED chips.

We generally maintain a component and raw material inventory sufficient for approximately 10 days, or 20 days for driver integrated circuits, as a safeguard against potential disruptions in supply.

In addition to components and raw materials, the manufacturing of our products requires significant quantities of electricity and water. In order to obtain and maintain reliable electric power and water supplies, we have our own back-up power generation facilities and water storage tanks as well as easy access to nearby water sources. To date we have not experienced any material problems with our electricity and water supplies.

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For a discussion relating to the impact the Japan earthquake and tsunami have had, or may in the future have, on our supply of components and raw materials, see Item 5A. Operating Results Japan Earthquake and Tsunami.

### **Equipment and Suppliers**

We depend on a limited number of equipment manufacturers for equipment tailored to specific requirements. Since our manufacturing processes depend on the quality and technological capacity of our equipment, we work closely with the equipment manufacturers in the design process to ensure that the equipment meets our specifications. The principal types of equipment we use to manufacture TFT-LCD panels include chemical deposition equipment, steppers, developers and coaters.

We purchase equipment from a small number of qualified vendors to ensure consistent quality, timely delivery and performance. We maintain strategic relationships with many equipment manufacturers as part of our efforts to ensure quality while reducing costs. For example, in June 2008, we purchased 2,037,204 shares of common stock of AVACO Co., Ltd., a local equipment supplier that produces sputters, which was approximately 19.9% of its outstanding shares as of December 31, 2008, at a purchase price of (Won)6.2 billion. In September 2010, we purchased 500,000 shares of common stock of YAS Co., Ltd., which accounted for approximately 20.0% of its then outstanding shares, at a purchase price of (Won)10 billion. YAS Co., Ltd., develops and manufactures OLED deposition equipment.

In recent years, we began substituting a portion of our equipment purchased from foreign vendors with purchases from local suppliers, and in 2010, approximately 65% of our equipment for our facilities in Korea was purchased from local suppliers on an invoiced basis. We plan to continue this localization effort to diversify our supply source and reduce costs. A large majority of the equipment purchased from foreign vendors are from Japanese vendors. In the procurement of equipment from Japan, we also use LG International's subsidiary in Japan in order to take advantage of their relationships with vendors, experience in negotiations and logistics as well as their ability to obtain volume discounts. See Item 7.B. Related Party Transactions.

Our engineers begin discussions with equipment manufacturers far in advance of the planned installation of equipment in a new fab, and we typically execute a letter of intent with the vendors in advance of our planned installation to ensure timely delivery of main equipment with long-term delivery schedules. Engineers from our vendors typically accompany the new equipment to our fabs to assist in the installation process to ensure proper operation. To date, we have not experienced any material problems with our equipment supplies or after-delivery services.

For a discussion relating to the impact the Japan earthquake and tsunami have had, or may in the future have, on our supply of equipment, see Item 5A. Operating Results Japan Earthquake and Tsunami.

### **Quality Control**

We believe that our advanced production capabilities and our reputation for high quality and reliable products have been important factors in attracting and retaining key customers. We have implemented quality inspection and testing procedures at all of our fabs and assembly facilities. Our quality control procedures are carried out at three stages of the manufacturing process:

incoming quality control with respect to components and raw materials;

in-process quality control, which is conducted at a series of control points in the manufacturing process; and

outgoing quality control, which focuses on packaging, delivery and post-delivery services to customers.

With respect to incoming quality control, we perform quality control procedures for the raw materials and components that we purchase. These procedures include testing samples of large batches, obtaining vendor testing reports and testing to ensure compatibility with other components and raw materials, as well as vendor qualification and vendor rating. Our in-process quality control includes various programs designed to detect, as well as prevent, quality deviations, reduce manufacturing costs, ensure on-time delivery, increase in-process yields and improve field reliability of our products. We perform outgoing quality control based on burn-in testing and final visual inspection of our products and accelerated life testing of samples. We inspect and test our completed display panels to ensure that they meet our high production standards. We also provide post-delivery services to our customers, and maintain warranty exchange inventories in regional hubs to meet our customers' needs.



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Our quality assurance team works not only to ensure effective and consistent application of our quality control procedures, but also to introduce new methodologies, including six-sigma quality control. Our quality assurance programs have received accredited ISO/TS 16949 certifications. The ISO/TS certification process involves subjecting our manufacturing processes and quality management systems to reviews and observation for various fixed periods. ISO/TS certification is required by certain European countries and the United States in connection with sales of industrial products in those countries, and provides independent verification to our customers regarding the quality control measures employed in our manufacturing and assembly processes.

### **Insurance**

We currently have insurance coverage for our production facilities in Gumi and Paju, Korea, for up to (Won)2.3 trillion per claim, which includes business interruption coverage. We also have insurance coverage for work-related injuries to our employees, accidents during overseas business travel, damage during construction, damage to products and equipment during shipment, damage to equipment during installation at our fabs, automobile accidents, bodily injury and property damage from gas accidents, as well as mandatory unemployment insurance for our workers and director and officer liability insurance. In addition, we maintain general and product liability, employment practice liability and aviation product liability insurance. Our dormitories in Gumi and Paju, Korea have fire insurance coverage for up to (Won)280 billion per claim. Our subsidiaries also have insurance coverage for damage to office fixtures and equipment, cargo insurance and life and disability insurance for their employees. Our subsidiaries in Nanjing, Guangzhou, Xiamen, Fujian and Yantai, China and Wroclaw, Poland also carry property insurance, business interruption insurance and commercial general liability insurance.

### **Environmental Matters**

Our production processes generate various forms of chemical waste, waste water and other industrial waste at various stages in the manufacturing process. We have installed various types of anti-pollution equipment for the treatment of chemical waste and waste water and equipment for the recycling of treated waste water in our facilities in Korea. We have also voluntarily agreed to reduce emission of greenhouse gases, such as per fluoro compounds, or PFCs, and sulfur hexafluoride, or SF<sub>6</sub>, gases, by installing PFC abatement systems to meet the voluntary emissions targets for 2010 set by the World LCD Industry Cooperation Committee ( WLICC ), a TFT-LCD industry organization focusing on environmental issues. Although, the WLICC is expected to conduct a review on whether we have met such voluntary emission targets, a schedule for such review has not yet been finalized. We installed PFC abatement systems at all of our production lines when the production facilities were being constructed. We also installed a SF<sub>6</sub> abatement system in P1 in April 2005, P6 in December 2009 and we intend to install similar abatement systems in our other production facilities through implementation of Clean Development Mechanism, or CDM, projects. Our methodology for SF<sub>6</sub> decomposition has been approved by the CDM Executive Board, an entity established by the parties to the United Nations Framework Convention on Climate Change, or UNFCCC, in February 2009. Our CDM project design document, or PDD, for such projects has been approved by the Korean government in December 2009, and has been validated by the SGS Group, which is certified as a designated operational entity for CDM projects, in February 2010. In July 2010, we became the first TFT-LCD company in the world to obtain validation from the CDM Executive Board for our PDD for SF<sub>6</sub> decomposition. In November 2010, TÜV-SÜD, which is certified as a designated operational entity for CDM projects by the CDM Executive Board, verified our reductions in emissions performance as part of its procedure for issuing certified emission reduction credits.

In September 2010, the Ministry of Knowledge Economy, under the Low Carbon Green Growth Basic Act of 2010, designated us as one of the companies that will be provided greenhouse gas emission and energy consumption targets beginning in 2012.

In addition, as of December 31, 2010, we were party to voluntary agreements, which reflect a coordinated energy conservation initiative between government and industry, with respect to our operation of P1 through P8, the Gumi module production plant and the Paju module production plant. In accordance with such agreements, we have implemented a variety of energy-saving measures in those facilities, including installation of energy saving devices and consulting with energy conservation specialists. We also established an overall greenhouse gas emissions inventory system for our domestic sites, which was verified by Lloyd's Register Quality Assurance, which is certified as a designated operational entity for CDM projects by the CDM Executive Board.

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



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We have been certified by the Korean Ministry of Environment as a Green Company, with respect to our environmental record for P1 and our module production plant in Gumi since 1997, with respect to our operations at P2 and P3 since 2006, and with respect to our operations at P4, P5 and P6 since 2008.

We also have an internal monitoring system to control the use of hazardous substances in the manufacture of our products as we are committed to compliance with all applicable environmental laws and regulations, including European Union Restriction of Hazardous Substances (RoHS) Directive 2002/95/EC, which took effect on July 1, 2006 in the European Union and restricts the use of certain hazardous substances in the manufacture of electrical and electronic equipment. In October 2005, we became the first TFT-LCD company to receive accreditation as an International Accredited Testing Laboratory by the Korea Laboratory Accreditation Scheme, which is operated by the Korean Ministry of Knowledge Economy. In September 2006, we became the first TFT-LCD panel manufacturer to be recognized as an internationally accredited RoHS testing laboratory by the European Union's German accreditation organization, TÜV SÜD. In October 2007, we became the first TFT-LCD company to be certified the International Electrotechnical Commission-Hazardous Substance Process Management (IECQ-HSPM) QC 080000, which is an international system requirements document intended to help organizations manage hazardous substances in their components and products through hazardous substance process management, and demonstrates the organization's conformity with RoHS. Moreover, we participated in reforming IEC 62321, a RoHS international testing standard, by including a halogen-free combustion ion chromatography method in our committee draft that we submitted to the International Electrotechnical Commission in June 2010.

Furthermore, we are operating a green purchasing system, which excludes the hazardous materials at the purchasing stage. This system has enabled us to comply with various environmental legislations of hazardous substances, including the European Union RoHS.

## **Joint Ventures and Collaboration**

We consider joint ventures an important part of our business, both operationally and strategically. We have used joint ventures to enter into new geographic markets, in particular China, to gain new customers and/or strengthen positions with existing customers and to procure certain components and raw materials. When entering new geographic markets where we do not have substantial local experience and infrastructure, teaming up with a local partner can reduce capital investment by leveraging the pre-existing infrastructure of local partners. In addition, local partners in these markets can provide knowledge and insight into local customs and practices and access to local suppliers of raw materials and components. All of these advantages can reduce the risk, and thereby enhance the prospects for the success, of an entry into a new geographic market. If the partner of the joint venture already has an established customer base, it can also be an effective means to acquire such new customers. Joint venture arrangements also allow us to access technology we would otherwise have to develop independently, thereby reducing the time and cost of development. They can also provide the opportunity to create synergies and applications of the technology that would not otherwise be possible.

In recent years, we have pursued a number of joint venture initiatives. For example:

In July 2008, we and Skyworth-RGB Electronics Co., Ltd. founded a research and development joint venture company, Guangzhou New Vision Technology Research and Development Ltd. Skyworth-RGB and we each invested RMB 25 million for a 50-50 equity interest in the company. The joint venture company conducts product planning, design and development activities tailored to meet the needs of Chinese customers with respect to a range of products from TFT-LCD modules to television sets.

In August 2008, we entered into a joint venture agreement with AmTRAN Technology Co., Ltd., to establish a manufacturing joint venture company, Suzhou Raken Technology Ltd. We agreed to invest US\$10 million in return for a 51% equity interest in the joint venture company. As of December 31, 2010, our total investment in the joint venture company amounted to US\$83.6 million. The joint venture company supplies both parties with TFT-LCD modules and TFT-LCD televisions.

In November 2009, we entered into two joint venture agreements with Top Victory Investments Limited, a wholly-owned subsidiary of TPV Technology Ltd., to establish two joint venture companies, L&T Display Technology (Xiamen) Limited and L&T Display Technology (Fujian) Limited. We invested US\$6.1 million in return for a 51.0% equity interest in L&T Display Technology (Xiamen) Limited and US\$8.7 million in return for a 51.0% equity interest in L&T Display Technology (Fujian) Limited. L&T Display Technology (Xiamen) Limited manufactures and sells TFT-LCD televisions and L&T Display Technology (Fujian) Limited manufactures and sells monitors including multi-function monitors. Both joint venture companies also conduct research and development activities and provide after sales services for their products.





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In December 2009, we and certain of our affiliates established a joint venture company, Global OLED Technology LLC, which acquired the OLED business of Kodak in an asset transaction on December 30, 2009. We currently hold a 32.7% equity interest in the joint venture company.

In June 2010, we entered into a joint venture agreement with Iriver Ltd. to establish L&I Electronic Technology (Dongguan) Ltd. in Dongguan, China. We invested US\$2.6 million in return for a 51% equity interest in the joint venture company. L&I Electronic Technology specializes in e-book manufacturing.

In August 2010, we entered into a joint venture agreement with Everlight Electronics Co., Ltd. and AmTRAN Technology Co., Ltd., to establish Eralite Optoelectronics (Jiangsu) Co., Ltd. We invested US\$4 million in return for a 20% equity interest in the joint venture company. Eralite Optoelectronics specializes in LED packaging and manufacturing.

We intend to continue to seek strategic acquisition and joint venture opportunities and conduct feasibility studies with respect to establishing new manufacturing subsidiaries in strategic locations to deepen our market penetration, achieve economies of scale, increase our customer base, expand our geographical reach and reduce costs.

**Subsidiaries**

The following table sets forth summary information for our subsidiaries as of December 31, 2010:

| Subsidiary                     | Main Activities         | Jurisdiction of Incorporation | Date of Incorporation | Total Paid-in Capital | Percentage of Our Ownership Interest | Percentage of Our Voting Power |
|--------------------------------|-------------------------|-------------------------------|-----------------------|-----------------------|--------------------------------------|--------------------------------|
| LG Display Taiwan Co., Ltd.    | Sales                   | Taiwan                        | April 1999            | NT\$ 115,500,000      | 100%                                 | 100%                           |
| LG Display America, Inc.       | Sales                   | U.S.A.                        | September 1999        | US\$ 105,000,000      | 100%                                 | 100%                           |
| LG Display Japan Co., Ltd.     | Sales                   | Japan                         | October 1999          | ¥ 95,000,000          | 100%                                 | 100%                           |
| LG Display Germany GmbH        | Sales                   | Germany                       | November 1999         | 960,000               | 100%                                 | 100%                           |
| LG Display Nanjing Co., Ltd.   | Manufacturing and sales | China                         | July 2002             | RMB 2,253,753,055     | 100%                                 | 100%                           |
| LG Display Shanghai Co., Ltd.  | Sales                   | China                         | January 2003          | RMB 4,138,650         | 100%                                 | 100%                           |
| LG Display Poland Sp. zo.o.    | Manufacturing and sales | Poland                        | September 2005        | PLN 410,327,700       | 80%                                  | 80%                            |
| LG Display Guangzhou Co., Ltd. | Manufacturing and sales | China                         | June 2006             | RMB 895,904,754       | 90%                                  | 90%                            |
| LG Display Shenzhen Co., Ltd.  | Sales                   | China                         | August 2007           | RMB 3,775,250         | 100%                                 | 100%                           |
| LG Display Singapore Pte. Ltd. | Sales                   | Singapore                     | January 2009          | SG\$ 1,400,000        | 100%                                 | 100%                           |

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|   |                            |       |              |     |             |      |      |
|---|----------------------------|-------|--------------|-----|-------------|------|------|
| LG Display<br>Yantai Co., Ltd.          | Manufacturing<br>and sales | China | April 2010   | RMB | 273,048,000 | 100% | 100% |
| L&T Display<br>Technology (Xiamen) Ltd. | Manufacturing<br>and sales | China | January 2010 | RMB | 41,785,824  | 51%  | 51%  |

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| Subsidiary                                | Main Activities         | Jurisdiction of Incorporation | Date of Incorporation | Total Paid-in Capital | Percentage of Our Ownership Interest | Percentage of Our Voting Power |
|---|-------------------------|-------------------------------|-----------------------|-----------------------|--------------------------------------|--------------------------------|
| L&T Display Technology (Fujian) Ltd.      | Manufacturing and sales | China                         | January 2010          | RMB 59,197,026        | 51%                                  | 51%                            |
| L&I Electronic Technology (Dongguan) Ltd. | Manufacturing and sales | China                         | September 2010        | RMB 17,062,560        | 51%                                  | 51%                            |
| Image & Materials, Inc.                   | Manufacturing           | Korea                         | May 2006              | (Won) 1,392,100,000   | 100%                                 | 100%                           |
| LUCOM Display Technology (Kunshan) Ltd.   | Manufacturing and sales | China                         | December 2010         | RMB 15,216,998        | 51%                                  | 51%                            |

In July 2010, LG Electronics (Nanjing) Plasma was acquired by, and merged into, LG Display Nanjing Co., Ltd.

None of LG Display Japan Co., Ltd.'s assets and properties were damaged by the March 2011 earthquake and tsunami that occurred in Japan. For a further discussion relating to the Japan earthquake and tsunami, see Item 5A. Operating Results Japan Earthquake and Tsunami.

**Item 4.C. Organizational Structure**

These matters are discussed under Item 4.B. where relevant.

**Item 4.D. Property, Plants and Equipment****Current Facilities**

We currently operate a total of twelve panel fabrication facilities (including expansions of certain facilities), P1 through P8, located in Gumi and Paju, Korea, and a total of nine module facilities (three in Nanjing, China, two in Guangzhou, China and one each in Gumi and Paju, Korea, Yantai, China and Wroclaw, Poland). In addition, we installed equipment that enables the manufacture of display panels using LTPS technology in a facility, AP2, located in our P8 plant. We began mass production at AP2 in July 2010.

The following table sets forth the size, primary use and capacity of our fabrication facilities and the size of our research and development facility and assembly facilities:

| Facility <sup>(1)</sup> | Generation <sup>(2)</sup> | Gross Floor Area (in square meters) | Input Substrates Size (in mm)/ Mass Production Commencement | Nominal TFT Capacity as of December 31, 2010 (in input substrates per month) <sup>(3)</sup> | Primary Size of Panels Produced or Other Activity |
|-------------------------|---------------------------|-------------------------------------|---|---|---|
| P1                      | 2                         | 38,838                              | 370 x 470<br>September 1995                                 | 60,000  | 2.4 , 2.6 , 1.4                                   |
| P2                      | 3.5                       | 71,149                              | 590 x 670<br>December 1997                                  | 90,000  | 2.0 , 2.2 , 2.4                                   |
| P3                      | 4                         | 71,149                              | 680 x 880<br>July 2000                                      | 122,000   | 14.1 , 2.4 , 2.0                                  |

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|    |   |         |               |         |                    |
|----|---|---------|---------------|---------|--------------------|
| P4 | 5 | 93,278  | 1,000 x 1,200 | 154,000 | 10.1 , 14.0 , 17.1 |
|    |   |         | March 2002    |         |                    |
| P5 | 5 | 93,278  | 1,100 x 1,250 | 175,000 | 15.6 , 15.4 , 17.0 |
|    |   |         | May 2003      |         |                    |
| P6 | 6 | 288,602 | 1,500 x 1,850 | 205,000 | 37.0 , 21.5 , 18.5 |
|    |   |         | August 2004   |         |                    |
| P7 | 7 | 310,134 | 1,950 x 2,250 | 200,000 | 42.0 , 19.0 , 23.0 |
|    |   |         | January 2006  |         |                    |
| P8 | 8 | 234,060 | 2,200 x 2,500 | 123,000 | 32.0 , 47.0 , 55.0 |
|    |   |         | March 2009    |         |                    |

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| Facility <sup>(1)</sup>     | Generation <sup>(2)</sup> | Gross Floor Area<br>(in square meters) | Input Substrates Size (in mm)/<br>Mass Production Commencement | Nominal TFT Capacity    |  | Primary Size of Panels Produced or Other Activity |
|-----------------------------|---------------------------|--|--|-------------------------|--|---|
|                             |                           |  |  | as of December 31, 2010 | (in input substrates per month) <sup>(3)</sup> |   |
| P62                         | 6                         | 101,607                                | 1,500 x 1,850<br>April 2009                                    | 62,000                  |  | 18.5 , 15.4 , 20.0                                |
| P82                         | 8                         | 123,042                                | 2200 x 2500<br>May 2010  | 107,000                 |  | 32.0 , 47.0                                       |
| P83                         | 8                         | 58,930                                 | 2,200 x 2,500<br>March 2011                                    | N/A                     |  | 32.0 , 47.0                                       |
| AP2                         | 4                         | 36,902                                 | 730 x 920<br>July 2010   | 24,000                  |  | LTPS panels and<br>backplanes for<br>AMOLED       |
| R&D Center                  |                           | 19,958                                 |  |                         |  |   |
| Gumi assembly facility      |                           | 165,853                                | January 1995   |                         |  |   |
| Nanjing assembly facility   |                           | 171,068                                | May 2003   |                         |  |   |
| Paju assembly facility      |                           | 219,038                                | November 2005  |                         |  |   |
| Wroclaw assembly facility   |                           | 106,928                                | March 2007   |                         |  |   |
| Guangzhou assembly facility |                           | 32,948                                 | December 2007  |                         |  |   |
| Yantai assembly facility    |                           | 78,285                                 | June 2010  |                         |  |   |

N/A = Not applicable.

- (1) Includes expansions of certain facilities.  
(2) Based on internal reference to evolutions in facility design, material flows and input substrate sizes. There are several definitions of generations in the TFT-LCD industry. There has been no consensus in the TFT-LCD industry on a uniform definition. References to fab generations made in this annual report are based on our current definition of generations as indicated in the table below.

| Substrate Sizes (in millimeters) | Gen 2     | Gen 3     | Gen 4     | Gen 5         | Gen 6         | Gen 7         | Gen 8         |
|----------------------------------|-----------|-----------|-----------|---------------|---------------|---------------|---------------|
|                                  | 360 x 465 | 550 x 650 | 680 x 880 | 1,000 x 1,200 | 1,500 x 1,800 | 1,870 x 2,200 | 2,200 x 2,500 |
|                                  | 370 x 470 | 590 x 670 | 730 x 920 | 1,100 x 1,250 | 1,500 x 1,850 | 1,950 x 2,250 |               |
|                                  | 400 x 500 | 600 x 720 |           | 1,100 x 1,300 |               |               |               |
|                                  |           | 620 x 750 |           | 1,200 x 1,300 |               |               |               |
|                                  |           | 650 x 830 |           |               |               |               |               |
| <b>LG Display</b>                |           |           |           |               |               |               |               |
| P1                               | 370 x 470 |           |           |               |               |               |               |
| P2                               |           | 590 x 670 |           |               |               |               |               |
| P3                               |           |           | 680 x 880 |               |               |               |               |
| P4                               |           |           |           | 1,000 x 1,200 |               |               |               |
| P5                               |           |           |           | 1,100 x 1,250 |               |               |               |
| P6                               |           |           |           |               | 1,500 x 1,850 |               |               |
| P7                               |           |           |           |               |               | 1,950 x 2,250 |               |

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|     |               |               |
|-----|---------------|---------------|
| P8  |               | 2,200 x 2,500 |
| P62 | 1,500 x 1,850 |               |
| P82 |               | 2,200 x 2,500 |
| P83 |               | 2,200 x 2,500 |
| AP2 | 730 x 920     |               |

- (3) Reflects processing capacity for TFT glass substrates only. All of our fabs except P1 and AP2 have the capacity to process both TFT and color filter substrates.
- (4) Located in previously unused space in our P6 facility.

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### **Expansion Projects**

We are currently equipping and building out P83, our second expansion to P8, which commenced mass production in March 2011, constructing AP2E, the expansion to our 4.5-generation LTPS fabrication facility, AP2, as well as constructing P9, a new eighth-generation panel fabrication facility, in Korea. Currently, our largest capital expenditure project is the construction of P9, for which we expect to incur capital expenditures on a cash out basis in the aggregate amount of approximately (Won)3.1 trillion. In addition, in November 2010, we received final approval from the Chinese government to build an eighth-generation panel fabrication facility in Guangzhou, China. In January 2011, we also signed a memorandum of understanding with Gumi City to extend administrative support for our plans to invest (Won)1.35 trillion (US\$1.2 billion) and expand our production facilities over the next five years in Gumi, Korea.

We expect that our total capital expenditures on a cash out basis to be approximately (Won)5.0 trillion in 2011. This amount is subject to periodic assessment, and we cannot provide any assurance that this amount may not change materially after assessment. We may undertake further expansion projects in the future with respect to our existing facilities as our overall business strategy may require.

Prior to January 16, 2009, the construction of factories exceeding a certain size was prohibited in designated areas around Seoul, such as Paju, under the Presidential Decree of the Industrial Cluster Development and Factory Establishment Act. Due to such prohibition, we had relied on an exemption available to companies whose foreign equity interest equals or exceeds 30% to construct the facilities at our Paju Display Cluster. On January 16, 2009, the Presidential Decree was amended to permit the construction or expansion of factories in such designated areas if (i) the purpose of the factory is to manufacture certain equipment, such as audiovisual equipment, and (ii) the factory is located in an area that has been designated as an industrial complex area under Korean law. On August 5, 2009, the Presidential Decree was further amended and condition (i) above was removed and is no longer required to be satisfied. Our Paju Display Cluster meets the remaining criterion, and we may construct new facilities and make additional expansions at our Paju Display Cluster without relying on the exemption available to companies whose foreign equity interest equals or exceeds 30%.

### **Item 4A. UNRESOLVED STAFF COMMENTS**

We do not have any unresolved comments from the U.S. Securities and Exchange Commission staff regarding our periodic reports under the Exchange Act.

### **Item 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS**

#### **Item 5.A. *Operating Results***

##### **Overview**

Our results of operations are affected principally by overall market conditions, our manufacturing productivity and costs, and our product mix.

##### ***Market Conditions***

The TFT-LCD industry is affected by market conditions that are often outside the control of individual manufacturers. Our results of operations might fluctuate significantly from period to period due to market factors, such as seasonal variations in consumer demand, surges in production capacity by competitors and changes in technology. Our industry has grown significantly in recent years as a result of cost reductions and product improvements that stimulated consumer demand and supported the technology substitution of traditional CRT-based personal computer displays for TFT-LCD displays. According to DisplaySearch, unit sales across the TFT-LCD industry grew from 70 million units in 1999 to 665 million units in 2010. Market revenues grew from US\$11 billion to US\$86 billion during the same period, showing a compounded annual growth rate of 20%, according to the same source.

While the industry has grown rapidly, it has also experienced business cycles with significant and rapid price declines from time to time. Historically, TFT-LCD manufacturers have increased display area fabrication capacity rapidly. Capacity expansion occurs especially rapidly when several manufacturers ramp-up new factories at the same time. During such surges in the rate of supply growth, our customers are able to exert downward pricing pressure, leading to sharp declines in average selling prices and significant fluctuations in our gross margins. In addition, regardless of relative capacity expansion, we expect average selling prices of our existing products will decline as the cost of



manufacturing declines due to technology advances and component cost reductions. Conversely, constraints in the industry supply chain or increased demand for new technology products have led to increased prices for TFT-LCD panels in some past periods, most recently in 2010. According to DisplaySearch, the average selling price of large-size TFT-LCD panels, or panels that are nine inches or larger, increased by approximately 6% from US\$122 in 2009 to US\$129 in 2010 primarily as a result of an increase in sales of large-size television panels despite the increase in production capacity of TFT-LCD manufacturers which resulted in an increased supply of TFT-LCD panels in 2010.

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Our product cost and price vary with the product display area to a significant extent. Therefore, the average selling price of our products can vary over time as a result of business cycles and the choices we make in capacity allocation for specific products. The overall average selling price of our display panels, including small panels for applications other than computers or televisions, can fluctuate significantly. Our average selling price per panel of panels used in televisions, notebook computers and desktop monitors decreased by 5.5% from (Won)148,242 per panel in 2009 to (Won)140,015 (US\$124) in 2010. In the first quarter of 2011, our average selling price per panel of panels used in televisions, notebook computers and desktop monitors was (Won)111,654 (US\$100).

The sharp decrease in the average selling price of our products during the first quarter of 2011 was primarily caused by the seasonal reduction in demand for our products as well as the reduction in inventory by certain of our key customers. Due in large part to the sharp decrease in the average selling price of our products, our sales in the first quarter of 2011 decreased by 17.2% to (Won)5,366 billion from (Won)6,483 billion in the fourth quarter of 2010, and decreased by 8.7% from (Won)5,876 billion in the first quarter of 2010. Because our cost of sales, and in particular, raw material costs, did not decrease at a commensurate rate during the same period, we incurred losses from operating activities of (Won)239 billion and loss for the period of (Won)115 billion in the first quarter of 2011, compared to losses from operating activities of (Won)387 billion and loss for the period of (Won)268 billion in the fourth quarter of 2010 and income from operating activities of (Won)789 billion and profit for the period of (Won)649 billion in the first quarter of 2010. The 2011 first quarter results above have been derived from our unaudited consolidated management accounts for the three months ended March 31, 2011 and are based on consolidated IFRS. Despite the current downturn in demand for TFT-LCD products, we expect that consumer demand for large-size panels and high-end products will continue to increase in the personal computer and the television market.

During the initial stage of market development for TFT-LCD desktop monitors we were able to capture price premiums for desktop monitor panels until we reduced prices in order to stimulate wider demand. In order to grow the TFT-LCD television market, we plan to follow a similar strategy to reduce prices, fuel consumer demand and mitigate anticipated increases in capacity in the TFT-LCD industry. This strategy may result in a decrease in the overall average selling prices of our panels.

We strive to mitigate the effect of industry cyclicality and the resulting price fluctuations by planning capacity expansions and capacity allocations, or shifting our product mix, to capture premium prices in specific emerging product categories. Recently, we have expanded capacity and design capability toward large-size displays, which offer premium prices. For example, our P7 is optimized for producing large-size panels for desktop monitors, including 19-inch wide-format display panels, and televisions, including 42-inch wide-format display panels. Our P8 is optimized for producing panels for televisions, including 32-inch, 47-inch and 55-inch wide-format display panels. Our P62 is optimized for producing large and wide-format panels for notebook computers, such as 15.4-inch and 15.6-inch wide-format display panels, as well as panels for desktop monitors, such as 18.5-inch and 20-inch wide-format display panels. Our P82 is optimized for producing panels for television, including 32-inch, 47-inch and 55-inch wide format display panels.

### Manufacturing Productivity and Costs

We seek to continually enhance our manufacturing productivity and thereby reduce the cost of producing each panel. We have significantly expanded our production capacity by investing in fabs that can process increasingly larger-size glass substrates. The following table shows the input substrate size, initial design capacity and year-end input capacity as a result of ramp-up for each of our fabs as of the dates indicated:

| Fabrication Facility <sup>(1)</sup> | Mass<br>Production<br>Commencement | Input<br>Substrates<br>Size<br>(in millimeters) | Initial<br>Design<br>Capacity<br>(in input substrates<br>per month) | Year-end Input Capacity <sup>(2)</sup>                 |         |         |
|-------------------------------------|------------------------------------|---|---|--|---------|---------|
|                                     |                                    |   |   | 2008<br>(in input substrates per month) <sup>(3)</sup> | 2009    | 2010    |
| P1                                  | September 1995                     | 370x470   | 30,000  | 95,000   | 77,000  | 60,000  |
| P2                                  | December 1997                      | 590x670   | 60,000  | 119,000  | 108,000 | 90,000  |
| P3                                  | July 2000                          | 680x880   | 60,000  | 144,000  | 138,000 | 122,000 |
| P4                                  | March 2002                         | 1,000x1,200                                     | 60,000  | 157,000  | 160,000 | 154,000 |
| P5                                  | May 2003                           | 1,100x1,250                                     | 60,000  | 175,000  | 182,000 | 175,000 |
| P6                                  | August 2004                        | 1,500x1,850                                     | 90,000  | 185,000  | 205,000 | 205,000 |
| P7                                  | January 2006                       | 1,950x2,250                                     | 90,000  | 162,000  | 200,000 | 200,000 |
| P8                                  | March 2009                         | 2,200x2,500                                     | 83,000  | N/A  | 120,000 | 123,000 |
| P62                                 | April 2009                         | 1,500x1,850                                     | 60,000  | N/A  | 60,000  | 62,000  |

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|     |            |             |         |     |     |         |
|-----|------------|-------------|---------|-----|-----|---------|
| P82 | May 2010   | 2,200x2,500 | 83,000  | N/A | N/A | 107,000 |
| P83 | March 2011 | 2,200x2,500 | 125,000 | N/A | N/A | N/A     |
| AP2 | July 2010  | 730x920     | 21,000  | N/A | N/A | 24,000  |

N/A = not applicable.

(1) Includes expansions of certain facilities.

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- (2) Year-end input capacity is the total input substrates for the month that had the highest monthly input substrates during the fiscal year.
- (3) Reflects processing capacity for TFT glass substrates only. All of our fabs except P1 and AP2 have the capacity to process both TFT and color filter substrates.

Our cash outflows for capital expenditures amounted to (Won)3,761 billion in 2009 and (Won)4,942 billion (US\$4,371 million) in 2010. Such capital expenditures relate mainly to the construction of new fabrication facilities and expansions to existing fabrication facilities, including the construction and equipping of P62, P8, P82 and AP2 in 2009 and P82, P83, P9 and AP2 in 2010. Capital expenditures were also incurred for the acquisition of new equipment during the same period. Our depreciation expense as a percentage of sales decreased from 13.9% in 2009 to 10.8% in 2010. The decrease in 2010 was primarily due to an increase in sales revenue in 2010 compared to 2009 as well as the significant decrease in depreciation expense for P7, for which the initial investment had been fully depreciated by December 2009. In 2011, we expect that our total capital expenditures on a cash out basis will amount to approximately (Won)5.0 trillion. Such amounts are subject to periodic assessment, and we cannot provide any assurance that such amounts may not change materially after assessment.

Since inception we have designed our fabs in-house and co-developed most equipment sets with our suppliers. These efforts have enabled us to gain valuable experience in designing and operating next generation fabs capable of processing increasingly larger-size glass substrates. We have been able to leverage this experience to achieve and maintain high production output and yields at our fabs, thereby lowering costs. For example, our P7 reached an initial design capacity of 90,000 input sheets of glass substrate per month in April 2007 and an expanded average capacity of 200,000 input sheets of glass substrate per month during the fourth quarter of 2010. In addition, in recent years we have substituted a portion of our equipment purchased from overseas suppliers with purchases from domestic vendors as part of our ongoing efforts to reduce our reliance on overseas suppliers for key components and equipment. In 2010, we purchased approximately 65% of our equipment for our facilities in Korea from local suppliers on an invoiced basis to reduce our vulnerability to possible component shortages during times of surplus demand. We also fabricate certain components internally, such as color filters, which are one of the industry's higher-cost components.

We also continue to make various process improvements at our fabs, including enhancing the performance of process equipment, efficiency of material flows and quality of process and product designs. For example, we have reduced the number of mask steps in the TFT process from four to three with respect to certain models, thereby enabling us to process a higher number of substrates in a given period of time. Such process improvements result in increased unit output of our fabs without significant capital investment, thus enabling us to reduce fixed costs on a per panel basis.

Raw materials comprise the largest component of our costs. In 2010, approximately 92% of the raw materials procured for our facilities in Korea were sourced from local suppliers. To the extent overseas suppliers are able to provide raw materials at competitive prices, we intend to diversify our supplier base by also procuring raw materials from such overseas suppliers. We have also been able to leverage our scale and leading industry position to obtain competitive prices from our suppliers. Certain strategic decisions, such as fabricating our own color filters, one of the higher cost components, have also been important drivers of our cost control.

The size of our operations has also expanded considerably from 2002 to date, enabling us to benefit from economies of scale. As a result of the above factors, our cost of sales per square meter of net display area, which is derived by dividing total cost of sales by total square meters of net display area shipped, decreased from US\$742 per square meter of net display area in 2009 to US\$691 in 2010.

**Product Mix**

Our product mix reflects our strategic capacity allocation among various TFT-LCD product markets, and is continually reviewed and adjusted based on the demand for, and our assessment of the profitability of, display panels in different markets and size categories. For example, in order to capture the market for large-size desktop monitors, we currently offer wide-format panels with full high-definition resolution ranging from 19-inches to 27-inches. In addition to increases in sales of panels for computer products, we increased our sales of panels for televisions in 2009 and 2010 in response to a notable rise in consumer demand for televisions using TFT-LCD panels. We have the flexibility to increase the production and sales of 32-inch wide-format, 37-inch wide-format, 42-inch wide-format, 47-inch wide-format and 55-inch wide-format panels as demand grows for these larger sizes. As a result of our product mix shift to target large-size panels that command higher prices as well as an increase in overall sales, we were able to alleviate to a large extent the negative effect of price declines in 2009 and 2010 in most of our product categories. Our average selling price per panel of panels used in televisions, notebook computers and desktop monitors decreased by 5.5% from (Won)148,242 per panel in 2009 to (Won)140,015 (US\$124) in 2010.

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Our product portfolio also includes panels for mobile and other applications, which utilize a wide array of display panel sizes, including mobile phones, certain types of tablet personal computers and industrial and other applications, including entertainment systems, automotives, portable navigation devices, e-books, digital photo displays and medical diagnostic equipment. Unit sales of our small and medium-size display panels, or panels smaller than nine inches, for these applications increased from 161.5 million in 2009 to 188.1 million in 2010, principally as a result of increased demand for handheld application products, mobile phones, digital photo displays and portable navigation devices.

The following table sets forth our sales by product category for the periods indicated and sales revenues in each product category as a percentage of our total sales:

| Panels for                                   | 2009  |             | Year Ended December 31, |                      | 2010        |  |
|--|---|-------------|-------------------------|----------------------|-------------|--|
|  | Sales   | %           | Sales                   | Sales <sup>(5)</sup> | %           |  |
|  | (in billions of Won and millions of US\$, except for percentages) |             |                         |                      |             |  |
| Televisions <sup>(1)</sup>                   | (Won) 10,965  | 54.7%       | (Won) 14,079            | US\$ 12,453          | 55.2%       |  |
| Notebook Computers <sup>(2)</sup>            | 3,568   | 17.8        | 4,424                   | 3,913                | 17.3        |  |
| Desktop Monitors <sup>(3)</sup>              | 4,640   | 23.2        | 5,390                   | 4,767                | 21.1        |  |
| Mobile and Other Applications <sup>(4)</sup> | 865   | 4.3         | 1,619                   | 1,432                | 6.4         |  |
| <b>Total</b>                                 | <b>(Won) 20,038</b>   | <b>100%</b> | <b>(Won) 25,512</b>     | <b>US\$ 22,565</b>   | <b>100%</b> |  |

(1) Includes television sets manufactured and sold by our joint venture company, L&T Display Technology (Xiamen) Limited.

(2) Includes panels for certain types of tablet personal computers.

(3) Includes desktop monitors manufactured and sold by our joint venture company, L&T Display Technology (Fujian) Limited.

(4) Includes, among others, panels for handheld application products, including mobile phones and certain types of tablet personal computers, and industrial and other applications, including entertainment systems, automotives, portable navigation devices, e-books, digital photo displays and medical diagnostic equipment.

(5) For convenience, the Korean Won amounts are expressed in U.S. dollars at the rate of (Won)1,130.60 to US\$1.00, the noon buying rate in effect on December 30, 2010 as quoted by the Federal Reserve Bank of New York. This translation should not be construed as a representation that the Korean Won amounts represent, have been or could be converted to U.S. dollars at that rate or any other rate.

The following table sets forth our sales volume by product category for the periods indicated and as a percentage of our total panels sold:

| Panels for                                   | 2009                                   |             | Year Ended December 31, |                  | 2010 |  |
|--|--|-------------|-------------------------|------------------|------|--|
|  | Number of Panels                       | %           | Number of Panels        | Number of Panels | %    |  |
|  | (in thousands, except for percentages) |             |                         |                  |      |  |
| Televisions <sup>(1)</sup>                   | 35,316                                 | 12%         | 51,184                  | 14%              |      |  |
| Notebook Computers <sup>(2)</sup>            | 50,632                                 | 17          | 70,124                  | 19               |      |  |
| Desktop Monitors <sup>(3)</sup>              | 43,384                                 | 15          | 49,336                  | 14               |      |  |
| Mobile and Other Applications <sup>(4)</sup> | 161,804                                | 56          | 188,798                 | 53               |      |  |
| <b>Total</b>                                 | <b>291,136</b>                         | <b>100%</b> | <b>359,442</b>          | <b>100%</b>      |      |  |

(1) Includes television sets manufactured and sold by our joint venture company, L&T Display Technology (Xiamen) Limited.

(2) Includes panels for certain types of tablet personal computers.

(3) Includes desktop monitors manufactured and sold by our joint venture company, L&T Display Technology (Fujian) Limited.

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- (4) Includes, among others, panels for handheld application products, including mobile phones and certain types of tablet personal computers, and industrial and other applications, including entertainment systems, automotives, portable navigation devices, e-books, digital photo displays and medical diagnostic equipment.

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The following table sets forth our average selling price per panel by markets for the periods indicated:

|  | Average Selling Price <sup>(5)</sup><br>Year Ended December 31, |                     |          |
|--|---|---------------------|----------|
|  | 2009  | 2010 <sup>(6)</sup> |          |
| Televisions <sup>(1)</sup>                   | (Won) 310,497   | (Won) 275,058       | US\$ 243 |
| Notebook Computers <sup>(2)</sup>            | 70,460  | 63,094              | 56       |
| Desktop Monitors <sup>(3)</sup>              | 106,940   | 109,246             | 97       |
| Mobile and Other Applications <sup>(4)</sup> | 5,451   | 8,520               | 8        |

- (1) Includes television sets manufactured and sold by our joint venture company, L&T Display Technology (Xiamen) Limited.
  - (2) Includes panels for certain types of tablet personal computers.
  - (3) Includes desktop monitors manufactured and sold by our joint venture company, L&T Display Technology (Fujian) Limited.
  - (4) Includes, among others, panels for handheld application products, including mobile phones and certain types of tablet personal computers, and industrial and other applications, including entertainment systems, automotives, portable navigation devices, e-books, digital photo displays and medical diagnostic equipment.
  - (5) Average selling price for each market represents sales per market divided by unit sales per market.
  - (6) For convenience, the Korean Won amounts are expressed in U.S. dollars at the rate of (Won)1,130.60 to US\$1.00, the noon buying rate in effect on December 30, 2010 as quoted by the Federal Reserve Bank of New York. This translation should not be construed as a representation that the Korean Won amounts represent, have been or could be converted to U.S. dollars at that rate or any other rate.
- The overall average selling price of our display panels (including small panel applications) per square meter of net display area, which is derived by dividing total sales revenues by total square meters of net display area shipped, decreased by 2.9% from US\$834 per square meter of net display area in 2009 to US\$810 in 2010.

**Japan Earthquake and Tsunami**

On March 11, 2011, the northeast coast of Japan experienced a severe earthquake followed by a tsunami, with continuing aftershocks. These geological events have caused significant damage in the region, including severe damage to nuclear power plants, and have impacted Japan's power and other infrastructure. A number of suppliers of our raw materials, components and manufacturing equipment are located in Japan. Some of these suppliers were affected by the March 2011 earthquake and tsunami and some continue to be affected by unreliable power, shipping constraints and issues with their suppliers. We are rigorously assessing our potential exposure but significant uncertainties exist such that the extent and duration of these supply constraints cannot be currently determined. Although we believe that we have sufficient inventory to cover our immediate needs, we may experience shortages or delays in the supply of raw materials, components and manufacturing equipment that could cause us to change our manufacturing processes, limit our capacity, force us to seek alternative suppliers and/or increase the cost of our products. We may also encounter reduced demand for our products in the event customers are unable to obtain adequate supplies of other components due to the events in Japan. As a result, our business, results of operations or financial condition could be materially adversely affected.

In addition, the earthquakes and tsunami has created uncertainty regarding the effect on the general economic and market conditions in Japan. Any significant impact on consumer demand could cause a slowdown in the business operations of certain customers who are operating in Japan which may in turn negatively impact the sales of our products in Japan. We currently do not believe that such impact will have a material adverse effect on us or our results of operations.

**Critical Accounting Policies**

We have prepared our consolidated financial statements in accordance with IFRS as issued by the IASB. These accounting principles require us to make certain estimates and judgments that affect the reported amounts in our consolidated financial statements. Our estimates and judgments are based on historical experience, forecasted future events and various other assumptions that we believe to be reasonable under the circumstances. Estimates and judgments may differ under different assumptions or conditions. We evaluate our estimates and judgments on an ongoing basis. We believe the critical accounting policies discussed below are the most important to the portrayal of our financial condition and results of operations. Each of them is dependent on projections of future market conditions and they require us to make the most difficult, subjective or complex judgments.





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We have significant deferred income tax assets, including tax credits, that may be used to offset taxable income in future periods. Our ability to utilize deferred income tax assets is dependent on our ability to generate future taxable income sufficient to utilize these tax credits before their expiration. Changes in estimates of our ability to realize our deferred tax assets are generally recognized in earnings as a component of our income tax (benefit) expense. At each reporting date, we review our deferred tax assets for recoverability considering historical profitability, projected future taxable income, the expected timing of reversals of existing temporary differences and expiration of tax credits. If we are unable to generate sufficient future taxable income, or if we are unable to identify suitable tax planning strategies, the deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. A decrease in deferred tax assets would result in an increase in our effective tax rate and materially adversely impact our operating results. Conversely, if conditions improve and we determine that deferred tax assets should be increased because of changes in estimates in future taxable income or other conditions that affect our expected recovery of deferred tax assets, this would result in an increase in reported earnings in such period. Based on the assessments that we have conducted during 2009 and 2010, which took into account our projected future taxable income, we concluded that it was probable that all of our deferred tax assets, which consist of mainly tax credits in Korea, would be realized. The increase in projected future taxable income from 2009 to 2010 was primarily due to TFT-LCD manufacturers scaling-down their planned capacity expansions, which eased the oversupplied state of the TFT-LCD market, and due to an increase in demand for TFT-LCD televisions.

***Provisions Warranty Obligations***

We record a provision for warranty obligations based on the estimated costs that we expect to incur under our basic limited warranty for our products. This warranty covers defective products and is normally valid for eighteen months from the date of purchase. These liabilities are accrued when product revenues are recognized. Warranty costs primarily include raw materials and labor costs. Factors that affect our warranty liability include historical and anticipated rate of warranty claims on repairs, calculated based on our sales volume and cost per claim to satisfy our warranty obligation. There were no changes in assumptions or methods used which had a significant impact on the amount of warranty obligations from 2009 to 2010. As these factors are impacted by actual experience and future expectations, we periodically assess the adequacy of our recorded warranty liabilities and adjust the amounts as necessary. Warranty expenses increased from (Won)113.9 billion in 2009 to (Won)188.5 billion (US\$166.8 million) in 2010. The increase in warranty expenses outpaced the increase in sales during these periods, mainly because while the increase in sales volume resulted in increases in both our sales as well as warranty expenses, the positive impact of increased sales volume on sales was partially offset by a decrease in the unit sales price of our products, which did not have a correspondingly reductive impact on warranty expenses.

***Long-Lived Assets: Useful Lives, Valuation and Impairment***

Property, plant and equipment are recorded at cost less accumulated depreciation over the estimated useful lives of the individual assets, with depreciation calculated on a straight line basis. The determination of an asset's useful life and salvage value requires judgment based on our historical and anticipated use of the asset. Since 1999, all new machinery, equipment and vehicles are being depreciated on a straight-line basis over four to twelve years.

We review the carrying amounts of long-lived assets and intangible assets at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the relevant asset's recoverable amount is estimated. If circumstances require that a long-lived asset or asset group be tested for possible impairment, and the carrying value of such long-lived asset or asset group is considered impaired after such test, an impairment charge is recorded for the amount by which the carrying value of the long-lived asset or asset group exceeds its estimated recovery value. The recoverable amount of a long-lived asset or asset group is the greater of its value in use and its fair value less costs to sell. Fair value is determined by employing a variety of valuation techniques as necessary, including discounted cash flow models, quoted market values and third-party independent appraisals. The determination of the value in use and the fair value requires our judgments and assumptions about future operations. The determination of an asset's useful life, and the potential impairment of our long-lived assets could have a material effect on our results of operations. Such impairment losses amounted to less than (Won)1 billion in 2009 and there were no impairment losses in 2010. Impairment loss is recognized as selling, general and administrative expenses.

***Employee Benefits***

Our accounting of employee benefits, which mainly consists of our defined benefit plan, involves judgments about uncertain events including, but not limited to, discount rates, life expectancy, future pay inflation and expected rate of return on plan assets. The discount rates are determined by reference to the yield at the reporting date on high quality corporate bonds that have maturity dates approximating the terms of our benefits obligations and that are denominated in the same currency in which the benefits are expected to be paid. The expected rate of returns assumptions on plan assets are based on the portfolio as a whole and determined on the assumptions considering long-term historical returns and asset allocations. Due to changing market and economic conditions, the underlying key assumptions may differ from actual

developments and may lead to significant changes in our defined benefit plan. We immediately recognize all actuarial gains and losses arising from defined benefit plans in retained earnings.

**Table of Contents****Provisions Legal Proceedings**

We are involved from time to time in certain routine legal actions incidental to our business. See Item 8.A. Consolidated Statements and Other Financial Information Legal Proceedings. We recognize liabilities for loss contingencies arising from claims, assessments, litigation, fines, and penalties and other sources when it is probable that a liability has been incurred and the amount of the assessment and/or remediation can be reasonably estimated. In determining whether a loss should be accrued, we evaluate, among other factors, the probability of an unfavorable outcome and the ability to make a reasonable estimate of the amount of loss, considering factors such as the nature of the litigation, claim, or assessment, the progress of the case and the opinions or views of legal counsel and other advisers. These estimates have been based on our assessment of the facts and circumstances at each balance sheet date and are subject to change based upon new information and intervening events. Legal costs incurred in connection with loss contingencies are expensed as incurred.

**Operating Results**

The following table shows some of our results of operations data and as a percentage of our sales for the periods indicated:

|  | Year Ended December 31,  |      |              |                     |      |  |
|--|--|------|--------------|---------------------|------|--|
|  | 2009   | %    | 2010         | 2010 <sup>(1)</sup> | %    |  |
|  | (in billions of Won and in millions of US\$, except for percentages) |      |              |                     |      |  |
| Revenue  | (Won) 20,038   | 100% | (Won) 25,512 | US\$ 22,565         | 100% |  |
| Cost of sales  | (17,477)   | 87   | (21,781)     | (19,265)            | 85   |  |
| Gross profit   | 2,561  | 13   | 3,731        | 3,300               | 15   |  |
| Other income   | 1,366  | 7    | 1,483        | 1,312               | 6    |  |
| Selling expenses   | (713)  | 4    | (846)        | (748)               | 3    |  |
| Administrative expenses                                    | (325)  | 2    | (521)        | (461)               | 2    |  |
| Research and development expenses                          | (408)  | 2    | (675)        | (597)               | 3    |  |
| Other expenses   | (1,470)  | 7    | (1,862)      | (1,647)             | 7    |  |
| Results from operating activities                          | 1,010  | 5    | 1,310        | 1,159               | 5    |  |
| Finance income   | 333  | 2    | 241          | 213                 | 1    |  |
| Finance costs  | (344)  | 2    | (288)        | (255)               | 1    |  |
| Other non-operating loss, net                              | (6)  | 0    | (15)         | (13)                | 0    |  |
| Equity income on investments, net                          | 20   | 0    | 18           | 16                  | 0    |  |
| Profit before income tax                                   | 1,013  | 5    | 1,266        | 1,119               | 5    |  |
| Income tax expense (benefit)                               | (105)  | 1    | 106          | 94                  | 0    |  |
| Profit for the period                                      | 1,118  | 6    | 1,159        | 1,025               | 5    |  |
| Other comprehensive loss for the period, net of income tax | (67)   | 0    | 19           | 17                  | 0    |  |
| Total comprehensive income for the period                  | (Won) 1,051  | 5%   | (Won) 1,178  | US\$ 1,042          | 5%   |  |

- (1) For convenience, the Korean Won amounts are expressed in U.S. dollars at the rate of (Won) 1,130.60 to US\$1.00, the noon buying rate in effect on December 30, 2010 as quoted by the Federal Reserve Bank of New York. This translation should not be construed as a representation that the Korean Won amounts represent, have been or could be converted to U.S. dollars at that rate or any other rate.

**Comparison of 2010 to 2009****Revenues**

Our revenues increased by 27.3% from (Won)20,038 billion in 2009 to (Won)25,512 billion (US\$22,565 million) in 2010. Increases in unit sales of our large-size panels for televisions, notebook computers and desktop monitors and an increase in the average selling price of our panels used in mobile and other applications were the primary contributing factors to this increase, offset in part by a decrease in the average selling price of our panels used in televisions, notebook computers and desktop monitors. In particular:

unit sales of 32-inch panels for televisions increased by 44.3% from 13.4 million panels in 2009 to 19.3 million panels in 2010;

unit sales of 42-inch panels for televisions increased by 44.0% from 8.1 million panels in 2009 to 11.7 million panels in 2010;

unit sales of 9.7-inch panels for notebook computers increased more than a thousand-fold from 8,718 panels in 2009 to 10.9 million panels in 2010; and

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unit sales of 21.5-inch panels for desktop monitors increased by 110.8% from 3.7 million panels in 2009 to 7.8 million panels in 2010.

The total unit sales of panels for televisions increased by 44.9% from approximately 35.3 million in 2009 to 51.2 million in 2010. Total revenues attributable to television panels increased by 28.4% from approximately (Won)10,965 billion in 2009 to (Won)14,079 billion (US\$12,453 million) in 2010. Growth in total sales of panels for televisions primarily reflected increased demand for larger- and wider-sized panels as well as for second television sets at home, which more than offset a decrease in the average selling price of our panels for televisions in 2010.

The total unit sales of panels for notebook computers increased by 38.5% from approximately 50.6 million in 2009 to 70.1 million in 2010. Total revenues attributable to panels for notebook computers increased by 24.0% from approximately (Won)3,568 billion in 2009 to (Won)4,424 billion (US\$3,913 million) in 2010. Growth in total sales of panels for notebook computers primarily reflected increased demand for higher resolution and higher performance quality panels as well as increased demand resulting from the development of new types of notebook computers including tablet computers, which more than offset a decrease in the average selling price of our panels for notebook computers in 2010. The significant increase in sales of our panels for tablet computers in 2010 was one of the primary reasons for the increase in unit sales of panels for notebook computers.

The total unit sales of panels for desktop monitors increased by 13.7% from approximately 43.4 million in 2009 to 49.3 million in 2010. Total revenues attributable to panels for desktop monitors increased by 16.2% from approximately (Won)4,640 billion in 2009 to (Won)5,390 billion (US\$4,767 million) in 2010. The increase in total sales of panels for desktop monitors is due primarily to increased demand for larger- and wider-sized panels for desktop monitors and, to a lesser extent, an increase in the average selling price of our panels for desktop monitors in 2010.

The effect of the overall increase in unit sales was partially offset by a decrease in the average selling price of panels for televisions, notebook computers and desktop monitors from 2009 to 2010 which in turn had a negative effect on our gross profit and gross margin. Our average selling price per panel of panels used in televisions, notebook computers and desktop monitors decreased by 5.5% from (Won)148,242 per panel in 2009 to (Won)140,015 (US\$124) in 2010. The average selling price of panels for televisions decreased by 11.4% from (Won)310,497 per panel in 2009 to (Won)275,058 (US\$243.3) in 2010, the average selling price of panels for notebook computers decreased by 10.5% from (Won)70,460 per panel in 2009 to (Won)63,094 (US\$55.8) in 2010. On the other hand, the average selling price of panels for desktop monitors increased by 2.2% from (Won)106,940 per panel to (Won)109,246 (US\$96.6) over the same period.

In 2010, a significant increase in revenues from sales of panels in our mobile and other applications category also contributed to the increase in our total revenues. Total revenues attributable to panels for mobile and other applications increased by 87.1% from approximately (Won)865 billion in 2009 to (Won)1,619 billion (US\$1,432 million) in 2010. The increase in revenues was primarily attributable to an increase in the average selling price of panels used in mobile and other applications and, to a lesser extent, an increase in total unit sales of panels for mobile and other applications. The average selling price of panels for mobile and other applications increased by 56.3% from (Won)5,451 per panel in 2009 to (Won)8,520 (US\$7.5) in 2010 primarily as a result of an increase in sales of panels for applications using medium to large-sized panels, including tablet personal computers. The total unit sales of panels for mobile and other applications increased by 16.7% from approximately 161.8 million in 2009 to 188.8 million in 2010, which also contributed to the increase in revenues.

**Cost of Sales**

Cost of sales increased by 24.6% from (Won)17,477 billion in 2009 to (Won)21,781 billion (US\$19,265 million) in 2010. As a percentage of revenues, cost of sales decreased from 87.2% in 2009 to 85.4% in 2010. The increase in our cost of sales in 2010 was attributable primarily to increases in raw material costs, resulting from an overall increase in sales volume, especially of large-size panels, in 2010 compared to 2009.

As a percentage of our total cost of sales, components and raw material costs increased slightly, from 71.3% in 2009 to 71.9% in 2010.

Cost of sales per square meter of net display area, which is derived by dividing total cost of sales by total square meters of net display area shipped, decreased by 6.8% from US\$742 per square meter of net display area in 2009 to US\$691 in 2010.

**Table of Contents****Gross Profit and Gross Margin**

As a result of the cumulative effect of the reasons explained above, our gross profit increased by 45.7% from (Won)2,561 billion in 2009 to (Won)3,731 billion (US\$3,300 million) in 2010. Our gross margin increased from 12.8% to 14.6% over the same period primarily as a result of the higher capacity utilization rates at our plants in 2010 compared to 2009 as well as the greater decline in the unit cost of raw materials compared to the decline in the average selling price of our products in 2010. High capacity utilization rates allow us to allocate fixed costs over a greater number of panels produced and thereby increase our gross margin.

**Selling and Administrative Expenses**

Selling and administrative expenses increased by 31.7% from (Won)1,038 billion in 2009 to (Won)1,367 billion (US\$1,209 million) in 2010. As a percentage of revenues, our selling and administrative expenses increased slightly from 5.2% in 2009 to 5.4% in 2010. The increase in selling and administrative expenses in 2010 was attributable primarily to increases in:

depreciation expenses (which includes amortization expenses), resulting primarily from the amortization of certain intangible assets we have acquired through the acquisition of the liquid crystal display module division of LG Innotek in May 2010;

after-sales service expenses, resulting primarily from providing more services and replacement parts for defective products sold to customers as a result of an increase in our sales volume as well as from service expenses incurred in 2010 in connection with defects found in certain of our products;

salaries, resulting from an increase in the number of employees, particularly at the production lines of our new facilities (including P82 and AP2), as well as at our module production plants in China; and

advertising expenses, resulting from an increase in our advertising activities, primarily in overseas markets including China, India and Brazil.

Such increases were offset in part by a decrease in our shipping costs, resulting primarily from increased usage of more cost effective transportation methods to ship our products to our customers.

The following table shows selling and administrative expenses broken down by major components for each of the years in the two-year period ended December 31, 2010:

|  | <b>Year Ended December 31,</b> |             |
|--|--------------------------------|-------------|
|  | <b>2009</b>                    | <b>2010</b> |
|  | <b>(in billions of Won)</b>    |             |
| Salaries                                 | (Won) 161                      | (Won) 207   |
| Expenses related to defined benefit plan | 8                              | 14          |
| Other employee benefit                   | 41                             | 55          |
| Shipping costs                           | 350                            | 332         |
| Fees and commissions                     | 82                             | 99          |
| Depreciation                             | 44                             | 143         |
| Taxes and dues                           | 9                              | 24          |
| Advertising                              | 60                             | 88          |
| Sales promotion                          | 8                              | 7           |
| After-sales services                     | 131                            | 190         |
| Others                                   | 144                            | 208         |
| Total                                    | (Won) 1,038                    | (Won) 1,367 |

***Research and Development Expenses***

Research and development expenses increased by 65.4% from (Won)408 billion in 2009 to (Won)675 billion (US\$597 million) in 2010. As a percentage of revenues, our research and development expenses increased from 2.0% in 2009 to 2.6% in 2010. The increase in research and development expenses in 2010 was attributable to an increase in research and development activities and from an increase in the number of research and development employees.

**Table of Contents*****Other Income (Expense)***

Other income includes primarily foreign currency gains from operating activities and other expenses include primarily foreign currency losses from operating activities and antitrust related expenses. Our total net other expense increased by 261.5% from (Won)104 billion in 2009 to (Won)379 billion (US\$335 million) in 2010, primarily due to net foreign exchange loss of (Won)85 billion (US\$75 million) in 2010 compared to net foreign exchange gain from operating activities of (Won)164 billion in 2009, which resulted primarily from a significant increase in net foreign exchange loss from operating activities incurred in 2010 as a result of currency fluctuations between the Korean Won and the U.S. dollar as well as between the Korean Won and the Japanese Yen.

We recognized antitrust expenses of (Won)295 billion and (Won)309 billion (US\$273 million), respectively in 2009 and 2010. The antitrust expenses include provisions with respect to certain loss contingencies relating to antitrust proceedings as well as settlement payments in connection with antitrust related claims. See Item 8.A. Consolidated Statements and Other Financial Information Legal Proceedings Antitrust for a discussion of our antitrust proceedings and associated settlement payments.

***Results from Operating Activities***

As a result of the cumulative effect of the reasons explained above, our results from operating activities increased by 29.7% from (Won)1,010 billion in 2009 to (Won)1,310 billion (US\$1,159 million) in 2010. Our operating margin increased slightly from 5.0% to 5.1% over the same period.

***Finance Income (Costs) and Other Non-Operating Income and Loss, Net***

Finance income recognized in profit and loss includes primarily interest income of financial assets, interest income of available-for-sale securities and foreign currency gain. Finance cost recognized in profit and loss includes primarily interest expense of financial liabilities, foreign currency loss, loss on redemption of debentures, loss on valuation of financial liabilities at fair value through profit or loss and loss on sale of trade accounts and notes receivable.

Our total net finance costs increased by 326.5% from (Won)11 billion in 2009 to (Won)47 billion (US\$42 million) in 2010. Our total net finance costs increased because the decrease in finance income in 2010 compared to 2009 outpaced the decrease in finance costs over the same period.

Our finance income decreased by 27.6% from (Won)333 billion in 2009 to (Won)241 billion in 2010 primarily attributable to a (Won)60 billion decrease in foreign currency gain primarily due to less fluctuation in the exchange rate between the Korean Won and the U.S. dollars in 2010 compared to 2009 and a (Won)30 billion decrease in interest income of financial assets measured at amortized cost due to a decrease in the average balance of deposits in banks in 2010 compared to 2009.

Our finance costs decreased by 16.1% in 2010 compared to 2009 primarily due to a (Won)106 billion decrease in loss on valuation of financial liabilities at fair value through profit or loss which was in turn primarily due to the put option exercise of certain holders of our US\$550 million convertible bonds which reduced the principal amount of the convertible bond from US\$550 million to US\$66 million and a (Won)13 billion decrease in interest expense of financial liabilities measured at amortized costs which was in turn primarily due to the general decrease in interest rates in Korea from 2009 to 2010. Such decrease in finance costs were offset in part by a (Won)62 billion increase in foreign currency loss primarily due to an increase in Japanese Yen and Chinese Renminbi denominated borrowings in 2010 compared to 2009 and the general appreciating trends of both currencies against the Korean Won in 2010.

***Income Tax Expense (Benefit)***

We recognized income tax expense of (Won)106 billion (US\$94 million) in 2010 compared to income tax benefit of (Won)105 billion in 2009, primarily due to a (Won)253 billion increase in profit excluding income tax in 2010 compared to 2009, which led to a (Won)61 billion increase in income tax expense, a (Won)68 billion decrease in income tax credits in 2010 compared to 2009, as well as a (Won)61 billion increase in non-deductible items related to antitrust fines in 2010 compared to 2009. Our effective income tax rate increased by 18.7 percentage points from (10.3)% in 2009 to 8.4% in 2010 primarily attributable to the decrease in income tax credits and the increase in non-deductible items related to antitrust fine.



**Table of Contents****Profit for the Period**

As a result of the cumulative effect of the reasons explained above, our profit for the period increased by 3.7% from (Won)1,118 billion in 2009 to (Won)1,159 billion (US\$1,025 million) in 2010.

**Item 5.B. Liquidity and Capital Resources**

Our principal sources of liquidity have been net cash flows generated from our operating activities and debt and equity financing activities. We had cash and cash equivalents of (Won)818 billion and (Won)1,631 billion (US\$1,443 million) as of December 31, 2009 and 2010, respectively. We also had deposits in banks of (Won)2,500 billion and (Won)1,503 billion (US\$1,329 million), respectively, as of December 31, 2009 and 2010. Our primary use of cash has been to fund capital expenditures related to the expansion of our production capacity, including the construction and ramping-up of new fabrication facilities and the acquisition of new equipment. We also use cash flow from operations for our working capital requirements and servicing our debt payments. We expect our cash requirements for 2011 to be primarily for capital expenditures and repayment of maturing debt.

As of December 31, 2010, we had current liabilities of (Won)8,881 billion, which exceeded our current assets of (Won)8,840 billion by (Won)41 billion. As of December 31, 2009, we had current assets of (Won)8,226 billion and current liabilities of (Won)6,495 billion. The increase in current liabilities in 2010 was primarily attributable to a (Won)966 billion increase in other accounts payable mainly as a result of our active investments in our P8 (including construction works and the purchase of equipment for its expansions) and P9 facilities (including construction works) in 2010. Our management has been constantly monitoring our working capital since the occurrence of such increase in current liabilities. However, we have historically been able to satisfy our cash requirements from cash flow from operations and debt and equity financing and we believe that we will have sufficient working capital available to us (including in the form of debt) for our current requirements. We also issued domestic debentures of (Won)300 billion in February and April 2011, respectively, which proceeds have been used to satisfy our working capital requirements and redeem our short-term borrowings.

Our ability to satisfy our cash requirements from cash flow from operations and financing activities will be affected by our ability to maintain and improve our margins and, in the case of external financing, market conditions, which in turn may be affected by several factors outside of our control. Therefore, we re-evaluate our capital requirements regularly in light of our cash flow from operations, the progress of our expansion plans and market conditions. To the extent that we do not generate sufficient cash flow from our operations to meet our capital requirements, we may rely on other financing activities, such as external long-term borrowings and offerings of debt securities, including the issuance of equity, equity-linked and other debt securities.

Our net cash provided by operating activities amounted to (Won)4,153 billion in 2009 and (Won)4,884 billion (US\$4,320 million) in 2010. The increase in net cash provided by operating activities in 2010 was mainly due to an increase in cash collected from our customers as a result of an increase in sales volumes as well as from an increase in accounts receivables sold to financial institutions in 2010 compared to 2009. The increase in net cash provided by our operating activities in 2010 was offset in part by a decrease in long-term advances received in 2010 compared to 2009, the increase in cash paid for purchases of components and raw materials due to our increased sales and related production volumes and the increase in cash paid as salaries resulting from an increase in the number of employees. We received long-term advances of US\$500 million and US\$330 million, respectively, in 2009 and 2010, in connection with the long-term supply agreements we entered with Apple, Inc.

The cyclical market conditions that are characteristic of our industry, as well as the regular ramp-up of our new fabrication facilities and our cost reduction measures, contribute to the fluctuations in our inventory levels from period to period. In 2009, increased production capacity of our existing facilities as well as the commencement of mass production of our P8 and P62 in 2009 contributed to a 46.7% increase in our inventory levels from year-end 2008. In 2010, a further increase in the production capacity of our existing facilities and the commencement of mass production of our P82 and AP2 contributed to a 32.8% increase in our inventory levels from year-end 2009. Inventories comprised the following for the periods indicated:

|                 | 2009      | As of December 31,                        |          | 2010 |
|-----------------|-----------|---|----------|------|
|                 |           | 2009                                      | 2010     | 2010 |
|                 |           | (in billions of Won and millions of US\$) |          |      |
| Finished goods  | (Won) 763 | (Won) 978                                 | US\$ 865 |      |
| Work in process | 544       | 612                                       | 542      |      |

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|               |                    |                    |                   |
|---------------|--------------------|--------------------|-------------------|
| Raw materials | 229                | 422                | 373               |
| Supplies      | 132                | 203                | 179               |
| <b>Total</b>  | <b>(Won) 1,668</b> | <b>(Won) 2,215</b> | <b>US\$ 1,959</b> |

Our net cash used in investing activities amounted to (Won)4,564 billion in 2009 and (Won)4,515 billion (US\$3,993 million) in 2010. Net cash used in investing activities primarily reflected the substantial capital expenditures we have invested in connection with the expansion of our production capacity in recent years, mainly relating to construction of our new fabrication facilities and acquisition of new equipment. These cash outflows from capital expenditures amounted to (Won)3,761 billion and (Won)4,942 billion (US\$4,371 million) in 2009 and 2010, respectively. We intend to fund our capital requirements associated with our construction projects, including the construction of P9 and AP2E and the build out and equipping of P83, with cash flow from operations and other financing activities, such as external long-term borrowings. Through the end of 2010, we had used internally generated cash to fund our construction projects.

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We currently expect that our total capital expenditures on a cash out basis will be approximately (Won)5.0 trillion in 2011, primarily to fund the construction of P9 and AP2E and the build out and equipping of P83, and improvements to our pre-existing facilities. However, our overall expenditure levels and our allocation among projects are subject to many uncertainties. We review the amount of our capital expenditures and may make adjustments from time to time based on cash flow from operations, the progress of our expansion plans and market conditions.

Our net cash used in financing activities amounted to (Won)117 billion in 2009 and our net cash provided by financing activities amounted to (Won)408 billion (US\$361 million) in 2010. The net cash used in financing activities in 2009 reflects primarily repayment and prepayment of Won-denominated loans and debentures and the payment of dividends. The net cash provided by financing activities in 2010 reflects primarily the net proceeds from short-term borrowings and long-term debt (net of repayments), including the issuance of Won-denominated and foreign currency-denominated loans and debentures, which were offset in part by the payment of dividends. On March 13, 2009, we declared a cash dividend of (Won)178.9 billion to our shareholders of record as of December 31, 2008 and distributed the cash dividend to such shareholders on April 3, 2009. On March 12, 2010, we declared a cash dividend of (Won)178.9 billion to our shareholders of record as of December 31, 2009 and distributed the cash dividend to such shareholders on April 9, 2010. On March 11, 2011, we declared a cash dividend of (Won)178.9 billion to our shareholders of record as of December 31, 2010 and distributed the cash dividend to such shareholders on April 7, 2011.

We had a total of (Won)771 billion and (Won)1,213 billion (US\$1,073 million) of short-term borrowings outstanding as of December 31, 2009 and 2010, respectively. Our short-term borrowings increased primarily due to an increase in our Japanese Yen denominated short-term borrowings, including bank's issuance and bank loans, used to pay for the purchase of certain equipments from Japanese suppliers. The weighted average interest rate under the terms of our short-term borrowings was 2.17% as of December 31, 2010.

As of December 31, 2010, we maintained accounts receivable negotiating facilities with several banks for up to an aggregate amount of US\$1,425 million. As of December 31, 2010, we had ¥869 million outstanding under these receivable negotiating facilities. Our subsidiaries have also entered into various accounts receivable negotiating facilities. For further information regarding these facilities, please see Note 19 of the notes to our financial statements.

As of December 31, 2010, we had outstanding long-term debt including current portion and discounts on debentures in the amount of (Won)3,429 billion (US\$3,033 million), primarily consisting of (Won)1,300 billion of Korean Won-denominated debentures, US\$350 million of U.S. dollar-denominated debenture, ¥10 billion of Yen-denominated debenture, US\$1,097 million of U.S. dollar-denominated long-term loan, RMB 341 million of RMB-denominated long-term loan, US\$74 million convertible bonds, 48 million of Euro-denominated long-term loan, (Won)23 billion of Korean Won-denominated long-term loan and ¥8 billion of Yen-denominated long-term loan.

In April 2010, certain holders of our US\$550 million convertible bonds due 2012 exercised their put option for an aggregate principal amount of US\$484 million and were repaid at 109.75% of their principal amount. The remaining US\$66 million matures in 2012 at 116.77% of their principal amount. For further information, see Note 14 of the notes to our consolidated financial statements. The conversion price of the convertible bonds due 2012 was initially (Won)49,070 per share, but was adjusted to (Won)48,251 per share after the approval of a cash dividend of (Won)178.9 billion at the annual general meeting of shareholders on March 13, 2009, adjusted to (Won)48,075 per share after the approval of a cash dividend of (Won)178.9 billion at the annual general meeting of shareholders on March 12, 2010 and was further adjusted to (Won)47,892 per share after the approval of a cash dividend of (Won)178.9 billion at the annual general meeting of shareholders on March 11, 2011.

The terms of some of our long-term debt contain provisions that would trigger a requirement for early payment. The principal and interest under these obligations may be accelerated if there is a default, including defaults triggered by failure to comply with financial covenants and cross defaults triggered under our other debt obligations. For further information about our short- and long-term debt obligations as of December 31, 2010, see Note 14 of the notes to our financial statements.

As of December 31, 2010, we were obligated to guarantee the payment obligation of our Poland subsidiary in the amount of 48 million under a long-term credit facility that our Poland subsidiary entered into with a syndicate of banks. As of December 31, 2010, our Polish subsidiary was provided with a payment guarantee amounting to PLN 250 million by Nordea Bank and Citibank relating to the deferral of value added tax payments, and we provided a payment guarantee to Nordea Bank and others in connection with their payment guarantee. As of December 31, 2010, we were obligated to guarantee the payment obligation of our Singapore subsidiary in the amount of US\$10 million from Standard Chartered Bank and our U.S. subsidiary in the amount of US\$7 million from JP Morgan. Other than the foregoing, we have not entered into any other financial guarantees or similar commitments to guarantee the payment obligations of our subsidiaries or other third parties as of December 31, 2010.

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Set forth below are the aggregate amounts, as of December 31, 2010, of our future contractual financing and licensing obligations under our existing debt and other contractual arrangements:

| Contractual Obligations                   | Total           | Payments Due by Period |                                   |               |                      |
|---|-----------------|------------------------|-----------------------------------|---------------|----------------------|
|   |                 | Less than<br>1 year    | 1-3 years<br>(in millions of Won) | 3-5 years     | More than<br>5 years |
| Long-Term Debt, including current portion | (Won) 3,429,461 | (Won) 886,561          | (Won) 1,906,489                   | (Won) 633,213 | (Won) 3,198          |
| Fixed License Payment                     | 91,275          | 18,255                 | 36,510                            | 36,510        |                      |
| Long-Term Other Payables                  | 392,564         | 86,460                 | 291,827                           | 14,277        |                      |
| Total                                     | (Won) 3,913,300 | (Won) 991,276          | (Won) 2,234,826                   | (Won) 684,001 | (Won) 3,198          |

|   |         |         |         |        |     |
|---|---------|---------|---------|--------|-----|
| Estimates of interest payment based on contractual interest rates effective as of December 31, 2010 | 283,644 | 108,943 | 127,156 | 47,425 | 120 |
|---|---------|---------|---------|--------|-----|

In addition to fixed license payments listed above that we are obligated to make under certain technology license agreements, we also have continuing obligations to make cash royalty payments under our technology license agreements, the amount of which are generally determined based on a percentage of sales of our TFT-LCD products.

Expenses relating to our license fees and royalty payments under existing license agreements were (Won)31 billion in 2009 and (Won)33 billion (US\$29 million) in 2010, representing 4.0% of our research and development expenses in 2009 and 3.0% in 2010. We expect to make additional license fee payments as we enter into new technology license agreements from time to time with third parties.

**Taxation**

The effective statutory corporate income tax rate applicable to us is 11% (including local income surtax) for the first (Won)200 million of our taxable income and 24.2% (including local income surtax) for our taxable income in excess of (Won)200 million in 2010.

**Tax Credits**

We are entitled to tax credits relating to certain investment and technology and human resources development under the Special Tax Treatment Control Law. Specifically, we are entitled to a tax credit of 10% for our capital investments made on or before June 30, 2003, 15% for our capital investments made on or before December 31, 2004, 10% for our capital investments made on or before December 31, 2005, 7% for our capital investments made on or before December 31, 2008 and 10% for our capital investments made on or before December 31, 2009, each in proportion to the percentage of equity investment in us other than foreign direct equity investment.

In addition, pursuant to the Special Tax Treatment Control Law, we were entitled to a separate additional tax credit of 10% on the positive difference between the total amount of capital investments we made in 2009 and the average of the amount of capital investments we made in the three preceding fiscal years. 2009 was the last taxable year for companies, including us, to benefit from this tax credit, which has expired and is no longer available from 2010.

We are entitled to a tax credit of up to 40% of the increase in certain expenses incurred in connection with technology and human resources development over the average of such expenses during the previous four years.

Tax credits not utilized in the fiscal year during which the relevant investment was made may be carried forward over the next five years in the case of capital investments and five years in the case of investments relating to technology and human resources development. As of December 31, 2010, we had available deferred tax assets related to these credits in the amount of (Won)795 billion (US\$703 million), which may be utilized against future income tax liabilities through 2014.

**Item 5.C. *Research and Development, Patents and Licenses, etc.***  
**Research and Development**

The TFT-LCD industry is subject to rapid technological changes. We believe that effective research and development is essential to maintaining our position as one of the industry's leading technology innovators. Our research and product development expenditures amounted to (Won)774 billion in 2009 and (Won)1,117 billion (US\$988 million) in 2010, representing 3.8% of our sales in 2009 and 4.4% in 2010.

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Our research and development activities primarily focus on the development of new and improved products. For example, in 2008, we displayed the world's first panel for notebook computers that could change its horizontal viewing angle from 175 degrees to 60 degrees with a built-in adjustable viewing image control, thereby significantly reducing privacy concerns while using notebook computers in public areas. In 2008, we also developed the world's first TFT-LCD panel for notebook computers that applied RGB LED backlight technology, thereby offering more colors and a better contrast ratio than conventional models that used cold cathode fluorescent lamps. In addition, in 2008, we developed the world's largest 27-inch panel for desktop monitors at the time that applied black data insertion technology, which enabled us to achieve a motion picture response time equivalent to panels that used 120Hz driving technology without increasing our production costs. In 2009, we announced the world's first commercial launch of a three-dimensional multi-vision display panel that can display full high definition resolution. In 2010, we introduced three-dimensional displays utilizing film patterned retarder and shutter glass methodologies. Our three-dimensional LCD panel for use with polarized glasses received the Gold Award for Display of the Year at the Society of Information Display in 2010.

We believe that the trends for display products in the future are the widespread use of affordable large-size flat panel products with higher performance qualities and the use of different types of display products for a variety of purposes, such as using flexible display panels in a range of products or using large-size display panels for public display or advertising. To meet the demands of the future trends, we have formulated a long-term research and development strategy aimed at enhancing the process, device and design aspects of the existing products and diversifying the use of display panels as new opportunities arise with the development of communication systems and information technology. Accordingly, we have developed long-term alternative technologies, such as LED backlight technology, which is thin and light and is expected to provide reduced power consumption using environmentally friendly components. We have developed large-size high resolution LED backlight TFT-LCD panels for the categories of 42-inch, 47-inch and 55-inch panels for televisions. We have also developed copper line technology, a technology that takes advantage of copper's low electrical resistance to improve the transmission of video signals even across large-size TFT-LCD screens, resulting in sharp image quality with minimal distortion. We were the first company to apply copper line technology to high-resolution TFT-LCD panels. We have also developed TruMotion 480Hz driving technology based on copper line, scanning backlight technology and other new circuit algorithms. TruMotion 480Hz driving technology decreases motion blur by quadrupling the speed of the prior conventional frame rate of 120 Hz. Using this technology, we developed high-resolution TFT-LCD panels for televisions, ranging in size from 32 inches to 55 inches. In addition, in continual cooperation with our television end-brand customers, we have developed various mounting technologies, such as user direct mounting and through-hole mounting technology, to provide more mounting options and further enhance the marketability of their products. In order to stay technologically ahead in the TFT-LCD industry, we are focusing on evolving our existing display panels so that they become slimmer and narrower and become more environmentally friendly by using less power. For example, in 2008, we succeeded in developing one of the world's most energy efficient TFT-LCD panel for 32-inch televisions that can operate on up to 56% less power and a ultra slim 47-inch TFT-LCD panel with a thickness of 8.9mm in 2008. In 2010, we developed a TFT-LCD panel for 42-inch televisions that can operate on up to 25% less power and uses environmentally friendly components including halogen free parts.

As the product lifecycle of flat panel displays is approaching maturity, we plan to further focus on developing a next generation flat panel display technology, such as AMOLED, that can replace existing liquid crystal display panels or plasma display panels, while also exploring new growth industries, such as solar cell panels. AMOLED is a next generation flat panel display technology particularly because it is able to display clearer images of fast moving objects than conventional technology. We have already established ourselves as the leading developer of flexible displays. In 2008, we developed a flexible color e-book with the world's highest resolution at the time. We were also the first to apply non-laser crystallization technology to the production of AMOLED. In 2009, we developed the world's first 11.5-inch flexible e-paper for e-books with in-cell touch screen function, and we also developed a 19-inch e-paper, the world's largest at the time.

In order to maintain our position as one of the industry's technology leaders, we believe it is important not only to increase direct spending on research and development, but also to manage our research and development capability effectively in order to successfully implement our long-term strategy. Therefore, we complement our in-house research and development capability with collaborations with universities and other third parties. For example, we provide project-based funding to both domestic and overseas universities as a means to recruit promising engineering students and to research and develop new technologies. We also enter into joint research and development agreements from time to time with third parties for the development of technologies in specific fields. In addition, we belong to several display industry consortia, and we receive annual government funding to support our research and development efforts. In addition to these collaborations, we may form strategic technology alliances with the research arms of LG Electronics, as well as suppliers and equipment makers in cluster industries, that is, industries related to the TFT-LCD industry, in order to enhance our capability to develop new technology.

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We have developed a research and development management system whereby we encourage our engineers to propose new projects freely and to implement rigorous evaluation criteria for each stage of project development. We select our projects primarily based on their feasibility and alignment with our research and development strategy, and we review the progress of all ongoing projects on a quarterly basis. As of December 31, 2010, we employed approximately 3,380 engineers, researchers, designers, technicians and support personnel in connection with our research and development activities.

While we primarily rely on our own capacity for the development of new technologies in the TFT-LCD design and manufacturing process, we rely on third parties for certain key technologies to enhance our technology leadership, as further described in Intellectual Property below.

## **Intellectual Property**

### ***Overview***

As of March 31, 2011, we held a total of 15,049 patents, including 6,724 in Korea and 8,325 in other countries, including in the United States, China, Japan, Germany, France, Great Britain and Taiwan. These include patents for TFT-LCD manufacturing processes, products and applications. These patents will expire at various dates upon the expiration of their respective terms ranging from 2011 to 2030.

As part of our ongoing efforts to prevent infringements on our intellectual property rights and to keep abreast of critical technology developments by our competitors, we closely monitor patent applications in Korea, Japan and the United States. We also plan to initiate monitoring activities in China. We intend to continue to file patent applications, where appropriate, to protect our proprietary technologies.

We enter into confidentiality agreements with each of our employees and consultants upon the commencement of an employment or consulting relationship. These agreements generally provide that all inventions, ideas, discoveries, improvements and copyrightable material made or conceived by the individual arising out of the employment or consulting relationship and all confidential information developed or made known to the individual during the term of the relationship are our exclusive property.

### ***License Agreements***

We enter into license or cross-license agreements from time to time with third parties with respect to various device and process technologies to complement our in-house research and development. We engage in regular discussions with third parties to identify potential areas for additional licensing of key technologies.

Expenses relating to our license fees and royalty payments under existing license agreements were (Won)31 billion in 2009 and (Won)33 billion (US\$29 million) in 2010, representing 4.0% of our research and development expenses in 2009 and 3.0% in 2010. We recognized royalty income (a part as revenue and the remainder as other operating income) in the amount of US\$25 million in 2009 and 2010.

We have a license agreement with each of Lemelson Foundation, Columbia University, Penn State University, Honeywell International, Honeywell Intellectual Properties, Plasma Physics Corporation and Fergason Patent Properties. Each license agreement provides for a non-exclusive license under certain patents relating to TFT-LCD technologies.

We entered into a license agreement with Semiconductor Energy Laboratory which provides for a non-exclusive license under certain patents relating to amorphous silicon TFT technology and LTPS AMOLED technologies. For IPS technologies, we entered into a non-exclusive license agreement with Merck & Co.

We entered into a cross-license agreement with each of Hitachi, HannStar and Hydis for a non-exclusive license under certain patents relating to display technologies.

We entered into separate cross-license agreements with each of NEC and Chunghwa Picture Tubes in connection with the settlement of certain patent infringement lawsuits. Under the agreements, each party grants the other party a license under certain patents relating to TFT-LCD technologies.

We are licensed to use certain patents for our TFT-LCD products pursuant to a cross license agreement between Philips Electronics and Toshiba Corporation.





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In addition to the above, we have also entered into license or cross-license agreements with other third parties in the course of our business operations in connection with certain patents which such third parties own or control.

As well as licensing key technologies from third parties, we aim to benefit from our own patents and other intellectual property rights by granting licenses to third parties from time to time in return for royalty payments. For example, we entered into a license agreement with Rockwell Collins Inc. under which we granted to Rockwell a non-exclusive, non-transferable license under our patents primarily for use in military applications.

Under several patent purchase and license agreements between us and third parties where we have sub-licensing rights, we are obligated to share with these third parties a portion of the license payments and/or royalty income received from any such sub-licensing. In 2010, we recognized US\$5 million of royalty income under such sub-licensing rights after deducting amounts due to third parties under the patent purchase and license agreements.

### **Item 5.D. *Trend Information***

These matters are discussed under Item 5.A. and Item 5.B. above where relevant.

### **Item 5.E. *Off-Balance Sheet Arrangements***

For a discussion of our off-balance sheet arrangements, please see Factoring and securitization of accounts receivable , Letters of credit and Payment guarantees in Note 19 of the notes to our financial statements.

### **Item 5.F. *Tabular Disclosure of Contractual Obligations***

Presented in Item 5.B. above.

### **Item 5.G. *Safe Harbor***

See Forward-Looking Statements.

## **Item 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES**

### **Item 6.A. *Directors and Senior Management***

#### **Board of Directors**

Our board of directors has the ultimate responsibility for the management of our business affairs. Our articles of incorporation provide for a board consisting of between five and seven directors, more than half of whom must be outside directors. Our shareholders elect all directors at a general meeting of shareholders. Under the Korean Commercial Code, a representative director of a company established in Korea is authorized to represent and act on behalf of such company and has the power to bind such company. Young Soo Kwon is currently our sole representative director.

The term of office for our directors shall not exceed the closing of the annual general meeting of shareholders convened in respect of the last fiscal year within three years after they take office. Our board must meet at least once every quarter, and may meet as often as the chairman of the board of directors or the person designated by the regulation of the board of directors deem necessary or advisable.

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The tables below set forth information regarding our current directors and executive officers. The business address of all of the directors and executive officers is 65-228, Hangangro, 3-ga, Yongsan-gu, Seoul 140-716, Korea.

### ***Our Outside Directors***

Our current outside directors are set out in the table below. Each of our outside directors meets the applicable independence standards set forth under the rules of the Korean Commercial Code and also meets the applicable independence criteria set forth under Rule 10A-3 of the Exchange Act.

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| Name           | Date of Birth     | Position | First Elected/ |              | Principal Occupation   |
|----------------|-------------------|----------|----------------|--------------|--|
|                |                   |          | Appointed      | Term Expires |  |
| Tae Sik Ahn    | March 21, 1956    | Director | March 2010     | March 2013   | Professor, College of Business Administration and Graduate School of Business, Seoul National University |
| William Y. Kim | June 6, 1956      | Director | February 2008  | March 2014   | Partner, Ropes & Gray LLP  |
| Jin Jang       | November 28, 1954 | Director | March 2011     | March 2014   | Chair Professor, Department of Information Display, Kyung Hee University                                 |
| Sunny Yi       | March 25, 1962    | Director | March 2011     | March 2014   | Partner, Bain & Company Korea  |

**Our Non-Outside Directors**

Our non-outside directors are:

| Name                  | Date of Birth    | Position   | First Elected/ |               | Principal Occupation                             |
|-----------------------|------------------|--|----------------|---------------|--|
|                       |                  |  | Appointed      | Term Expires  |  |
| Young Soo Kwon        | February 6, 1957 | Representative Director, President and Chief Executive Officer | February 2007  | February 2013 |  |
| Yu Sig Kang           | November 3, 1948 | Director   | March 2011     | March 2014    | Vice Chairman, Representative Director, LG Corp. |
| James (Hoyoung) Jeong | November 2, 1961 | Director, Executive Vice President and Chief Financial Officer | February 2008  | February 2011 |  |

**Our Executive Officers**

| Name                  | Date of Birth    | Position   | First Elected/ |              | Division/Department |
|-----------------------|------------------|--|----------------|--------------|---------------------|
|                       |                  |  | Appointed      | Term Expires |                     |
| Young Soo Kwon        | February 6, 1957 | Representative Director, President and Chief Executive Officer | January 2007   |              |                     |
| James (Hoyoung) Jeong | November 2, 1961 | Director, Executive Vice President and Chief Financial Officer | January 2008   |              |                     |
| Jong Sik Kim          | June 4, 1953     |  | October 2006   |              | Manufacturing       |

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|              |                    |  |              |          |
|--------------|--------------------|--|--------------|----------|
| In Jae Chung | September 20, 1956 | President and Chief<br>Operation Officer                       | January 2006 | Research |
|              |                    | Executive<br>Vice-President and<br>Chief Innovation<br>Officer |              |          |

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| Name          | Date of Birth     | Position                 | Elected/Appointed to |                      |
|---------------|-------------------|--------------------------|----------------------|----------------------|
|               |                   |                          | Current Position     | Division/Department  |
| Bock Kwon     | August 4, 1954    | Executive Vice-President | January 2006         | System Solution      |
| Sang Deog Yeo | December 3, 1955  | Executive Vice-President | January 2005         | Mobile/OLED Business |
| Sang Beom Han | June 18, 1955     | Executive Vice-President | January 2006         | TV Business          |
| Hyun He Ha    | December 18, 1956 | Executive Vice-President | January 2007         | IT Business          |
| Yu Seoung Yin | June 20, 1956     | Executive Vice-President | January 2009         | China Center         |

We and our subsidiaries do not have any service contracts with our directors providing for benefits upon termination of their employment with us or our subsidiaries.

*Young Soo Kwon* has served as representative director, president and chief executive officer since February 2007. Prior to joining LG Display, Mr. Kwon served as president and chief financial officer of LG Electronics. He also served as head of the globalization team at LG Electronics headquarters in Korea, as well as a financial officer at LG Electronics' overseas subsidiary in New Jersey. Mr. Kwon holds a bachelor's degree in business administration from Seoul National University and a master's degree in industrial engineering from Korea Advanced Institute of Science and Technology.

*Yu Sig Kang* has served as director since March 2011. Mr. Kang is currently the representative director and vice chairman of LG Corp. He also served as the head of LG Corp's Restructuring Office. He holds a bachelor's degree in business administration from Seoul National University.

*James (Hoyoung) Jeong* has served as director, executive vice president and chief financial officer since February 2008. Mr. Jeong also served as head of our Business Supporting Center. Prior to joining LG Display, he served as chief financial officer of LG Electronics. Mr. Jeong holds a bachelor's degree in business administration from Yonsei University.

*Tae Sik Ahn* has served as outside director since March 2010. Mr. Ahn is currently a professor of the College of Business Administration and Graduate School of Business at Seoul National University and a member of the executive committee of the Asia-Pacific Management Accounting Association. He is also currently an outside director of Hyundai Elevator Co., Ltd. Mr. Ahn holds a bachelor's degree in business administration from Seoul National University and a Ph.D. in accounting from the University of Texas, Austin.

*William Y. Kim* has served as outside director since February 2008. Mr. Kim is currently a partner at Ropes & Gray LLP. He also served as partner at Alston & Bird LLP and Dorsey & Whitney LLP. He is currently the chairman of the Scholarship and Rules Committee of the National Board of Directors of the Korean-American Scholarship Foundation. Mr. Kim holds a bachelor's degree in science from the Catholic University of America, a J.D. degree from Georgetown University Law Center and an M.B.A. degree from the University of Michigan.

*Jin Jang* has served as outside director since March 2011. Mr. Jang is currently the chair professor of the Department of Information Display at Kyung Hee University. He also served as the vice president of The Korean Information Display Society. Mr. Jang holds a bachelor's degree in physics from Seoul National University, and a master's degree and a Ph.D. in physics from the Korea Advanced Institute of Science.

*Sunny Yi* has served as outside director since March 2011. Mr. Yi is currently a partner at Bain & Company Korea. He also served as a regional director at AT Kearney's Seoul branch. Mr. Yi holds a bachelor's degree in aerospace engineering from the United States Military Academy at West Point and a master's degree in computer science from the University of Southern California and an M.B.A. degree from Harvard Business School.

*Jong Sik Kim* has served as president since January 2011 and chief operation officer since December 2010. Mr. Kim also served as head of the module center since joining LG Display in October 2006. Prior to joining LG Display, Mr. Kim served as head of display production and head of quality control and procurement at LG Electronics. Mr. Kim holds a bachelor's degree in electronic engineering from Yeungnam University and a master's degree in electronic engineering from Kyungpook National University.

*In Jae Chung* has served as executive vice-president since January 2006 and as chief innovation officer since December 2010. Prior to joining LG Display, Mr. Chung served as head of the notebook development department and LCD laboratory at LG Electronics. Mr. Chung received a bachelor's degree in physics and a master's degree in applied physics from Korea University and a Ph.D. in electronic engineering from University of South Australia.



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*Bock Kwon* has served as executive vice-president since January 2006 and as head of the System Solution Business Division since August 2010. Mr. Kwon also previously served as head of the Corporate Strategy & Marketing Center. Prior to joining LG Display, Mr. Kwon worked for the worldwide sales division at LG Electronics. Mr. Kwon holds a bachelor's degree in electrical engineering from Pusan National University.

*Sang Deog Yeo* has served as executive vice-president since January 2005. Mr. Yeo also served as head of the Mobile/OLED Business Division since November 2009. Prior to joining LG Display, Mr. Yeo served as head of Monitor Product Development at LG Electronics. Mr. Yeo holds a bachelor's degree in electronic engineering from Kyungpook National University.

*Sang Beom Han* has served as executive vice-president since January 2006 and head of the TV Business Division since November 2009. Mr. Han also served as executive vice-president and head of the Panel Center and as vice-president for our Panel 5 factory and the Manufacturing Technology Center since joining LG Display in December 2001. Prior to joining LG Display, Mr. Han served as vice president of Hynix Semiconductor Inc. Mr. Han holds a Ph.D. degree in material science from Stevens Institute of Technology.

*Hyun He Ha* has served as executive vice-president since January 2007. Mr. Ha has also served as head of the IT Business Division since November 2009. Mr. Ha has also served as vice president of the Corporate Strategy Department. Mr. Ha holds a bachelor's degree in history from Pusan National University and an M.B.A. degree from Waseda University.

*Yu Seoung Yin* has served as executive vice-president and head of the China Center since January 2009. Prior to joining LG Display, Mr. Yin served as executive vice-president of the Chairman's Office at LG Holdings. Mr. Yin holds a bachelor's degree in mass communication from Chung-Ang University.

### **Item 6.B. Compensation**

The aggregate remuneration and benefits-in-kind we paid in 2010 to our executive officers and our directors was (Won)6 billion. In addition, as of December 31, 2010, our accrued severance and retirement benefits to those directors and officers amounted to (Won)766 million (US\$677 thousand).

Our articles of incorporation provide for a long-term incentive plan to aid retention of executives and key staff and to provide an incentive to meet strategic objectives. See Item 6.E. Stock Ownership - Stock Options below for information concerning our long-term incentive plan.

We carry liability insurance for the benefit of our directors and officers against certain liabilities incurred by them in their official capacities. This insurance covers our directors and officers, as well as those of our subsidiaries, against certain claims, damages, judgments and settlements, including related legal costs, arising from a covered individual's actual or alleged breaches of duty, neglect or other errors, arising in connection with such individual's performance of his or her official duties. The insurance protection also extends to claims, damages, judgments and settlements, including related legal costs, arising out of shareholders' derivative actions or otherwise relating to our securities. Policy exclusions include, but are not limited to, claims relating to fraud, willful misconduct or criminal acts, as well as the payment of punitive damages. In 2010, we paid a premium of approximately US\$2 million in respect of this insurance policy.

### **Item 6.C. Board Practices**

See Item 6.A. Directors and Senior Management above for information concerning the terms of office and contractual employment arrangements with our directors and executive officers.

### **Committees of the Board of Directors**

We currently have three committees that serve under our board of directors:

Audit Committee;

Outside Director Nomination and Corporate Governance Committee; and

Remuneration Committee.



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Our board of directors may establish other committees if they deem them necessary.

Our board of directors will appoint each member of these committees except that candidates for the Audit Committee will first be elected by our shareholders at the general meeting of shareholders.

### ***Audit Committee***

Under Korean law and our articles of incorporation, we are required to have an Audit Committee. Our Audit Committee is comprised of three outside directors: Tae Sik Ahn, Sunny Yi and William Y. Kim. The chairman is Tae Sik Ahn. Members of the Audit Committee are elected by our shareholders at the annual general meeting of shareholders and all members must meet the applicable independence criteria set forth under the rules and regulations of the Sarbanes-Oxley Act of 2002 and the Korean Commercial Code. The committee reviews all audit and compliance-related matters and makes recommendations to our board of directors. The Audit Committee's primary responsibilities include the following:

engaging or dismissing independent auditors;

approving independent audit fees;

approving audit and non-audit services;

reviewing annual and interim financial statements;

reviewing audit results and reports, including management comments and recommendations;

reviewing our system of controls and policies, including those covering conflicts of interest and business ethics;

assessing compliance with disclosure and filing obligations;

considering significant changes in accounting practices; and

examining improprieties or suspected improprieties.

In addition, in connection with general meetings of shareholders, the committee examines the agenda for, and financial statements and other reports to be submitted by, the board of directors at each general meeting of shareholders. Our external auditor reports directly to the Audit Committee. Our external auditor is invited to attend meetings of this committee when needed or when matters pertaining to the audit are discussed.

The committee holds regular meetings at least once each quarter, and more frequently as needed.

### ***Outside Director Nomination and Corporate Governance Committee***

The Outside Director Nomination and Corporate Governance Committee is comprised of two outside directors, William Y. Kim and Jin Jang, and one non-outside director, James (Hoyoung) Jeong. The chairman is James (Hoyoung) Jeong. The Outside Director Nomination and Corporate Governance Committee reviews the qualifications of potential candidates for outside directors and proposes nominees to serve on our

board of directors. The committee also develops and recommends to the board of directors a set of corporate governance principles and oversees our policies, practices and procedures in the area of corporate governance.

The committee holds regular meetings at least once each year, and more frequently as needed.

***Remuneration Committee***

The Remuneration Committee is comprised of two outside directors, Sunny Yi and Tae Sik Ahn, and one non-outside director, James (Hoyoung) Jeong. The chairman is Sunny Yi. The Remuneration Committee's primary responsibilities include making recommendations to the board of directors concerning salaries and incentive compensation for our directors and executive officers.

The committee holds regular meetings at least once each year, and more frequently as needed.

**Table of Contents****Item 6.D. Employees**

As of December 31, 2010, we had 46,705 employees, including 16,509 employees in our overseas subsidiaries. The following table provides a breakdown of our employees by function as of December 31, 2008, 2009 and 2010:

| Employees <sup>(1)</sup>    | As of December 31, |               |               |
|-----------------------------|--------------------|---------------|---------------|
|                             | 2008               | 2009          | 2010          |
| Production                  | 18,847             | 24,115        | 37,255        |
| Technical <sup>(2)</sup>    | 4,200              | 5,169         | 6,931         |
| Sales & Marketing           | 1,046              | 1,218         | 1,527         |
| Management & Administration | 767                | 904           | 992           |
| <b>Total</b>                | <b>24,860</b>      | <b>31,406</b> | <b>46,705</b> |

(1) Includes employees of our subsidiaries.

(2) Includes research and development and engineering personnel.

To recruit promising engineering students at leading Korean universities, we work with these universities on research projects where these students can gain exposure to our research and development efforts. We also provide on-the-job training for our new employees and develop training programs to identify and promote new leaders.

As of December 31, 2010, approximately 66% of our employees, including those of our subsidiaries, were union members, and production employees accounted for substantially all of these members. We have a collective bargaining arrangement with our labor union, which is negotiated once a year. We have never experienced a work stoppage or strike, and we consider our relationship with our employees to be good.

The salaries of our employees are reviewed annually. Salaries are adjusted based on individual and team performance, industry standards and inflation. As an incentive, discretionary bonuses may be paid based on the performance of individuals, and a portion of our operating income may be paid to our employees under our profit sharing plan if certain performance criteria are achieved. We also provide a wide range of benefits to our employees including medical insurance, employment insurance, workers compensation, free medical examinations, child tuition and education fee reimbursements and low-cost housing for certain employees.

Under the Korean Labor Standards Act, employees with one year or more of service are entitled to receive, upon termination of their employment, a lump-sum severance payment based on the length of their service and their average wage during the last three months of employment. As of December 31, 2010, our recognized liabilities for defined benefit obligations amounted to (Won)79 billion (US\$70 million). See Note 17 of the notes to our financial statements for a discussion on the method of calculating our recognized liabilities for defined benefit obligations.

As of December 31, 2010, our employee stock ownership association owned approximately 0.01% of our common stock.

**Item 6.E. Share Ownership  
Common Stock**

The persons who are currently our executive officers held, as a group, 27,888 shares of our common stock as of May 2, 2011, the most recent date for which this information is available. Our executive officers acquired our shares of common stock through our employee stock ownership association and pursuant to open market purchases on the Korea Exchange. Due to Korean law restrictions, our chief executive officer and chief financial officer did not participate in the employee stock ownership association. Each of our directors and executive officers beneficially owns less than one percent of our common stock on an individual basis.

**Stock Options**

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Our articles of incorporation provide for a long-term incentive plan to aid retention of executives and key staff and to provide an incentive to meet strategic objectives. As part of our long-term incentive plan, our board of directors resolved in April 2005 to grant the first performance-based stock options to our standing directors and executive officers. The stock option plan compares gains in the KOSPI against increases in the price of our common stock during the period from the grant date to the start of the exercise period. Depending on our performance, adjustments may be made to the number of options that a grantee may exercise during the exercise period. A grantee will be permitted to exercise 100% of the stock options initially granted if our common stock outperforms the KOSPI during the period of comparison. A grantee will be permitted to exercise only 50% of the stock options initially granted if the KOSPI outperforms our common stock during the period of comparison. In addition, our board adopted a Stock Appreciation Rights Plan pursuant to which we will pay in cash the difference between the exercise and market price at the date of exercise. The following table sets forth certain information regarding our stock option plan as of May 3, 2011:

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

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

**Item 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS****Item 7.A. Major Shareholders**

The following table sets forth information regarding beneficial ownership of our common stock as of May 2, 2011 by each person or entity known to us to own beneficially more than 5% of our outstanding shares:

| Beneficial Owner         | Number of Shares of Common Stock | Percentage |
|--------------------------|----------------------------------|------------|
| LG Electronics           | 135,625,000                      | 37.9%      |
| National Pension Service | 23,101,658                       | 6.5%       |

Other than as set forth above, no other person or entity known by us to be acting in concert, directly or indirectly, jointly or severally, owned more than 5% or more of our outstanding common stock or exercised control or could exercise control over us as of May 2, 2011. None of our major shareholders identified above has voting rights different from those of our other shareholders.

In July 1999, LG Electronics entered into a joint venture agreement with Philips Electronics, pursuant to which Philips Electronics acquired a 50% interest in LG LCD. In July 2004, we completed our initial public offering and listed shares of our common stock on the Korea Exchange under the identifying code 034220 and our ADSs on the New York Stock Exchange under the symbol LPL. Prior to the listings, LG Electronics and Philips Electronics terminated the joint venture agreement and entered into a shareholders' agreement to reflect new arrangements between them as controlling shareholders. On October 2007, Philips Electronics sold 46.4 million shares of our common stock to financial institutions in a capital markets transaction, which represented approximately 13.0% of our issued share capital, and reduced its ownership interest in us to 19.9% from 32.9% as of December 31, 2006. On March 12, 2008, Philips Electronics sold 24 million shares of our common stock to institutional investors and further reduced its ownership interest in us to 13.2%. On March 16, 2009, Philips Electronics sold all of its remaining equity interest in us and the shareholders' agreement automatically terminated upon such sale by Philips Electronics.

**Item 7.B. Related Party Transactions****Certain Relationships and Related Party Transactions**

We engage from time to time in a variety of transactions with related parties, including the sale of our products to, and the purchase of raw materials and components from, such related parties. We have conducted our transactions with related parties, including LG Electronics, as we would in comparable arm's-length transactions with a non-related party, on a basis substantially as favorable to us as would be obtainable in such transactions.

**Relationships and Transactions with LG Electronics and Related Companies**

*Sales to LG Electronics*

We sell TFT-LCD panels, primarily large-size panels for televisions, notebook computers and desktop monitors and mobile and other applications, to LG Electronics (including its overseas subsidiaries) and certain of its affiliates on a regular basis, as both an end-brand customer and as a systems integrator for use in products they assemble on a contract basis for other end-brand customers. Pricing and other principal terms of the sales are negotiated on an arm's-length basis and are substantially the same as those for our non-affiliated end-brand customers.

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Sales to LG Electronics (including its overseas subsidiaries) on an invoiced basis, which include sales to LG Electronics as an end-brand customer and system integrator, amounted to (Won)6,315 billion (US\$5,586 million), or 24.8% of our sales, in 2010.

### ***Sales to LG International***

We sell our products to certain subsidiaries of LG International, our affiliated trading company, in regions where we do not have a sales subsidiary, or where doing so is consistent with local market practices. These subsidiaries of LG International process orders from and distribute products to customers located in their region.

In particular, we sell our products to LG International Japan, Ltd. and LG International Singapore Ltd. Sales to LG International and its subsidiaries on an aggregate basis amounted to 8.8% of our sales in 2010. We sell our products to these subsidiaries of LG International at a market price determined on an arm's-length basis.

We establish sales subsidiaries in the relevant geographical markets when the benefit of doing so outweighs the cost of utilizing our affiliated trading company, LG International, or its subsidiaries, and where local market practice permits. Based on this approach, we established sales subsidiaries in Hong Kong and Shanghai, China, in January 2003, to replace LG International (HK) in conducting sales to system integrators located in China. Our sales subsidiary in Hong Kong was subsequently liquidated in November 2009. In January 2009, we established a sales subsidiary in Singapore, which is expected to replace LG International Singapore Ltd. in conducting sales to system integrators located in Singapore. We expect to continue to utilize LG International Japan, consistent with local market practices there, to conduct our sales to end-brand customers in Japan, but may establish additional sales subsidiaries in the future in these or other regions as sales volumes to customers located in these regions increase and/or market practice warrants.

### ***Purchases from LG International***

We procure a portion of our production materials, supplies and services, from LG International and its subsidiaries in Japan, Europe and the United States. We use these subsidiaries in order to take advantage of their relationships with vendors, experience in negotiations and logistics as well as their ability to obtain volume discounts. Purchase prices we pay to these subsidiaries and other terms of our transactions with them are conducted on an arm's-length basis. We expect to continue to utilize LG International's overseas subsidiaries for the procurement of a portion of our production materials, supplies and services.

Our purchases, including purchases of materials, supplies and services, from LG International and its subsidiaries, amounted to (Won)1,806 billion (US\$1,597 million), or 6.3% of our total purchases, in 2010.

### ***Other Purchases***

Under a master purchase agreement, we procure, on an as-needed basis, raw materials, components and other materials necessary for our production process from LG Electronics and its affiliated companies, including LG Chem and LG Innotek (formerly from LG Micron Ltd. prior to its merger with and into LG Innotek in July 2009). Our purchases of raw materials, such as polarizers, from LG Chem amounted to (Won)1,921 billion (US\$1,699 million) in 2010. Our purchases of photo masks from LG Innotek amounted to (Won)298 billion (US\$264 million) in 2010.

Our total purchases, including purchases of materials, supplies and services, from LG Electronics and its affiliated companies, excluding LG International and its subsidiaries, amounted to (Won)6,055 billion (US\$5,356 million), or 27.1% of our total purchases, in 2010.

In addition, we benefit from certain licenses extended to us from license or cross-license agreements between LG Electronics and third parties.

Under the terms of the joint venture agreement, LG Electronics had assigned most of its patents relating to the development, manufacture and sale of TFT-LCD products to us and we had agreed to maintain joint ownership of those patents that were not assigned to us. Pursuant to a grantback agreement entered into with LG Electronics in July 2004, in the event of any intellectual property dispute between LG Electronics and a third party relating to those patents jointly owned by LG Electronics and us, we intend to allow LG Electronics to assert ownership in those patents for all non-TFT-LCD applications and to license or grant other rights in such patents for use by the licensee in non-TFT-LCD applications in order to settle such disputes.





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### ***Trademark Agreement with LG Corp.***

We entered into a trademark license agreement with LG Corp., the holding company of the LG Group, in July 2004 for use of the LG name. Under the agreement, we began making monthly payments to LG Corp. in the aggregate amount per year of 0.1% of our sales, net of advertising expenses, in 2005. This trademark license agreement expired on December 31, 2007, and although the agreement allowed for an automatic renewal, we signed a new trademark license agreement with LG Corp. in February 2008. Under the new agreement, from January 1, 2008 to June 30, 2008 and from July 1, 2008 to December 31, 2010, we are required to make monthly payments to LG Corp. in the aggregate amount per year of 0.1% and 0.2% of our sales, respectively, net of advertising expenses. As of May 2, 2011, we have made all monthly payments required to be made to LG Corp. in accordance with the terms of the new agreement.

### ***Asset Purchase Agreement with LG Innotek***

In May 2010, we purchased the liquid crystal display module division of LG Innotek, a subsidiary of LG Electronics, for a purchase price of (Won)238 billion. We expect that through this acquisition, we will be able to increase our liquid crystal display production capacity. The terms of the transaction has been negotiated by the parties on an arm's-length basis.

### **Transactions with Directors and Officers**

Certain of our directors and executive officers also serve as executive officers of companies with which we do business. None of our directors or executive officers has or had any interest in any of our business transactions that are or were unusual in their nature or conditions or significant to our business.

### **Item 7.C. *Interests of Experts and Counsel***

Not applicable.

## **Item 8. FINANCIAL INFORMATION**

### **Item 8.A. *Consolidated Statements and Other Financial Information***

See Item 18. Financial Statements and pages F-1 through F-100.

### **Legal Proceedings**

We are involved from time to time in certain routine legal actions incidental to our business. However, except for the ongoing proceedings described below, we are not currently involved in any material litigation or other proceedings the outcome of which we believe might, individually or taken as a whole, have a material adverse effect on our results of operations or financial condition. In addition, except as described below, we are not aware of any other material pending or threatened litigation against us.

### ***Intellectual Property***

In December 2006, we filed a complaint in the United States District Court for the District of Delaware against Chi Mei Optoelectronics Corp. and AU Optronics Corp. claiming infringement of patents related to liquid crystal displays and the manufacturing processes for TFT-LCDs. We are seeking, among other things, monetary damages for past infringement and an injunction against future infringement. In March 2007, AU Optronics filed a counter-claim against us in the United States District Court for the Western District of Wisconsin for alleged infringement of patents related to the manufacturing processes for TFT-LCDs but the suit was transferred to the United States District Court for the District of Delaware in May 2007. In May 2007, Chi Mei Optoelectronics filed a counter-claim against us for patent infringement in the United States District Court for the Eastern District of Texas, but the suit was transferred to the United States District Court for the District of Delaware in March 2008. The Delaware court bifurcated the trial between AU Optronics and Chi Mei Optoelectronics, holding the first trial against AU Optronics in June 2009.

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Although we had a total of nine patents to be tried and AU Optronics had a total of seven patents to be tried in the first trial against AU Optronics, the trial was further bifurcated so that only four patents from each side were tried. In February 2010, the Delaware court found that the four AU Optronics patents were valid and were infringed by us, and in April 2010, the Delaware court further found that our four patents were valid but were not infringed by AU Optronics. In October and November 2010, we filed a motion for a new trial and to amend certain findings on the AU Optronics patents and our patents, respectively. As of May 2, 2011, the Delaware court has not ruled on our motions.

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In February 2007, Anvik Corporation filed a complaint in the United States District Court for the Southern District of New York against us, along with other TFT-LCD manufacturing companies, for alleged patent infringement in connection with the use of photo-masking equipment manufactured by Nikon Corporation. Anvik is seeking monetary damages for past infringement and an injunction against future infringement.

***Antitrust***

In December 2006, LG Display received notices of investigation by the Korea Fair Trade Commission, the Japan Fair Trade Commission, the U.S. Department of Justice, and the European Commission with respect to possible anti-competitive activities in the TFT-LCD industry. LG Display subsequently received similar notices from the Canadian Bureau of Competition Policy, the Secretariat of Economic Law of Brazil and the Taiwan Fair Trade Commission. In addition, in July 2009, the Federal Competition Commission of Mexico announced a similar investigation into possible anti-competitive practices in the LCD industry.

In November 2008, LG Display executed an agreement with the U.S. Department of Justice whereby LG Display and its subsidiary, LG Display America, Inc., pleaded guilty to a Sherman Antitrust Act violation and agreed to pay a single total fine of US\$400 million. In December 2008, the U.S. District Court for the Northern District of California accepted the terms of the plea agreement and entered a judgment against LG Display and LG Display America, Inc. and ordered the payment of US\$400 million according to the following schedule: US\$20 million plus any accrued interest by June 15, 2009, and US\$76 million plus any accrued interest by each of June 15, 2010, June 15, 2011, June 15, 2012, June 15, 2013 and December 15, 2013. The agreement resolved all federal criminal charges against LG Display and LG Display America, Inc. in the United States in connection with this matter.

In December 2010, the European Commission issued a decision finding that LG Display engaged in anti-competitive activities in the TFT-LCD industry in violation of European Union competition laws, and imposed a fine of 215 million. In February 2011, LG Display filed with the European Union General Court an application for partial annulment and reduction of the fine imposed by the European Commission. As of May 2, 2011, the European Union General Court has not ruled on our application.

In November 2009, the Taiwan Fair Trade Commission terminated its investigation without any finding of violations or levying of fines. As of May 2, 2011, investigations by the Canadian Bureau of Competition Policy, the Japan Fair Trade Commission, the Korea Fair Trade Commission, the Federal Competition Commission of Mexico and the Secretariat of Economic Law of Brazil are ongoing.

After the commencement of the U.S. Department of Justice investigation, a number of class action complaints were filed against LG Display, LG Display America, Inc. and other TFT-LCD panel manufacturers in the United States and Canada alleging violation of respective antitrust laws and related laws. In a series of decisions in 2007 and 2008, the class action lawsuits in the United States were transferred to the Northern District of California for pretrial proceedings ( MDL Proceedings ). In March 2010, the federal district court granted the class certification motion filed by the indirect purchaser plaintiffs, and granted in part and denied in part the class certification motion filed by the direct purchaser plaintiffs. In June 2010, the Ninth Circuit Court of Appeals denied the defendants' petitions appealing the class certification decisions. In January 2011, 78 entities (including groups of affiliated entities) submitted requests for exclusion from the direct purchaser class. The time period for submitting requests for exclusion from the indirect purchaser class has not yet begun. Trial is set to begin in the two class action lawsuits on February 13, 2012. Class certification in Canada remains pending.

In addition, in 2010 and 2011, the attorneys general of Arkansas, California, Florida, Illinois, Michigan, Mississippi, Missouri, New York, Oregon, South Carolina, Washington, West Virginia and Wisconsin filed complaints against LG Display, alleging similar antitrust violations as alleged in the MDL Proceedings. The attorneys general actions all remain in the initial pleadings stages.

In relation to the MDL Proceedings, in 2009, ATS Claim, LLC (assignee of Ricoh Electronics, Inc.), AT&T Corp. and its affiliates, Motorola, Inc., and Electrograph Technologies Corp. and its subsidiary filed separate claims in the United States, and all of the actions were subsequently consolidated into the MDL Proceedings. In November 2010, ATS Claim, LLC dismissed its action as to LG Display pursuant to a settlement agreement. In addition, in 2010, TracFone Wireless Inc., Best Buy Co., Inc. and its affiliates, Target Corp., Sears, Roebuck and Co., Kmart Corp., Old Comp Inc., Good Guys, Inc., RadioShack Corp., Newegg Inc., Costco Wholesale Corp., Sony Electronics, Inc., Sony Computer Entertainment America LLC, SB Liquidation Trust, and the trustee of the Circuit City Stores, Inc. Liquidation Trust, filed claims in the United States. In addition, in 2011, Office Depot, Inc. and T-Mobile U.S.A., Inc. filed similar claims in the United States. To the extent these claims were not filed in the MDL Proceedings, they have been transferred to the MDL Proceedings or motions have been made to transfer them to the MDL Proceedings.

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

In each of the foregoing matters that are ongoing, LG Display is continually evaluating the merits of the respective claims and vigorously defending itself. Irrespective of the validity or the successful assertion of the claims described above, LG Display may incur significant costs with respect to litigating or settling any or all of the asserted claims. While we continue to vigorously defend the various proceedings described above, it is possible that one or more proceedings may result in an unfavorable outcome. We have recognized provisions in 2010 with respect to those contingencies in which management has concluded that the likelihood of an unfavorable outcome is probable and the amount of loss is reasonably estimable. However, actual liability may be materially different from that estimated as of December 31, 2010 and may have a material adverse effect on our operating results or financial condition.

**Dividends**

Annual dividends must be approved by the shareholders at the annual general meeting of shareholders and interim dividends must be approved by the board of directors. Cash dividends may be paid out of retained earnings that have not been appropriated to statutory reserves.

On March 13, 2009, we declared a cash dividend of (Won)178.9 billion to our shareholders of record as of December 31, 2008 and distributed the cash dividend to such shareholders on April 3, 2009. On March 12, 2010, we declared a cash dividend of (Won)178.9 billion to our shareholders of record as of December 31, 2009 and distributed the cash dividend to such shareholders on April 9, 2010. On March 11, 2011, we declared a cash dividend of (Won)178.9 billion to our shareholders of record as of December 31, 2010 and distributed the cash dividend to such shareholders on April 7, 2011.

**Item 8.B. Significant Changes**

Except as disclosed elsewhere in this annual report, we have not experienced any significant changes since the date of our audited consolidated financial statements included in this annual report.

**Item 9. THE OFFER AND LISTING**

**Item 9.A. Offer and Listing Details.**

**Market Price Information**

The principal trading market for our common stock is the Korea Exchange. Our common stock, which is in registered form and has a par value of (Won)5,000 per share of common stock, has been listed on the Korea Exchange since July 23, 2004 under the identifying code 034220. As of December 31, 2010, 357,815,700 shares of common stock were outstanding. Our common stock is also listed on the New York Stock Exchange in the form of ADSs. The ADSs have been issued by Citibank as ADS depository and have been listed on the New York Stock Exchange under the symbol LPL since July 22, 2004. One ADS represents one-half of one share of common stock. As of December 31, 2010, 17,881,825 ADSs were outstanding.

The table below sets forth, for the periods indicated, the high and low closing prices and the average daily volume of trading activity on the Korea Exchange for our common stock, and their high and low closing prices and the average daily volume of trading activity on the New York Stock Exchange for our ADSs:

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|                       | Korea Exchange                    |              |  | New York Stock Exchange |            |   |
|-----------------------|-----------------------------------|--------------|--|-------------------------|------------|---|
|                       | Closing Price Per<br>Common Stock |              | Average<br>Daily<br>Trading Volume<br>(in thousands of shares) | Closing Price Per ADS   |            | Average<br>Daily<br>Trading Volume<br>(in thousands of DRs) |
|                       | High                              | Low          |  | High                    | Low        |   |
| <b>2006</b>           | (Won) 46,600                      | (Won) 25,550 | 1,181  | US\$ 24.40              | US\$ 14.06 | 1,096   |
| <b>2007</b>           | 56,000                            | 26,250       | 2,248  | 31.13                   | 14.01      | 1,091   |
| <b>2008</b>           | 50,600                            | 16,650       | 3,557  | 24.99                   | 5.54       | 1,113   |
| <b>2009</b>           | 39,250                            | 22,800       | 3,962  | 16.93                   | 7.78       | 1,646   |
| <b>First Quarter</b>  | 28,800                            | 22,800       | 4,237  | 11.12                   | 7.78       | 1,444   |
| <b>Second Quarter</b> | 34,100                            | 28,000       | 4,406  | 12.95                   | 10.67      | 1,419   |
| <b>Third Quarter</b>  | 39,250                            | 31,850       | 4,260  | 15.77                   | 12.41      | 1,742   |
| <b>Fourth Quarter</b> | 39,250                            | 28,850       | 2,940  | 16.93                   | 11.90      | 1,698   |
| <b>2010</b>           | 47,900                            | 33,250       | 2,827  | 21.10                   | 14.03      | 1,465   |
| <b>First Quarter</b>  | 41,900                            | 34,600       | 2,750  | 18.24                   | 15.04      | 1,484   |
| <b>Second Quarter</b> | 47,900                            | 40,300       | 2,956  | 21.10                   | 16.10      | 1,855   |
| <b>Third Quarter</b>  | 40,400                            | 33,250       | 3,212  | 17.78                   | 14.03      | 1,512   |
| <b>Fourth Quarter</b> | 41,900                            | 37,400       | 2,597  | 18.54                   | 16.37      | 1,014   |
| October               | 41,350                            | 37,550       | 2,840  | 18.54                   | 16.88      | 1,269   |
| November              | 41,900                            | 37,400       | 2,668  | 18.33                   | 16.37      | 977   |
| December              | 41,700                            | 38,900       | 2,294  | 18.29                   | 17.15      | 794   |
| <b>2011</b>           |                                   |              |  |                         |            |   |
| <b>First Quarter</b>  | 40,950                            | 33,650       | 2,711  | 18.11                   | 15.03      | 1,108   |
| January               | 40,950                            | 37,300       | 3,087  | 18.11                   | 16.26      | 1,241   |
| February              | 38,600                            | 35,750       | 2,257  | 17.46                   | 15.96      | 1,136   |
| March                 | 36,500                            | 33,650       | 2,704  | 16.30                   | 15.03      | 948   |
| <b>Second Quarter</b> |                                   |              |  |                         |            |   |
| April                 | 40,900                            | 35,450       | 4,069  | 18.81                   | 16.29      | 1,303   |
| May (through May 2)   | 39,550                            | 39,550       | 2,816  | 18.29                   | 18.29      | 1,952   |

Source: Korea Exchange; New York Stock Exchange.

**Item 9.B. Plan of Distribution**

Not applicable.

**Item 9.C. Markets****The Korea Exchange**

On January 27, 2005, the Korea Exchange was established pursuant to the Korea Securities and Futures Exchange Act by consolidating the Korea Stock Exchange, the Korea Futures Exchange, the KOSDAQ Stock Market, Inc., or the KOSDAQ, and the KOSDAQ Committee of the Korea Securities Dealers Association, which had formerly managed the KOSDAQ. There are three different markets operated by the Korea Exchange: the KRX KOSPI Market, the KRX KOSDAQ Market and the KRX Derivatives Market. The Korea Exchange has two trading floors located in Seoul, one for the KRX KOSPI Market and one for the KRX KOSDAQ Market, and one trading floor in Busan for the KRX Derivatives Market. The Korea Exchange is a limited liability company, the shares of which are held by (i) financial investment companies that were formerly members of the Korea Futures Exchange or the Korea Stock Exchange and (ii) the stockholders of the KOSDAQ. Currently, the Korea Exchange is the only stock exchange in Korea and is operated by membership, having as its members Korean financial investment companies and some Korean branches of foreign securities companies.

As of December 31, 2010, the aggregate market value of equity securities listed on the Korea Exchange was approximately (Won)14.2 trillion. The average daily trading volume of equity securities for 2010 was approximately 2.9 million shares with an average transaction value of (Won)114 billion.

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The Korea Exchange has the power in some circumstances to suspend trading in the shares of a given company or to de-list a security pursuant to the Regulation on Listing on the Korea Exchange. The Korea Exchange also restricts share price movements. All listed companies are required to file accounting reports annually, semi-annually and quarterly and to release immediately all information that may affect trading in a security.

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The Korean government has in the past exerted, and continues to exert, substantial influence over many aspects of the private sector business community that can have the intention or effect of depressing or boosting the market. In the past, the Korean government has informally both encouraged and restricted the declaration and payment of dividends, induced mergers to reduce what it considers excess capacity in a particular industry and induced private companies to offer publicly their securities.

The Korea Exchange publishes the KOSPI every ten seconds, which is an index of all equity securities listed on the Korea Exchange. On January 1, 1983, the method of computing KOSPI was changed from the Dow Jones method to the aggregate value method. In the new method, the market capitalizations of all listed companies are aggregated, subject to certain adjustments, and this aggregate is expressed as a percentage of the aggregate market capitalization of all listed companies as of the base date, January 4, 1980.

Movements in KOSPI are set out in the following table together with the associated dividend yields and price earnings ratios:

|                      | Opening  | High     | Low      | Closing  |
|----------------------|----------|----------|----------|----------|
| 1979                 | 131.28   | 131.28   | 104.38   | 118.97   |
| 1980                 | 100.00   | 119.36   | 100.00   | 106.87   |
| 1981                 | 97.95    | 165.95   | 93.14    | 131.37   |
| 1982                 | 123.60   | 134.48   | 106.00   | 128.99   |
| 1983                 | 122.52   | 134.46   | 115.59   | 121.21   |
| 1984                 | 115.25   | 142.46   | 115.25   | 142.46   |
| 1985                 | 139.53   | 163.37   | 131.40   | 163.37   |
| 1986                 | 161.40   | 279.67   | 153.85   | 272.61   |
| 1987                 | 264.82   | 525.11   | 264.82   | 525.11   |
| 1988                 | 532.04   | 922.56   | 527.89   | 907.20   |
| 1989                 | 919.61   | 1,007.77 | 844.75   | 909.72   |
| 1990                 | 908.59   | 928.82   | 566.27   | 696.11   |
| 1991                 | 679.75   | 763.10   | 586.51   | 610.92   |
| 1992                 | 624.23   | 691.48   | 459.07   | 678.44   |
| 1993                 | 697.41   | 874.10   | 605.93   | 866.18   |
| 1994                 | 879.32   | 1,138.75 | 855.37   | 1,027.37 |
| 1995                 | 1,013.57 | 1,016.77 | 847.09   | 882.94   |
| 1996                 | 888.85   | 986.84   | 651.22   | 651.22   |
| 1997                 | 653.79   | 792.29   | 350.68   | 376.31   |
| 1998                 | 385.49   | 579.86   | 280.00   | 562.46   |
| 1999                 | 587.57   | 1,028.07 | 498.42   | 1,028.07 |
| 2000                 | 1,059.04 | 1,059.04 | 500.60   | 504.62   |
| 2001                 | 520.95   | 704.50   | 468.76   | 693.70   |
| 2002                 | 724.95   | 937.61   | 584.04   | 627.55   |
| 2003                 | 635.17   | 822.16   | 515.24   | 810.71   |
| 2004                 | 821.26   | 936.06   | 719.59   | 895.92   |
| 2005                 | 893.71   | 1,379.37 | 870.84   | 1,379.37 |
| 2006                 | 1,389.27 | 1,464.70 | 1,203.86 | 1,434.46 |
| 2007                 | 1,435.26 | 2,064.85 | 1,355.79 | 1,897.13 |
| 2008                 | 1,853.45 | 1,888.88 | 938.75   | 1,124.47 |
| 2009                 | 1,132.87 | 1,723.17 | 992.69   | 1,682.77 |
| 2010                 | 1,696.14 | 2,052.97 | 1,532.68 | 2,051.00 |
| 2011 (through May 2) | 2,063.69 | 2,225.95 | 1,921.59 | 2,228.96 |

Source: The Korea Exchange

Shares are quoted ex-dividend on the first trading day of the relevant company's accounting period. Since the calendar year is the accounting period for the majority of listed companies, this may account for the drop in KOSPI between its closing level at the end of one calendar year and its opening level at the beginning of the following calendar year.





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With certain exceptions, principally to take account of a share being quoted ex-dividend and ex-rights, permitted upward and downward movements in share prices of any category of shares on any day are limited under the rules of the Korea Exchange to 15% of the previous day's closing price of the shares, rounded down as set out below:

| Previous Day's Closing Price (Won) | Rounded Down to Won |
|------------------------------------|---------------------|
| Less than 5,000                    | 5                   |
| 5,000 to less than 10,000          | 10                  |
| 10,000 to less than 50,000         | 50                  |
| 50,000 to less than 100,000        | 100                 |
| 100,000 to less than 500,000       | 500                 |
| 500,000 or more                    | 1,000               |

As a consequence, if a particular closing price is the same as the price set by the fluctuation limit, the closing price may not reflect the price at which persons would have been prepared, or would be prepared to continue, if so permitted, to buy and sell shares. Orders are executed on an auction system with priority rules to deal with competing bids and offers.

Due to deregulation of restrictions on brokerage commission rates, the brokerage commission rate on equity securities transactions may be determined by the parties, subject to commission schedules being filed with the Korea Exchange by the financial investment companies. In addition, a securities transaction tax of 0.15% of the sales price will generally be imposed on the transfer of shares or certain securities representing rights to subscribe for shares. An agricultural and fishery special surtax of 0.15% of the sales prices will also be imposed on transfer of these shares and securities on the Korea Exchange. See Item 10.E. Taxation Korean Taxation.

The number of companies listed on the KRX KOSPI Market, the corresponding total market capitalization at the end of the periods indicated and the average daily trading volume for those periods are set forth in the following table:

| Year | Market Capitalization on<br>the Last Day of Each Period |                      |                                      | Average Daily Trading Volume, Value |                      |                                       |
|------|---|----------------------|--------------------------------------|-------------------------------------|----------------------|---------------------------------------|
|      | Number<br>of<br>Listed<br>Companies                     | (Billions<br>of Won) | (Millions<br>of US\$) <sup>(1)</sup> | Thousands<br>of Shares              | (Millions<br>of Won) | (Thousands<br>of US\$) <sup>(1)</sup> |
|      |   | (Won)                | US\$                                 |                                     | (Won)                | US\$                                  |
| 1981 | 343   | 2,959                | 4,223                                | 10,565                              | 8,708                | 12,427                                |
| 1982 | 334   | 3,001                | 4,012                                | 9,704                               | 6,667                | 8,914                                 |
| 1983 | 328   | 3,490                | 4,361                                | 9,325                               | 5,941                | 7,425                                 |
| 1984 | 336   | 5,149                | 6,207                                | 14,847                              | 10,642               | 12,829                                |
| 1985 | 342   | 6,570                | 7,362                                | 18,925                              | 12,315               | 13,798                                |
| 1986 | 355   | 11,994               | 13,863                               | 31,755                              | 32,870               | 37,991                                |
| 1987 | 389   | 26,172               | 32,884                               | 20,353                              | 70,185               | 88,183                                |
| 1988 | 502   | 64,544               | 93,895                               | 10,367                              | 198,364              | 288,571                               |
| 1989 | 626   | 95,477               | 140,119                              | 11,757                              | 280,967              | 412,338                               |
| 1990 | 669   | 79,020               | 109,872                              | 10,866                              | 183,692              | 255,412                               |
| 1991 | 686   | 73,118               | 95,541                               | 14,022                              | 214,263              | 279,973                               |
| 1992 | 688   | 84,712               | 107,027                              | 24,028                              | 308,246              | 389,445                               |
| 1993 | 693   | 112,665              | 138,870                              | 35,130                              | 574,048              | 707,566                               |
| 1994 | 699   | 151,217              | 190,762                              | 36,862                              | 776,257              | 979,257                               |
| 1995 | 721   | 141,151              | 181,943                              | 26,130                              | 487,762              | 628,721                               |
| 1996 | 760   | 117,370              | 138,490                              | 26,571                              | 486,834              | 928,418                               |
| 1997 | 776   | 70,989               | 41,881                               | 41,525                              | 555,759              | 327,881                               |
| 1998 | 748   | 137,799              | 114,261                              | 97,716                              | 660,429              | 547,619                               |
| 1999 | 725   | 349,504              | 307,662                              | 278,551                             | 3,481,620            | 3,064,806                             |
| 2000 | 704   | 188,042              | 148,415                              | 306,163                             | 2,602,211            | 2,053,837                             |
| 2001 | 689   | 255,850              | 194,785                              | 473,241                             | 1,997,420            | 1,520,685                             |
| 2002 | 683   | 258,681              | 216,071                              | 857,245                             | 3,041,595            | 2,540,590                             |

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|      |     |           |           |         |           |           |
|------|-----|-----------|-----------|---------|-----------|-----------|
| 2003 | 684 | 355,363   | 298,624   | 542,010 | 2,216,636 | 1,862,719 |
| 2004 | 683 | 412,588   | 398,597   | 372,895 | 2,232,109 | 2,156,419 |
| 2005 | 702 | 655,075   | 648,589   | 467,629 | 3,157,662 | 3,126,398 |
| 2006 | 731 | 704,588   | 757,622   | 279,096 | 3,435,180 | 3,693,742 |
| 2007 | 745 | 951,900   | 1,017,205 | 363,741 | 5,539,653 | 5,919,697 |
| 2008 | 763 | 576,888   | 457,122   | 355,205 | 5,189,644 | 4,112,238 |
| 2009 | 770 | 887,935   | 763,060   | 485,657 | 5,795,552 | 4,980,495 |
| 2010 | 766 | 1,114,882 | 1,260,486 | 379,171 | 5,607,749 | 6,340,121 |

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| Year                 | Market Capitalization on<br>the Last Day of Each Period |                      |                                      | Average Daily Trading Volume, Value |                      |                                       |
|----------------------|---|----------------------|--------------------------------------|-------------------------------------|----------------------|---------------------------------------|
|                      | Number<br>of<br>Listed<br>Companies                     | (Billions<br>of Won) | (Millions<br>of US\$) <sup>(1)</sup> | Thousands<br>of Shares              | (Millions<br>of Won) | (Thousands<br>of US\$) <sup>(1)</sup> |
|                      |   |                      |                                      |                                     |                      |                                       |
| 2011 (through May 2) | 770   | 1,222,050            | 1,305,638                            | 340,918                             | 7,519,378            | 8,033,703                             |

Source: The Korea Exchange

(1) Converted at the Federal Reserve Noon Rate on the last business day of the period indicated (other than for 2011 (through May 2), which is converted at the Federal Reserve Noon Rate on April 29, 2011, the latest available Federal Reserve Noon Rate).

The Korean securities markets are principally regulated by the Financial Services Commission and the Financial Investment Services and Capital Markets Act. The Financial Investment Services and Capital Markets Act imposes restrictions on insider trading and price manipulation, requires specified information to be made available by listed companies to investors and establishes rules regarding margin trading, proxy solicitation, takeover bids, acquisition of treasury shares and reporting requirements for shareholders holding substantial interests. In addition, it also regulates the securities and derivatives markets in Korea.

**Further Opening of the Korean Securities Market**

Starting from May 1, 1996, foreign investors were permitted to invest in warrants representing the right to subscribe for shares of a company listed on the KRX KOSPI Market or the KRX KOSDAQ Market, subject to certain investment limitations. A foreign investor may not acquire such warrants with respect to shares of a class of a company for which the ceiling on aggregate investment by foreigners has been reached or exceeded.

A stock index futures market was opened on May 3, 1996 and a stock index option market was opened on July 7, 1997, in each case at the Korea Exchange. Remittance and repatriation of funds in connection with foreign investment in stock index futures and options are subject to regulations similar to those that govern remittance and repatriation in the context of foreign investment in Korean stocks.

In addition, on January 28, 2002, the Korea Exchange opened a new options market for the stock of seven companies (Samsung Electronics, SK Telecom, KT Corporation, Korea Electric Power Corporation, POSCO, Kookmin Bank and Hyundai Motor Company). On September 26, 2005, the Korea Exchange expanded this market to include the stock of 23 additional companies (namely LG Electronics, SK Corporation, Shinhan Financial Group Co., Ltd., Samsung SDI, KT&G, Hana Financial Group Inc., Hyundai Mobis, Kia Motors Corp., LG Corporation, Samsung Fire & Marine Insurance, Kangwon Land Corporation, LG Chem, Ltd., Hyundai Heavy Industries Co., Ltd., Korea Gas Corporation, Samsung Corporation, Samsung Electro-Mechanics Co., Ltd., GS Holdings Corp., CJ Corp., Hankook Tire, Hanjin Shipping Co., Ltd., Samsung Securities Co., Ltd., Korean Air and Hyundai Steel (formerly INI Steel)). Foreigners are permitted to invest in such options subject to the same procedural requirements and investment limitations applicable to Korean investors.

As of December 30, 1997, foreign investors were permitted to invest in all types of corporate bonds, bonds issued by national or local governments and bonds issued in accordance with certain special laws without being subject to any aggregate or individual investment ceiling. The Financial Services Commission sets forth procedural requirements for such investments. The Korean government announced on February 8, 1998 its plans for the liberalization of the money market with respect to investment in money market instruments by foreigners in 1998. In accordance with the plan, foreigners have been permitted to invest in money market instruments issued by corporations, including commercial paper, starting February 16, 1998 with no restrictions as to the amount. Starting May 25, 1998, foreigners have been permitted to invest in certificates of deposit and repurchase agreements.

Currently, foreigners are permitted to invest in certain other securities including shares of Korean companies that are not listed on the Korea Exchange and in bonds that are not listed.

**Protection of Customer's Interest in Case of Insolvency of Financial Investment Companies**

Under Korean law, the relationship between a customer and a financial investment company with a brokerage license in connection with a securities sell or buy order is deemed to be a consignment and the securities acquired by a consignment agent (i.e., the financial investment company with a brokerage license) through such sell or buy order are regarded as belonging to the customer in so far as the customer and the consignment agent's creditors are concerned. Therefore, in the event of a bankruptcy or reorganization procedure involving a financial

investment company with a brokerage license, the customer of the financial investment company is entitled to the proceeds of the securities sold by such financial investment company.

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When a customer places a sell order with a financial investment company with a brokerage license that is not a member of the KRX KOSPI Market or the KRX KOSDAQ Market and such financial investment company places a sell order with another financial investment company with a brokerage license that is a member of the KRX KOSPI Market or the KRX KOSDAQ Market, the customer is still entitled to the proceeds of the securities sold and received by the non-member company from the member company regardless of the bankruptcy or reorganization of the non-member company.

Under the Financial Investment Services and Capital Markets Act, the Korea Exchange is obliged to indemnify any loss or damage incurred by a counterparty as a result of a breach by members of the KRX KOSPI Market or the KRX KOSDAQ Market. If a financial investment company with a brokerage license that is a member of the KRX KOSPI Market or the KRX KOSDAQ Market breaches its obligation in connection with a buy order, the Korea Exchange is obliged to pay the purchase price on behalf of the breaching member. Therefore, the customer can acquire the securities that have been ordered to be purchased by the breaching member.

When a customer places a buy order with a non-member company and the non-member company places a buy order with a member company, the customer has the legal right to the securities received by the non-member company from the member company because the purchased securities are regarded as belonging to the customer in so far as the customer and the non-member company's creditors are concerned.

As the cash deposited with a financial investment company with a brokerage license is regarded as belonging to such financial investment company, which is liable to return the same at the request of its customer, the customer cannot take back deposited cash from the financial investment company if a bankruptcy or reorganization procedure is instituted against such financial investment company and, therefore, can suffer from loss or damage as a result. However, the Depositor Protection Act provides that the Korea Deposit Insurance Corporation will, upon the request of the investors, pay investors up to (Won)50 million of cash deposited with such financial investment company in case of such financial investment company's bankruptcy, liquidation, cancellation of securities business license or other insolvency events. Pursuant to the Financial Investment Services and Capital Markets Act, as amended, financial investment companies with a brokerage license are required to deposit the cash received from its customers to the extent the amount is not covered by the insurance with the Korea Securities Finance Corporation, a special entity established pursuant to the Financial Investment Services and Capital Markets Act. Set-off or attachment of cash deposits by such financial investment company is prohibited. The premiums related to this insurance are paid by such financial investment company.

### **Item 9.D. *Selling Shareholders***

Not applicable.

### **Item 9.E. *Dilution***

Not applicable.

### **Item 9.F. *Expenses of the Issue***

Not applicable.

## **Item 10. ADDITIONAL INFORMATION**

### **Item 10.A. *Share Capital***

Not applicable.

### **Item 10.B. *Memorandum and Articles of Association***

**Description of Capital Stock**

This section provides information relating to our capital stock, including brief summaries of material provisions of our current articles of incorporation, the Financial Investment Services and Capital Markets Act and the Korean Commercial Code. The following summaries are subject to, and are qualified in their entirety by reference to, our articles of incorporation and the applicable provisions of the Financial Investment Services and Capital Markets Act and the Korean Commercial Code.

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### **General**

Under our articles of incorporation, as amended in March 2011, the total number of shares authorized to be issued by us is 500,000,000 shares, which consists of shares of common stock and non-voting preferred stock, both with par value of (Won)5,000 per share. We are authorized to issue preferred stock of up to 40,000,000 shares. As of December 31, 2010, 357,815,700 shares of common stock were issued. All of the issued and outstanding shares are fully-paid and non-assessable and are in registered form. We issue share certificates in denominations of 1, 5, 10, 50, 100, 500, 1,000 and 10,000 shares.

### **Dividends**

We distribute dividends to our shareholders in proportion to the number of shares owned by each shareholder. The shares represented by the ADSs have the same dividend rights as other outstanding shares.

Holders of preferred shares are entitled to receive dividends in priority to the holders of common stock. The amount of dividends for preferred shares is determined by our board of directors within a range of 1% to 10% of par value at the time the shares are issued, provided that if the dividend amount on the shares of common stock exceeds that on the preferred shares, holders of preferred shares will also participate in the distribution of the excess dividend amount in the same proportion as holders of common stock. If the amount available for dividends is less than the aggregate amount of such minimum dividend, the holders of preferred shares will be entitled to receive the accumulated unpaid dividends in priority to the holders of common stock from the dividends payable in respect of the next fiscal year.

We declare dividends annually at the annual general meeting of shareholders which is held within three months after the end of the fiscal year. We pay the annual dividend shortly after the annual general meeting to the shareholders of record as of the end of the preceding fiscal year. We may distribute the annual dividend in cash or in shares. However, a dividend of shares must be distributed at par value. If the market price of the shares is less than their par value, dividends in shares may not exceed one-half of the annual dividend. We have no obligation to pay any annual dividend unclaimed for five years from the payment date.

Under the Korean Commercial Code, we may pay an annual dividend only out of the excess of our net assets, on a non-consolidated basis, over the sum of (1) our stated capital and (2) the total amount of our capital surplus reserve and legal reserve accumulated up to the end of the relevant dividend period. We may not pay an annual dividend unless we have set aside a legal reserve in an amount equal to at least 10% of the cash portion of the annual dividend or unless we have accumulated a legal reserve of not less than one-half of our stated capital. We may not use legal reserves to pay cash dividends but may transfer amounts from legal reserves to capital stock or use legal reserves to reduce an accumulated deficit.

Also, we may pay an interim dividend in accordance with a resolution of the board of directors to our shareholders who are registered in the shareholders' register as of July 1 of the relevant fiscal year, and such an interim dividend shall be made in cash.

### **Distribution of Free Shares**

In addition to paying dividends in shares out of our retained or current earnings, we may also distribute to our shareholders an amount transferred from our capital surplus or legal reserve to our stated capital in the form of free shares. Free shares are shares newly issued to existing shareholders without consideration, much like stock dividends, except that in the case of free shares a portion of the reserves, as opposed to earnings, is transferred to capital. We must distribute such free shares to all of our shareholders in proportion to their existing shareholdings. We may distribute free shares when we determine that our capital surplus or legal reserves are too large relative to our paid-in capital.

### **Preemptive Rights and Issuance of Additional Shares**

We may issue authorized but unissued shares at the times and, unless otherwise provided in the Korean Commercial Code, on the terms our board of directors may determine. All of our shareholders are generally entitled to subscribe for any newly issued shares in proportion to their existing shareholdings. We must offer new shares on uniform terms to all shareholders who have preemptive rights and are listed on our shareholders' register as of the relevant record date. However, under the Korean Commercial Code, we may vary the specific terms of these preemptive rights for different classes of shares without shareholder approval. To the extent that such different terms result in placing any particular class of shareholders at a disadvantage relative to other classes, a special resolution by that disadvantaged class of shareholders is necessary.





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We must give public notice of the preemptive rights regarding new shares and their transferability at least two weeks before the relevant record date. Our board of directors may determine how to distribute shares for which preemptive rights have not been exercised or where fractions of shares occur.

Under our articles of incorporation, as amended in March 2011, we may issue new shares pursuant to a board resolution to persons other than existing shareholders, who however will not have preemptive rights, if the new shares are, among others:

publicly offered pursuant to the Financial Investment Services and Capital Markets Act;

issued to members of our employee stock ownership association;

represented by depositary receipts;

issued upon exercise of stock options granted to our officers and employees;

issued to corporations, institutional investors or domestic or overseas financial institutions to achieve our operational objectives; or

issued for the purpose of drawing foreign investment when we deem it necessary for our business needs; provided that the aggregate number of shares so issued do not exceed 20% of the total number of issued and outstanding shares.

In addition, we may issue convertible bonds or bonds with warrants, respectively, up to an aggregate face amount of (Won)2.5 trillion to persons other than existing shareholders. The classes of shares to be issued upon conversion of bonds or exercise of warrants shall be common stock.

Members of our employee stock ownership association, whether or not they are our shareholders, generally have a preemptive right to subscribe for up to 20% of the shares publicly offered pursuant to the Financial Investment Services and Capital Markets Act. As of December 31, 2010, approximately 0.01% of the outstanding shares were held by our employee stock ownership association.

## **General Meeting of Shareholders**

We hold the annual general meeting of shareholders within three months after the end of each fiscal year. Subject to a board resolution or court approval, we may hold an extraordinary general meeting of shareholders:

as necessary;

at the request of holders of an aggregate of 3% or more of our outstanding shares;

at the request of shareholders holding an aggregate of 1.5% or more of our outstanding shares for at least six consecutive months; or

at the request of our audit committee.

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Holders of preferred shares may request a general meeting of shareholders only after the preferred shares become entitled to vote or are enfranchised, as described under **Voting Rights** below.

We must give shareholders written notice setting out the date, place and agenda of the meeting at least two weeks before the date of the general meeting of shareholders. However, for holders of less than 1% of the total number of issued and outstanding voting shares, we may give notice by placing at least two public notices in at least two daily newspapers or providing such notice in the electronic notification system of the Financial Supervisory Service or the Korea Exchange at least two weeks in advance of the meeting. We will use *Maeil Business Newspaper* and *The Chosun Ilbo*, published in Seoul, for public notice purposes. Shareholders not on the shareholders' register as of the record date are not entitled to receive notice of the general meeting of shareholders, attend or vote at the meeting. Holders of non-voting preferred shares, unless enfranchised, are not entitled to receive notice of general meetings of shareholders.

The place of our general meetings of shareholders is decided by our board of directors, which can be our head office, our Paju Display Cluster or any other place as designated by our board of directors.

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### **Voting Rights**

Holders of our common stock are entitled to one vote for each share of common stock, except that voting rights of shares of common stock held by us, or by a corporate shareholder that is more than 10% owned by us either directly or indirectly, may not be exercised. The Korean Commercial Code permits cumulative voting, under which voting method each shareholder would have multiple voting rights corresponding to the number of directors to be appointed in the voting and may exercise all voting rights cumulatively to elect one director. However, our articles of incorporation prohibit cumulative voting.

According to our current articles of incorporation, our shareholders may adopt resolutions at a general meeting by an affirmative majority vote of the voting shares present or represented at the meeting, where the affirmative votes also represent at least one-fourth of our total voting shares then issued and outstanding. However, under the Korean Commercial Code and our articles of incorporation, the following matters, among others, require approval by the holders of at least two-thirds of the shares present or represented at a meeting, where the affirmative votes also represent at least one-third of our total voting shares then issued and outstanding:

amending our articles of incorporation;

removing a director;

effecting any dissolution, merger or consolidation of us;

transferring the whole or any significant part of our business;

effecting our acquisition of all of the business of any other company;

effecting our acquisition of a part of the business of any other company that has a material effect on our business; or

issuing any new shares at a price lower than their par value.

In general, holders of preferred shares are not entitled to vote on any resolution or receive notice of any general meeting of shareholders. However, in the case of amendments to our articles of incorporation, any merger or consolidation involving us, capital reductions or in certain other cases in which the rights or interests of the preferred shares are affected, approval of the holders of preferred shares is required. We may obtain such approval by a resolution of holders of at least two-thirds of the preferred shares present or represented at a class meeting of the holders of preferred shares, where the affirmative votes also represent at least one-third of our total issued and outstanding preferred shares. In addition, if we are unable to pay dividends on preferred shares as provided in our articles of incorporation, the holders of preferred shares will become enfranchised and will be entitled to exercise voting rights until those dividends are paid. The holders of enfranchised preferred shares have the same rights as holders of common stock to request, receive notice of, attend and vote at a general meeting of shareholders.

Shareholders may exercise their voting rights by proxy.

Holders of ADRs exercise their voting rights through the ADR depository, an agent of which is the record holder of the underlying shares. Subject to the provisions of the deposit agreement, ADR holders are entitled to instruct the ADR depository how to vote the shares underlying their ADSs.

### **Rights of Dissenting Shareholders**

In some limited circumstances, including the transfer of the whole or any significant part of our business and our merger or consolidation with another company, dissenting shareholders have the right to require us to purchase their shares. To exercise this right, shareholders must submit

to us a written notice of their intention to dissent before the general meeting of shareholders. Within 20 days after the relevant resolution is passed at a meeting, the dissenting shareholders must request us in writing to purchase their shares. We are obligated to purchase the shares of dissenting shareholders no later than one month after the end of such 20-day period. The purchase price for the shares is required to be determined through negotiation between the dissenting shareholders and us. If we cannot agree on a price through negotiation, the purchase price will be the average of (1) the weighted average of the daily closing prices of shares on the Korea Exchange for the two-month period before the date of the adoption of the relevant board resolution, (2) the weighted average of the daily closing price of shares on the Korea Exchange for the one-month period before the date of the adoption of the relevant board resolution and (3) the weighted average of the daily closing price of shares on the Korea Exchange for the one-week period before the date of the adoption of the relevant board resolution. If we or the dissenting shareholders that had requested the purchase of their shares do not accept the purchase price, we or the dissenting shareholders may request a court to determine the purchase price. Holders of ADSs will not be able to exercise dissenters' rights unless they have withdrawn the underlying common stock and become our direct shareholders.

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### **Register of Shareholders and Record Dates**

Our transfer agent, Korea Securities Depository, maintains the register of our shareholders at its office in Seoul, Korea. It will register transfers of shares on the register of shareholders on presentation of the share certificates.

The record date for annual dividends is December 31. For the purpose of determining the shareholders entitled to annual dividends, the register of shareholders may be closed for the period from January 1 to January 15 of each year. Further, for the purpose of determining the shareholders entitled to some other rights pertaining to the shares, we may, on at least two weeks' public notice, set a record date and/or close the register of shareholders for not more than three months.

### **Business Report**

At least one week before the annual general meeting of shareholders, we must make our business report and audited consolidated Korean IFRS financial statements available for inspection at our principal office and at all of our branch offices. In addition, copies of business reports, the audited consolidated Korean IFRS financial statements and any resolutions adopted at the general meeting of shareholders will be available to our shareholders.

Under the Financial Investment Services and Capital Markets Act, we must file with the Financial Services Commission and the Korea Exchange (1) a yearly report (including audited non-consolidated financial statements and audited consolidated financial statements) within 90 days after the end of our fiscal year; provided that the audited consolidated financial statements may be separately submitted within 120 calendar days of the end of the fiscal year, and (2) interim reports with respect to the three-month period, six-month period and nine-month period from the beginning of each fiscal year within 45 calendar days following the end of each period. Copies of these reports will be available for public inspection at the Financial Services Commission and the Korea Exchange.

### **Transfer of Shares**

Under the Korean Commercial Code, the transfer of shares is effected by delivery of share certificates. However, to assert shareholders' rights against us, the transferee must have his name and address registered on our register of shareholders. For this purpose, a shareholder is required to file his name, address and seal with us. A non-Korean shareholder may file a specimen signature in place of a seal, unless he is a citizen of a country with a sealing system similar to that of Korea. In addition, a non-resident shareholder must appoint an agent authorized to receive notices on his behalf in Korea and file a mailing address in Korea. The above requirements do not apply to the holders of ADSs.

Under current Korean regulations, the Korea Securities Depository, foreign exchange banks (including domestic branches of foreign banks), financial investment companies with a dealing, brokerage or collective investment license and internationally recognized custodians may act as agents and provide related services for foreign shareholders. Certain foreign exchange controls and securities regulations apply to the transfer of shares by non-residents or non-Koreans. See Item 10.D. Exchange Controls.

### **Acquisition of Shares by Us**

In principle, we may not acquire our own shares except in limited circumstances, such as a reduction in capital.

Notwithstanding the foregoing restriction, we may acquire shares through purchases on the Korea Exchange or through a tender offer. We may also acquire interests in our own shares through agreements with trust companies or retrieve our own shares from a trust company upon termination of the trust agreement. The aggregate purchase price for shares purchased through such means may not exceed the total amount available for distribution of dividends at the end of the preceding fiscal year, subject to certain procedural requirements.

### **Liquidation Rights**

In the event of our liquidation, after payment of all debts, liquidation expenses and taxes, our remaining assets will be distributed among shareholders in proportion to their shareholdings. Holders of preferred shares have no preference in liquidation.

### **Item 10.C. *Material Contracts***

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We have not entered into any material contracts since January 1, 2009, other than in the ordinary course of our business. For information regarding our agreements and transactions with certain related parties, see Item 7.B. Related Party Transactions. For a description of certain agreements entered into during the past two years related to our capital commitments and obligations, see Item 5B. Liquidity and Capital Resources.

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### **Item 10.D. Exchange Controls**

The Foreign Exchange Transaction Act of Korea and the Presidential Decree and regulations under that Act and Decree, which we refer to collectively as the Foreign Exchange Transaction Laws, regulate investments in Korean securities by non-residents and issuances of securities outside Korea by Korean companies. Non-residents may invest in Korean securities pursuant to the Foreign Exchange Transaction Laws. The Financial Services Commission has also adopted, pursuant to its authority under the Korean Securities and Exchange Act, regulations that restrict investments by foreigners in Korean securities and regulate issuances of securities outside Korea by Korean companies.

Subject to certain limitations, the Ministry of Strategy and Finance has the authority to take the following actions under the Foreign Exchange Transaction Laws:

if the government deems it necessary on account of war, armed conflict, natural disaster or grave and sudden and significant changes in domestic or foreign economic circumstances or similar events or circumstances, the Ministry of Strategy and Finance may temporarily suspend performance under any or all foreign exchange transactions, in whole or in part, to which the Foreign Exchange Transaction Laws apply (including suspension of payment and receipt of foreign exchange) or impose an obligation to deposit, safe-keep or sell any means of payment to The Bank of Korea or certain other governmental agencies, foreign exchange equalization funds or financial institutions; and

if the government concludes that the international balance of payments and international financial markets are experiencing or are likely to experience significant disruption or that the movement of capital between Korea and other countries is likely to adversely affect the Korean Won, exchange rates or other macroeconomic policies, the Ministry of Strategy and Finance may take action to require any person who intends to effect a capital transaction to obtain permission or to require any person who effects a capital transaction to deposit a portion of the means of payment acquired in such transactions with The Bank of Korea, foreign exchange equalization funds or financial institutions.

### **Government Review of Issuance of ADSs**

In order for us to issue ADSs outside Korea, we are required to submit a report to the Ministry of Strategy and Finance or our designated foreign exchange bank (depending on the aggregate issue amount) with respect to the issuance of the ADSs. No further governmental approval is necessary for the offering and issuance of the ADSs.

Under current Korean laws and regulations and the terms of the deposit agreement, the depository is required to obtain our consent for the number of shares of common stock to be deposited in any given proposed deposit that exceeds the difference between:

- (1) the aggregate number of shares of our common stock deposited by us for the issuance of our ADSs (including deposits in connection with the initial issuance and all subsequent offerings of our ADSs and stock dividends or other distributions related to these ADSs); and
- (2) the number of shares of our common stock on deposit with the depository at the time of such proposed deposit.

We can give no assurance that we would, subject to governmental authorization, grant our consent, if our consent is required. Therefore, a holder of ADRs who surrenders ADRs and withdraws shares may not be permitted subsequently to deposit those shares and obtain ADRs.

### **Reporting Requirements for Holders of Substantial Interests**

Under the Financial Investment Services and Capital Markets Act, any person whose direct or beneficial ownership of our common stock with voting rights, whether in the form of shares of common stock or ADSs, certificates representing the rights to subscribe for shares and equity-related debt securities including convertible bonds, bonds with warrants and exchangeable bonds, which we refer to collectively as equity securities, together with the equity securities directly or beneficially owned by certain related persons or by any person acting in concert with the person, accounts for 5% or more of our total outstanding equity securities, is required to report the status and purpose (in terms of whether the purpose of the shareholding is to participate in the management of the issuer) of the holdings to the Financial Services Commission and the Korea Exchange within five business days after reaching the 5% ownership interest. In addition, any change (i) in the ownership interest

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subsequent to the report that equals or exceeds 1% of the total outstanding equity securities from the previous report or (ii) in the shareholding purpose, is required to be reported to the Financial Services Commission and the Korea Exchange within five business days from the date of the change (or, in the case of a person with no intent to seek management control or an institutional investor prescribed by the Financial Services Commission, within ten days of the end of the month in which the change occurred).



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Violation of these reporting requirements may subject a person to criminal sanctions such as fines or imprisonment and/or prohibition on the exercise of voting rights with respect to the ownership of equity securities exceeding the reported number of shares. Furthermore, the Financial Services Commission may order the disposal of the unreported equity securities.

When a person's shareholding ratio reaches or exceeds ten percent or more of the company's issued and outstanding shares with voting rights, the person must file a report to the Securities and Futures Commission and to the Korea Exchange within five business days following the date on which the person reached such shareholding limit. In addition, such person must file a report to the Securities and Futures Commission and to the Korea Exchange regarding any subsequent change in his/her shareholding. These subsequent reports on changes in shareholding are required within five business days after the relevant change has occurred. Violation of these reporting requirements may subject a person to criminal sanctions such as fines or imprisonment.

### **Restrictions Applicable to ADSs**

No Korean governmental approval is necessary for the sale and purchase of our ADSs in the secondary market outside Korea or for the withdrawal of shares of our common stock underlying the ADSs and the delivery inside Korea of shares in connection with the withdrawal, provided, that a foreigner who intends to acquire the shares must obtain an investment registration card from the Financial Supervisory Service as described below. The acquisition of the shares by a foreigner must be immediately reported to the governor of the Financial Services Commission, either by the foreigner or by his standing proxy in Korea.

Persons who have acquired shares of our common stock as a result of the withdrawal of shares underlying our ADSs may exercise their preemptive rights for new shares, participate in free distributions and receive dividends on shares without any further Korean governmental approval.

### **Restrictions Applicable to Shares**

As a result of amendments to the Foreign Exchange Transaction Laws and Financial Services Commission regulations, adopted in connection with the stock market opening from January 1992, which we refer to collectively as the Investment Rules, after that date, foreigners may invest, with limited exceptions and subject to procedural requirements, in shares of all Korean companies listed on the KRX KOSPI Market or the KRX KOSDAQ Market unless prohibited by specific laws. Foreign investors may trade shares listed on the KRX KOSPI Market or the KRX KOSDAQ Market only through the KRX KOSPI Market or the KRX KOSDAQ Market, except in limited circumstances, including:

odd-lot trading of shares;

acquisition of shares, which we refer to as converted shares, by exercise of warrants, conversion rights or exchange rights under bonds with warrants, convertible bonds or exchangeable bonds or withdrawal rights under depositary receipts issued outside of Korea by a Korean company;

acquisition of shares as a result of inheritance, donation, bequest or exercise of shareholders' rights, including preemptive rights or rights to participate in free distributions and receive dividends;

over-the-counter transactions between foreigners of a class of shares for which the ceiling on aggregate acquisition by foreigners, as explained below, has been reached or exceeded;

shares acquired by way of direct investment and/or the disposal of such shares by the investor;

the disposal of shares pursuant to the exercise of appraisal rights of dissenting shareholders;

the disposal of shares in connection with a tender offer;

the acquisition of shares by a foreign depositary in connection with the issuance of depositary receipts;

the acquisition and disposal of shares through an overseas stock exchange market if such shares are simultaneously listed on the KRX KOSPI Market or the KRX KOSDAQ Market and such overseas stock exchange; and

arm s-length transactions between foreigners, if all of such foreigners belong to the investment group managed by the same person. For over-the-counter transactions of shares between foreigners outside the KRX KOSPI Market or the KRX KOSDAQ Market for shares with respect to which the limit on aggregate foreign ownership has been reached or exceeded, a financial investment company with a brokerage license in Korea must act as an intermediary. Odd-lot trading of shares outside the KRX KOSPI Market or the KRX KOSDAQ Market must involve a financial investment company with a dealing license in Korea as the other party. Foreign investors are prohibited from engaging in margin transactions by borrowing shares from financial investment companies with respect to shares that are subject to a foreign ownership limit.

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The Investment Rules require a foreign investor who wishes to invest in shares on the KRX KOSPI Market or the KRX KOSDAQ Market (including converted shares and shares being issued for initial listing on the KRX KOSPI Market or the KRX KOSDAQ Market) to register its identity with the Financial Supervisory Service prior to making any such investment unless it has previously registered. However, the registration requirement does not apply to foreign investors who acquire converted shares (including upon conversion of ADSs into shares and upon exercise of conversion rights of convertible bonds) with the intention of selling such converted shares within three months from the date of acquisition of the converted shares. Upon registration, the Financial Supervisory Service will issue to the foreign investor an investment registration card, which must be presented each time the foreign investor opens a brokerage account with a financial investment company with a brokerage license. Foreigners eligible to obtain an investment registration card include foreign nationals who have not been residing in Korea for a consecutive period of six months or more, foreign governments, foreign municipal authorities, foreign public institutions, international financial institutions or similar international organizations, corporations incorporated under foreign laws and any person in any additional category designated by a decree promulgated under the Financial Investment Services and Capital Markets Act. All Korean branch offices of a foreign corporation as a group are treated as a separate foreigner from the offices of the corporation located outside of Korea for the purpose of investment registration. However, a foreign corporation or depository issuing depository receipts may obtain one or more investment registration cards in its name in certain circumstances as described in the relevant regulations.

Upon a foreign investor's purchase of shares through the KRX KOSPI Market or the KRX KOSDAQ Market, no separate report by the investor is required because the investment registration card system is designed to control and oversee foreign investment through a computer system. However, a foreign investor's acquisition or sale of shares outside the KRX KOSPI Market or the KRX KOSDAQ Market (as discussed above) must be reported by the foreign investor or his standing proxy to the governor of the Financial Supervisory Service at the time of each such acquisition or sale; provided, however, that a foreign investor must ensure that any acquisition or sale by it of shares outside the KRX KOSPI Market or the KRX KOSDAQ Market in the case of trades in connection with a tender offer, odd-lot trading of shares or trades of a class of shares for which the aggregate foreign ownership limit has been reached or exceeded, is reported to the governor of the Financial Supervisory Service by the financial investment company engaged to facilitate such transaction. A foreign investor may appoint a standing proxy from among the Korea Securities Depository, foreign exchange banks (including domestic branches of foreign banks), financial investment companies with a dealing, brokerage or collective investment license and internationally recognized custodians which will act as a standing proxy to exercise shareholders' rights or perform any matters related to the foregoing activities if the foreign investor does not perform these activities itself. Generally, a foreign investor may not permit any person, other than its standing proxy, to exercise rights relating to its shares or perform any tasks related thereto on its behalf. However, a foreign investor may be exempted from complying with these standing proxy rules with the approval of the governor of the Financial Supervisory Service in cases deemed inevitable by reason of conflict between the laws of Korea and the home country of the foreign investor.

Certificates evidencing shares of Korean companies must be kept in custody with an eligible custodian in Korea. Only the Korea Securities Depository, foreign exchange banks (including domestic branches of foreign banks), financial investment companies with a dealing, brokerage or collective investment license and internationally recognized custodians are eligible to act as a custodian of shares for a non-resident or foreign investor; provided, however, that a foreign investor may have the certificate evidencing shares released from such custody when it is necessary to exercise its rights to such shares or to inspect and confirm the presence of the certificate(s) of such shares. A foreign investor must ensure that its custodian deposits its shares with the Korea Securities Depository. However, a foreign investor may be exempted from complying with this deposit requirement with the approval of the governor of the Financial Supervisory Service in circumstances where compliance with that requirement is made impracticable, including cases where compliance would contravene the laws of the home country of such foreign investor.

Under the Investment Rules, with certain exceptions, foreign investors may acquire shares of a Korean company without being subject to any foreign investment ceiling. As one such exception, designated public corporations are subject to a 40% ceiling on the acquisition of shares by foreigners in the aggregate. Designated public corporations may set a ceiling on the acquisition of shares by a single person in their articles of incorporation. Currently, Korea Electric Power Corporation is the only designated public corporation which has no ceiling specifically set for foreign shareholders but has set a ceiling on the acquisition of shares by a single person regardless of its nationality within 3% of the total number of shares by its articles of incorporation. Furthermore, an investment by a foreign investor in 10% or more of the outstanding shares with voting rights of a Korean company is defined as a foreign direct investment under the Foreign Investment Promotion Act of Korea. Generally, a foreign direct investment must be reported to the foreign exchange bank or Korea Trade-Investment Promotion Agency designated by the Ministry of Knowledge Economy prior to such investment (within 30 days from the date of such investment, if the company is listed on the Korea Exchange). The acquisition of shares of a Korean company by a foreign investor may also be subject to certain foreign or other shareholding restrictions in the event that the restrictions are prescribed in a specific law that regulates the business of the Korean company.

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Under the Foreign Exchange Transaction Laws, a foreign investor who intends to acquire shares must designate a foreign exchange bank at which he must open a foreign currency account and a Korean Won account exclusively for stock investments. No approval is required for remittance into Korea and deposit of foreign currency funds in the foreign currency account. Foreign currency funds may be transferred from the foreign currency account at the time required to place a deposit for, or settle the purchase price of, a stock purchase transaction to a Korean Won account opened at a financial investment company with a securities dealing or brokerage license. Funds in the foreign currency account may be remitted abroad without any Korean governmental approval.

Dividends on shares of Korean companies are paid in Korean Won. No Korean governmental approval is required for foreign investors to receive dividends on, or the Korean Won proceeds of the sale of, any shares to be paid, received and retained in Korea. Dividends paid on, and the Korean Won proceeds of the sale of, any shares held by a non-resident of Korea must be deposited either in a Korean Won account with the investor's financial investment company or in his Korean Won account. Funds in the investor's Korean Won account may be transferred to his foreign currency account or withdrawn for local living expenses, provided that any withdrawal of local living expenses in excess of a certain amount is reported to the Financial Supervisory Service by the foreign exchange bank at which the Won account is maintained. Funds in the Korean Won account may also be used for future investment in shares or for payment of the subscription price of new shares obtained through the exercise of preemptive rights.

Financial investment companies with a securities dealing, brokerage or collective investment license are allowed to open foreign currency accounts with foreign exchange banks exclusively for accommodating foreign investors' stock investments in Korea. Through these accounts, such financial investment companies may enter into foreign exchange transactions on a limited basis, such as conversion of foreign currency funds and Korean Won funds, either as a counterparty to or on behalf of foreign investors, without the investors having to open their own accounts with foreign exchange banks.

### **Item 10.E. Taxation**

The following summary is based upon the tax laws of the United States and the Republic of Korea as in effect on the date of this annual report, and is subject to any change in United States or Korean law that may come into effect after such date. Investors in the shares of common stock or ADSs are advised to consult their own tax advisers as to the United States, Korean or other tax consequences of the purchase, ownership and disposition of such securities, including the effect of any national, state or local tax laws.

#### **Korean Taxation**

The following summary of Korean tax considerations applies to you so long as you are not:

a resident of Korea;

a corporation having its head office, principal place of business or place of effective management in Korea (i.e., a Korean corporation); or

engaged in a trade or business in Korea through a permanent establishment or a fixed base to which the relevant income is attributable or with which the relevant income is effectively connected.

#### ***Taxation of Dividends on Shares of Common Stock or ADSs***

We will deduct Korean withholding tax from dividends (whether in cash or in shares) paid to you at a rate of 22% (including local income surtax). If you are a qualified resident in a country that has entered into a tax treaty with Korea, you may qualify for a reduced rate of Korean withholding tax. See **Tax Treaties** below for a discussion of treaty benefits. If we distribute to you free shares representing a transfer of certain capital reserves or asset revaluation reserves into paid-in capital, that distribution may be subject to Korean withholding tax.

In order to obtain a reduced rate of withholding tax pursuant to an applicable tax treaty, you must submit to us, prior to the dividend payment date, such evidence of tax residence as the Korean tax authorities may require in order to establish your entitlement to the benefits of the applicable tax treaty. A holder of ADSs may submit evidence of tax residence to us through the depository.



**Table of Contents*****Taxation of Capital Gains from Transfer of Shares of Common Stock or ADSs***

As a general rule, capital gains earned by non-residents upon transfer of shares of our common stock or ADSs are subject to Korean withholding tax at the lower of (1) 11% (including local income surtax) of the gross proceeds realized or (2) subject to the production of satisfactory evidence of acquisition costs and certain direct transaction costs of the shares or ADSs, 22% (including local income surtax) of the net realized gain, unless exempt from Korean income taxation under the applicable Korean tax treaty with the non-resident's country of tax residence. See *Tax Treaties* below for a discussion on treaty benefits. Even if you do not qualify for an exemption under a tax treaty, you will not be subject to the foregoing withholding tax on capital gains if you qualify under the relevant Korean domestic tax law exemptions discussed in the following paragraphs.

With respect to shares of our common stock, you will not be subject to Korean income taxation on capital gains realized upon the transfer of such shares through the Korea Exchange if you (1) have no permanent establishment in Korea and (2) did not own or have not owned (together with any shares owned by any entity with which you have a certain special relationship and possibly including the shares represented by the ADSs) 25% or more of our total issued and outstanding shares at any time during the calendar year in which the sale occurs and during the five calendar years prior to the calendar year in which the sale occurs.

Under the tax law amendments effective for capital gains recognized or to be recognized from disposition of ADSs on or after January 1, 2008, ADSs are viewed as shares of stock for capital gains tax purposes. Accordingly, capital gains from sale or disposition of ADSs are taxed (if taxable) as if such gains are from sale or disposition of shares of our common stock. It should be noted that (i) capital gains earned by you (regardless of whether you have a permanent establishment in Korea) from a transfer of ADSs outside Korea will generally be exempt from Korean income taxation by virtue of the Special Tax Treatment Control Law of Korea, or the STTCL, provided that the issuance of ADSs is deemed to be an overseas issuance under the STTCL, but (ii) in the case where an owner of the underlying shares of stock transfers ADSs after conversion of the underlying shares into ADSs, the exemption under the STTCL described in (i) will not apply. In the case where an owner of the underlying shares of stock transfers the ADSs after conversion of the underlying shares of stock into ADSs, such person is obligated to file corporate income tax returns and pay tax unless a purchaser or a financial investment company with a brokerage license, as applicable, withholds and pays the tax on capital gains derived from transfer of ADSs, as discussed below.

If you are subject to tax on capital gains with respect to the sale of ADSs, or of shares of common stock which you acquired as a result of a withdrawal, the purchaser or, in the case of the sale of shares of common stock on the Korea Exchange or through a financial investment company with a brokerage license in Korea, the financial investment company, is required to withhold Korean tax from the sales price in an amount equal to 11% (including local income surtax) of the gross realization proceeds and to make payment of these amounts to the Korean tax authority, unless you establish your entitlement to an exemption under an applicable tax treaty or domestic tax law or produce satisfactory evidence of your acquisition cost and certain direct transaction costs for the shares of common stock or the ADSs. To obtain the benefit of an exemption from tax pursuant to a tax treaty, you must submit to the purchaser or the financial investment company, or through the ADR depository, as the case may be, prior to or at the time of payment, such evidence of your tax residence as the Korean tax authorities may require in support of your claim for treaty benefits. See the discussion under *Tax Treaties* below for an additional explanation of claiming treaty benefits.

***Tax Treaties***

Korea has entered into a number of income tax treaties with other countries, including the United States, which reduce or exempt Korean withholding tax on dividend income and capital gains on transfer of shares of common stock or ADSs. For example, under the Korea-U.S. income tax treaty, reduced rates of Korean withholding tax on dividends of 16.5% or 11.0%, respectively (including local income surtax), depending on your shareholding ratio, and an exemption from Korean withholding tax on capital gains are available to residents of the United States that are beneficial owners of the relevant dividend income or capital gains. However, under Article 17 (Investment of Holding Companies) of the Korea-U.S. income tax treaty, such reduced rates and exemption do not apply if (1) you are a United States corporation, (2) by reason of any special measures, the tax imposed on you by the United States with respect to such dividends or capital gains is substantially less than the tax generally imposed by the United States on corporate profits, and (3) 25% or more of your capital is held of record or is otherwise determined, after consultation between competent authorities of the United States and Korea, to be owned directly or indirectly by one or more persons who are not individual residents of the United States. Also, under Article 16 (Capital Gains) of the Korea-U.S. income tax treaty, the exemption on capital gains does not apply if you are an individual, and (a) you maintain a fixed base in Korea for a period or periods aggregating 183 days or more during the taxable year and your ADSs or shares of common stock giving rise to capital gains are effectively connected with such fixed base or (b) you are present in Korea for a period or periods of 183 days or more during the taxable year.

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You should inquire for yourself whether you are entitled to the benefit of an income tax treaty with Korea. It is the responsibility of the party claiming the benefits of an income tax treaty in respect of dividend payments or capital gains to submit to us, the purchaser or the financial investment company, as applicable, a certificate as to his tax residence. In the absence of sufficient proof, we, the purchaser or the financial investment company, as applicable, must withhold tax at the normal rates. Furthermore, effective from July 1, 2002, in order for you to obtain the benefit of a tax exemption on certain Korean source income (e.g., dividends and capital gains) under an applicable tax treaty, Korean tax law requires you (or your agent) to submit the application for tax exemption along with a certificate of your tax residency issued by a competent authority of your country of tax residence, subject to certain exceptions. For example, a U.S. resident would be required to provide a Form 6166 as a certificate of tax residency along with the application for tax exemption. Such application should be submitted to the relevant district tax office by the ninth day of the month following the date of the first payment of such income.

### ***Inheritance Tax and Gift Tax***

If you die while holding an ADS or donate an ADS, it is unclear whether, for Korean inheritance and gift tax purposes, you will be treated as the owner of the shares of common stock underlying the ADSs. If the tax authority interprets depositary receipts as the underlying share certificates, you may be treated as the owner of the shares of common stock and your heir or the donee (or in certain circumstances, you as the donor) will be subject to Korean inheritance or gift tax presently at the rate of 10% to 50% based on the value of the ADSs or shares of common stock and the identity of the individual against whom the tax is assessed.

If you die while holding a share of common stock or donate a share of common stock, your heir or donee (or in certain circumstances, you as the donor) will be subject to Korean inheritance or gift tax at the same rate as indicated above.

At present, Korea has not entered into any tax treaty relating to inheritance or gift taxes.

### ***Securities Transaction Tax***

If you transfer shares of common stock on the Korea Exchange, you will be subject to securities transaction tax at the rate of 0.15% and an agriculture and fishery special surtax at the rate of 0.15% of the sale price of the shares of common stock. If your transfer of the shares of common stock is not made on the Korea Exchange, subject to certain exceptions, you will be subject to a securities transaction tax at the rate of 0.5% and will not be subject to an agriculture and fishery special surtax.

Depositary receipts, which the ADSs constitute, are included in the scope of securities the transfers of which are subject to securities transaction tax effective starting with transfers occurring on or after January 1, 2011. However, transfer of depositary receipts listed on a foreign securities exchange similar to that of Korea (e.g., the New York Stock Exchange or the Nasdaq National Market) will not be subject to the securities transaction tax.

In principle, the securities transaction tax, if applicable, must be paid by the transferor of the shares or certain rights including rights to subscribe to each shares. When the transfer is effected through a securities settlement company, such settlement company is generally required to withhold and pay the tax to the tax authorities. When such transfer is made through a financial investment company only, such financial investment company is required to withhold and pay the tax. Where the transfer is effected by a non-resident without a permanent establishment in Korea, other than through a securities settlement company or a financial investment company, the transferee is required to withhold the securities transaction tax.

### **United States Taxation**

This summary describes certain material U.S. federal income tax consequences for a U.S. holder (as defined below) of acquiring, owning, and disposing of ADSs. This summary applies to you only if you hold the ADSs as capital assets for tax purposes. This summary does not apply to you if you are a member of a class of holders subject to special rules, such as:

a dealer in securities or currencies;

a trader in securities that elects to use a mark-to-market method of accounting for securities holdings;

a bank;

a life insurance company;

a tax-exempt organization;

a person that holds ADSs that are a hedge or that are hedged against interest rate or currency risks;



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a person that holds ADSs as part of a straddle or conversion transaction for tax purposes;

a person whose functional currency for tax purposes is not the U.S. dollar; or

a person that owns or is deemed to own 10% or more of any class of our stock.

This summary is based on the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations promulgated thereunder, published rulings and court decisions, all as currently in effect. These laws are subject to change, possibly on a retroactive basis.

Please consult your own tax advisers concerning the consequences of purchasing, owning, and disposing of ADSs in your particular circumstances, including the possible application of state, local, non-U.S. or other tax laws.

For purposes of this summary, you are a U.S. holder if you are a beneficial owner of an ADS and you are:

a citizen or resident of the United States;

a U.S. domestic corporation; or

otherwise subject to U.S. federal income tax on a net income basis with respect to income from the ADS.

In general, if you are the beneficial owner of ADSs, you will be treated as the beneficial owner of the common stock represented by those ADSs for U.S. federal income tax purposes, and no gain or loss will be recognized if you exchange an ADS for the common stock represented by that ADS.

***Dividends***

The gross amount of cash dividends that you receive (prior to deduction of Korean taxes) generally will be subject to U.S. federal income taxation as foreign source dividend income. Dividends paid in Korean Won will be included in your income in a U.S. dollar amount calculated by reference to the exchange rate in effect on the date of the depository's receipt of the dividend, regardless of whether the payment is in fact converted into U.S. dollars. If such a dividend is converted into U.S. dollars on the date of receipt, you generally should not be required to recognize foreign currency gain or loss in respect of the dividend income. Subject to certain exceptions for short-term (60 days or less) and hedged positions, the U.S. dollar amount of dividends received by an individual U.S. holder in respect of ADSs before January 1, 2013 generally will be subject to taxation at a maximum rate of 15% if the dividends are qualified dividends. Dividends paid on the ADSs will be treated as qualified dividends if (i) the ADSs are readily tradable on an established securities market in the United States and (ii) we were not, in the year prior to the year in which the dividend was paid, and are not, in the year in which the dividend is paid, a passive foreign investment company (PFIC). The ADSs are listed on the New York Stock Exchange and will qualify as readily tradable on an established securities market in the United States so long as they are so listed. Based on our audited financial statements and relevant market and shareholder data, we believe that we were not treated as a PFIC for U.S. federal income tax purposes with respect to our 2010 taxable year. In addition, based on our audited financial statements and our current expectations regarding the value and nature of our assets, the sources and nature of our income, and relevant market and shareholder data, we do not anticipate becoming a PFIC for our 2011 taxable year.

The U.S. Treasury has announced its intention to promulgate rules pursuant to which holders of ADSs or common stock and intermediaries through whom such securities are held will be permitted to rely on certifications from issuers to establish that dividends are treated as qualified dividends. Because such procedures have not yet been issued, it is not clear whether we will be able to comply with them. U.S. holders of ADSs and common stock should consult their own tax advisers regarding the availability of the reduced dividend tax rate in the light of their own particular circumstances.

Distributions of additional shares in respect of ADSs that are made as part of a pro-rata distribution to all of our shareholders generally will not be subject to U.S. federal income tax.

***Sale or Other Disposition***

For U.S. federal income tax purposes, gain or loss you realize on the sale or other disposition of ADSs will be treated as U.S. source capital gain or loss, and will be long-term capital gain or loss if the ADSs were held for more than one year. Your ability to offset capital losses against ordinary income is limited. Long-term capital gain recognized by an individual U.S. holder generally is subject to taxation at a reduced rate.

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### ***Foreign Tax Credit Considerations***

You should consult your own tax advisers to determine whether you are subject to any special rules that limit your ability to make effective use of foreign tax credits, including the possible adverse impact of failing to take advantage of benefits under the income tax treaty between the United States and Korea. If no such rules apply, you may claim a credit against your U.S. federal income tax liability for Korean taxes withheld from cash dividends on the ADSs, so long as you have owned the ADSs (and not entered into specified kinds of hedging transactions) for at least a 16-day period that includes the ex-dividend date. Instead of claiming credit, you may, at your election, deduct such Korean taxes in computing your taxable income, subject to generally applicable limitations under U.S. tax law. Foreign tax credits will not be allowed for withholding taxes imposed in respect of certain hedged positions in securities and may not be allowed in respect of arrangements in which a U.S. holder's expected economic profit is insubstantial.

Any Korean securities transaction tax or agriculture and fishery special surtax that you pay will not be creditable for foreign tax credit purposes.

The calculation of foreign tax credits and, in the case of a U.S. holder that elects to deduct foreign taxes, the availability of deductions involve the application of complex rules that depend on a U.S. holder's particular circumstances. You should consult your own tax advisers regarding the creditability or deductibility of such taxes.

### ***U.S. Information Reporting and Backup Withholding Rules***

Payments of dividends and sales proceeds that are made within the United States or through certain U.S. related financial intermediaries are subject to information reporting and may be subject to backup withholding unless the holder (i) is a corporation or other exempt recipient or (ii) provides a taxpayer identification number and certifies that no loss of exemption from backup withholding has occurred.

### **Item 10.F. *Dividends and Paying Agents***

Not applicable.

### **Item 10.G. *Statements by Experts***

Not applicable.

### **Item 10.H. *Documents on Display***

We are subject to the information requirements of the Exchange Act and, in accordance therewith, are required to file reports, including annual reports on Form 20-F, and other information with the U.S. Securities and Exchange Commission. These materials, including this annual report and the exhibits thereto, may be inspected and copied at the Commission's public reference rooms in Washington, D.C., New York, New York and Chicago, Illinois. Please call the Commission at 1-800-SEC-0330 for further information on the public reference rooms. As a foreign private issuer, we are also required to make filings with the Commission by electronic means. Any filings we make electronically will be available to the public over the Internet at the Commission's web site at <http://www.sec.gov>.

### **Item 10.I. *Subsidiary Information***

Not applicable.

## **Item 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK Overview**

## Edgar Filing: LG Display Co., Ltd. - Form 20-F

Market risk is the risk of loss related to adverse changes in market prices, including interest rates and foreign exchange rates, of financial instruments. We are exposed to various financial market risks in our ordinary course of business transactions, primarily from changes in interest rates and foreign exchange rates, and we utilize financial derivatives to mitigate these risks. We also used various derivative instruments, principally forward contracts with maturities of one year or less, to manage our exposure associated with net asset and liability positions and cash flows denominated in foreign currencies. We have used, and intend to continue to use, these financial derivatives only for hedging purposes and not for speculative purposes.

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Our primary market risk exposures relate to interest rate movements on floating rate borrowings and exchange rate movements on foreign currency-denominated accounts receivable, as well as foreign currency-denominated future cash flows, mostly denominated in U.S. dollars, Euro and Japanese Yen, and foreign currency-denominated accounts payable for purchases of raw materials and supplies, primarily denominated in Japanese Yen. The fair value of our financial instruments has been determined as the price, as of the applicable measurement date, that we would receive when selling an asset or that we would pay when transferring a liability, in an orderly transaction between market participants. Fair value is based on quoted market prices where available.

**Interest Rate Risks**

Our exposure to interest rate risks relates primarily to our long-term debt obligations, which are typically incurred to fund capital expenditures and repay maturing debt, as well as for working capital and other general corporate purposes. As of December 31, 2010, we had outstanding long-term debt, including current portion, in the amount of (Won)3,429 billion (US\$3,033 million).

From time to time, we enter into interest rate swap contracts to hedge against the effects of interest rate fluctuations of certain of our floating rate long-term debt. As of December 31, 2010, we had no interest rate swap contracts outstanding.

We may be exposed to interest rate risks on additional debt financing that we may periodically undertake to fund capital expenditures required for our capacity expansion. Upward fluctuations in interest rates increase the cost of new debt. The interest rate that we will be able to obtain in a new debt financing will depend on market conditions at that time and may differ from the rates we have secured on our current debt.

As of December 31, 2010, we had US\$1,521 million aggregate principal amount of U.S. dollar-denominated long-term loans, ¥18 billion aggregate principal amount of Japanese Yen-denominated long-term loans, 48 million aggregate principal amount of Euro-denominated long-term loan and RMB 341 million aggregate principal amount of RMB-denominated long-term loan. The interest rate on these loans is set based on three-month U.S. dollar LIBOR plus 0.35 to 1.80%, six-month U.S. dollar LIBOR plus 0.41% to 1.99%, three-month Japanese Yen LIBOR plus 2.4% to 2.79%, three-month Euribor plus 0.6% and 90% to 95% of the rates published by People's Bank of China. The table below provides information about our financial instruments that are sensitive to changes in interest rates. The risk associated with fluctuating interest expense is principally limited to our U.S. dollar-denominated, Japanese Yen-denominated, Euro-denominated and RMB-denominated term loans, and we do not believe that a near-term 10% change in the effective interest rate would have a significant impact on our cash flows. We currently do not have any capital lease obligations.

|                            | Expected Maturity Dates                    |           |           |           |           |            | Total                   | Fair Value at |
|----------------------------|--|-----------|-----------|-----------|-----------|------------|-------------------------|---------------|
|                            | 2011                                       | 2012      | 2013      | 2014      | 2015      | Thereafter | December 31,            |               |
|                            | (in billions of Won, except interest rate) |           |           |           |           |            | 2010                    |               |
| Long-term debt obligations |  |           |           |           |           |            |                         |               |
| Fixed rate ((Won))         | (Won) 200                                  | (Won) 299 | (Won) 200 | (Won) 200 | (Won) 399 | (Won) 2    | (Won) 1,300 (Won) 1,330 |               |
| Average interest rate      | 5.3%                                       | 5.4%      | 4.9%      | 5.9%      | 5.0%      | 2.75%      |                         |               |
| Variable Rate ((Won))      | (Won) 4                                    | (Won) 4   | (Won) 5   | (Won) 4   | (Won) 2   | (Won) 1    | (Won) 20 (Won) 20       |               |
| Average interest rate      | 2.1%                                       | 2.0%      | 2.0%      | 2.0%      | 2.0%      | 2.0%       |                         |               |
| Variable rate (RMB)        | (Won) 33                                   | (Won) 8   | (Won) 17  |           |           |            | (Won) 59 (Won) 59       |               |
| Average interest rate      | 5.5%                                       | 4.1%      | 4.8%      |           |           |            |                         |               |
| Variable rate (EUR)        | (Won) 33                                   | (Won) 33  | (Won) 7   |           |           |            | (Won) 73 (Won) 73       |               |
| Average interest rate      | 1.5%                                       | 1.5%      | 1.5%      |           |           |            |                         |               |
| Fixed rate (US\$)          |  | (Won) 84  |           |           |           |            | (Won) 84 (Won) 84       |               |
| Average interest rate      |  | 0%        |           |           |           |            |                         |               |
| Variable rate (US\$)       | (Won) 588                                  | (Won) 291 | (Won) 735 | (Won) 28  |           |            | (Won) 1,642 (Won) 1,642 |               |
| Average interest rate      | 0.8%                                       | 1.0%      | 2.1%      | 2.2%      |           |            |                         |               |
| Variable rate (JPY ¥)      | (Won) 28                                   | (Won) 223 |           |           |           |            | (Won) 251 (Won) 251     |               |
| Average interest rate      | 3.0%                                       | 2.7%      |           |           |           |            |                         |               |

For a further sensitivity analysis on our interest rate risk exposures, see Note 13(d) of the notes to our financial statements.



**Table of Contents****Foreign Currency Risk**

The primary foreign currency to which we are exposed is the U.S. dollar. We are also exposed, to a lesser extent, to other foreign currencies, including the Euro and the Japanese Yen. As of December 31, 2010, we had U.S. dollar-denominated sales-related accounts receivable of US\$2,570 million, which represented 97.5% of our total sales-related accounts receivable balance. As of December 31, 2010, we also had Euro-denominated sales-related accounts receivable of 14 million and Chinese Renminbi-denominated sales-related accounts receivable of RMB 69 million, which represented 0.7% and 0.4% of our total sales-related accounts receivable balance, respectively.

In addition to relying on natural hedges created by foreign currency payables and receivables, we enter into short-term, foreign currency forward contracts with major financial institutions to minimize the impact of foreign currency fluctuations on our results of operations. Gains and losses on foreign currency forward contracts are recorded in the period of the exchange rate changes as foreign exchange gain or loss or other comprehensive income.

We hedge against the effect of exchange rate fluctuations of the U.S. dollar against the Korean Won on our U.S. dollar exposure using forward contracts. The table below sets forth our outstanding foreign currency forward contracts as of December 31, 2010. Based on our overall foreign currency exposure as of December 31, 2010, a short-term 10% appreciation or depreciation of the U.S. dollar against the Korean Won may have a material effect on our short-term financial condition, results of operations or cash flows.

**Foreign Currency Forward Contracts:**

Contracts to sell US\$/buy Korean (Won):

|                                   |       |              |
|-----------------------------------|-------|--------------|
| Aggregate contract amount         | US\$  | 420 million  |
| Average contractual exchange rate | (Won) | 1,162.2/US\$ |
| Change in fair value              | (Won) | 8.3 billion  |

For a further discussion on our foreign currency risk exposures, see Note 13(c) of the notes to our financial statements.

**Other Risks**

We are exposed to credit risk in the event of non-performance by the counterparties under our foreign currency forward contracts at maturity. In order to minimize this risk, we limit the transaction amount with any one party and continually monitor the credit quality of the counterparties to these financial instruments. We do not anticipate any material losses from these contracts, and we believe the risk of non-performance by the counterparties under these contracts is remote.

A substantial portion of our sales is attributable to a limited number of our end-brand customers. Our top ten end-brand customers, including our largest shareholder as an end-brand customer, together accounted for 76.5% of our sales in 2009 and 75.8% in 2010. While we negotiate directly with our end-brand customers concerning the price and quantity of the sales, for some sales transactions we invoice the end-brand customers designated system integrators. In addition, a portion of our sales to end-brand customers and their system integrators located in certain regions are sold through LG International's overseas subsidiaries. Although our sales to LG International and its subsidiaries only accounted for 8.8% of our sales in 2010, in the past we have sold a significantly greater amount to these entities. As a result of our significant dependence on a concentrated group of end-brand customers and their designated system integrators, as well as a significant amount of sales we may make to our affiliated trading company, LG International, and its subsidiaries, we are exposed to credit risks associated with these entities. We have established certain measures, such as factoring arrangements and requirement of credit insurance from customers, to protect us from excessive exposure to such credit risks.

Our credit policy typically requires payment within 30 to 90 days, and payments on the vast majority of our sales have been collected within 65 days. We manage our accounts receivable and credit exposure to customers by establishing credit limits for each customer to whom we supply products on an open account basis in accordance with our internal credit guidelines. We assess credit risk through quantitative and qualitative analysis, and based on this analysis, we establish credit limits and determine whether we will seek to use one or more credit support devices, such as obtaining some form of third-party guaranty or stand-by letter of credit, obtaining credit insurance or through factoring of all or part of accounts receivables. Our credit policy does not require credit limits on accounts receivable created on letters of credit. To date we have not experienced any material problems relating to customer payments.

Inflation in Korea, which was 5.6% in 2008, 1.9% in 2009 and 2.9% in 2010, has not had a material impact on our results of operations in recent years.





**Table of Contents****Item 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES****Fees and Charges**

Under the terms of the deposit agreement, as a holder of our ADSs, you are required to pay the following service fees to the depository:

| Services   | Fees                                  |
|--|---------------------------------------|
| Issuance of ADSs   | Up to \$0.05 per ADS issued           |
| Cancellation of ADSs   | Up to \$0.05 per ADS canceled         |
| Distribution of cash dividends or ADSs pursuant to stock dividends               | Up to \$0.02 per ADS held             |
| Distribution of cash proceeds or free shares in the form of ADSs.                | Up to \$0.02 per ADS held             |
| Distribution of securities other than ADSs or rights to purchase additional ADSs | Up to \$0.05 per security distributed |
| Distribution of ADSs pursuant to exercise of rights to purchase additional ADSs  | Up to \$0.02 per ADS held             |

As a holder of our ADSs, you are also responsible for paying certain fees and expenses incurred by the depository and certain taxes and governmental charges such as:

Fees for the transfer and registration of shares charged by the registrar and transfer agent for the shares in Korea (*i.e.*, upon deposit and withdrawal of shares).

Expenses incurred for converting foreign currency into U.S. dollars.

Expenses for cable, telex and fax transmissions and for delivery of securities.

Taxes and duties upon the transfer of securities (*i.e.*, when shares are deposited or withdrawn from deposit).

Fees and expenses incurred in connection with the delivery or servicing of shares on deposit.

Depository fees payable upon the issuance and cancellation of ADSs are typically paid to the depository by the brokers (on behalf of their clients) receiving the newly issued ADSs from the depository and by the brokers (on behalf of their clients) delivering the ADSs to the depository for cancellation. The brokers in turn charge these fees to their clients. Depository fees payable in connection with distributions of cash or securities to ADS holders and the depository services fee are charged by the depository to the holders of record of ADSs as of the applicable ADS record date.

The depository fees payable for cash distributions are generally deducted from the cash being distributed. In the case of distributions other than cash (*i.e.*, stock dividend, rights), the depository charges the applicable fee to the ADS record date holders concurrent with the distribution. In the case of ADSs registered in the name of the investor (whether certificated or uncertificated in direct registration), the depository sends invoices to the applicable record date ADS holders. In the case of ADSs held in brokerage and custodian accounts (via the Depository Trust Company, or DTC), the depository generally collects its fees through the systems provided by DTC (whose nominee is the registered holder of the ADSs held in DTC) from the brokers and custodians holding ADSs in their DTC accounts. The brokers and custodians who hold their clients ADSs in DTC accounts in turn charge their clients' accounts the amount of the fees paid to the depository.

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In the event of refusal to pay the depositary fees, the depositary may, under the terms of the deposit agreement, refuse the requested service until payment is received or may set off the amount of the depositary fees from any distribution to be made to such holder of ADSs.

Note that the fees and charges you may be required to pay may vary over time and may be changed by us and by the depositary. You will receive prior notice of such changes.

### **Fees and Payments from the Depositary to Us**

In 2010, we did not receive any payments from the depositary.

## **PART II**

### **Item 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES**

Not applicable.

### **Item 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS**

Not applicable.

### **Item 15. CONTROLS AND PROCEDURES**

#### **Disclosure Controls and Procedures**

Our management has evaluated, with the participation of our chief executive officer and chief financial officer, the effectiveness of our disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of December 31, 2010. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon our evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective as of such date. Our disclosure controls and procedures are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms, and that it is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

#### **Management's Annual Report on Internal Control Over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) under the Exchange Act. Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that a misstatement of our financial statements would be prevented or detected. 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. Under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2010. The effectiveness of our internal control over financial reporting as of December 31, 2010 has been audited by KPMG Samjong Accounting Corp., an independent registered public accounting firm, as stated in its report which is included herein.

#### **Attestation Report of the Registered Public Accounting Firm**

The attestation report of our independent registered public accounting firm is furnished in Item 18 of this Form 20-F.



**Table of Contents****Changes in Internal Control Over Financial Reporting**

There has been no change in our internal control over financial reporting during 2010 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**Item 16. [RESERVED]****Item 16A. AUDIT COMMITTEE FINANCIAL EXPERT**

Our board of directors has determined that Tae Sik Ahn qualifies as an audit committee financial expert and is independent within the meaning of this Item 16A.

**Item 16B. CODE OF ETHICS**

We have adopted a code of ethics, as defined in Item 16B of Form 20-F under the Exchange Act. Our Code of Ethics applies to our chief executive officer, chief financial officer and persons performing similar functions as well as to our non-executive directors and other officers and employees. Our Code of Ethics is available on our website at [www.lgdisplay.com](http://www.lgdisplay.com). If we amend the provisions of our Code of Ethics that apply to our chief executive officer and chief financial officer and persons performing similar functions, or if we grant any waiver of such provisions, we will disclose such amendment or waiver on our website at the same address.

**Item 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The following table sets forth the fees billed to us by our independent auditors, KPMG Samjong Accounting Corp., the member firms of KPMG, and their respective affiliates (collectively, KPMG ) during the fiscal year ended December 31, 2009 and 2010:

|                    | Year ended December 31, |                    |
|--------------------|-------------------------|--------------------|
|                    | 2009                    | 2010               |
|                    | (in millions of Won)    |                    |
| Audit fees         | (Won) 2,596             | (Won) 3,479        |
| Audit-related fees | 170                     | 133                |
| Tax fees           | 403                     | 171                |
| All other fees     | 280                     | 6                  |
| <b>Total fees</b>  | <b>(Won) 3,449</b>      | <b>(Won) 3,789</b> |

Audit fees in the above table are the fees billed by KPMG in connection with the audit of our annual financial statements and the review of our interim financial statements.

Audit-related fees in the above table are the aggregate fees billed by KPMG for agreed upon procedures related to various transactions involving us and our subsidiaries.

Tax fees in the above table are fees billed by KPMG for tax compliance services and other tax advice.

All other fees in the above table are the aggregate fees billed by KPMG for forensic related services.

**Audit Committee Pre-Approval Policies and Procedures**

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Our audit committee has not established pre-approval policies and procedures for the engagement of our independent auditors for services. Our audit committee expressly approves on a case-by-case basis any engagement of our independent auditors for audit and non-audit services provided to our subsidiaries or to us.

The audit committee is permitted to approve certain fees for audit and non-audit services before the completion of the engagement that are recurring, in the ordinary course of business and otherwise comply with the *de minimis* exception to the applicable rules of the U.S. Securities and Exchange Commission. In 2010, no fees were approved pursuant to the *de minimis* exception.

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**Item 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES**

Not applicable.

**Item 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS**

Neither we nor any affiliated purchaser, as defined in Rule 10b-18(a)(3) of the Exchange Act, purchased any of our equity securities during the period covered by this annual report.

**Item 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT**

Not applicable.

**Item 16G. CORPORATE GOVERNANCE**

The following is a summary of the significant differences between the New York Stock Exchange's corporate governance standards and those that we follow under Korean law.

| <b>NYSE Corporate Governance Standards</b>   | <b>LG Display's Corporate Governance Practice</b>  |
|--|--|
| <p><b>Nomination/Corporate Governance Committee</b><br/>Listed companies must have a nomination/corporate governance committee composed entirely of independent directors.</p>   | <p>We have established an Outside Director Nomination and Corporate Governance Committee composed of two outside directors and one non-outside director.</p>   |
| <p><b>Compensation Committee</b><br/>Listed companies must have a compensation committee composed entirely of independent directors.</p>   | <p>We have established a Remuneration Committee composed of two outside directors and one non-outside director.</p>  |
| <p><b>Executive Session</b><br/>Listed companies must hold meetings solely attended by non-management directors to more effectively check and balance management directors.</p>  | <p>We do not normally hold executive sessions solely attended by non-management directors as that is not required under Korean law but we may elect to do so at the discretion of the directors.</p> |
| <p><b>Audit Committee</b><br/>Listed companies must have an audit committee that satisfies the requirements of Rule 10A-3 under the Exchange Act.</p>  | <p>We have established an Audit Committee composed of three outside directors who meet the applicable independence criteria set forth under Rule 10A-3 of the Exchange Act.</p>                      |
| <p><b>Audit Committee Additional Requirements</b><br/>Listed companies must have an audit committee that is composed of at least three directors.</p>  | <p>Our Audit Committee has three directors, as described above.</p>  |
| <p><b>Shareholder Approval of Equity Compensation Plan</b><br/>Listed companies must allow its shareholders to exercise their voting rights with respect to any material revision to the company's equity compensation plan.</p> | <p>We currently have two equity compensation plans: one providing for the grant of stock options to officers and key employees and an Employee Stock Ownership Plan, or ESOP.</p>                    |

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Stock options to officers and key employees may be granted pursuant to a resolution of the shareholders in an amount not to exceed 15% of the total number of our issued and outstanding shares. However, the board of directors may grant stock options to non-director officers and employees up to 1% of the total number of our issued and outstanding shares, which grant must be approved by a resolution of the subsequent general meeting of shareholders, except for the stock options granted before March 30, 2006.

All material matters related to the granting of stock options are provided in our articles of incorporation, and any amendments to the articles of incorporation are subject to shareholders' approval. Matters related to the ESOP are not subject to shareholders' approval under Korean law.

**Corporate Governance Guidelines**

Listed companies must adopt and disclose corporate governance guidelines.

We do not maintain formal corporate governance guidelines. Our Outside Director Nomination and Corporate Governance Committee is responsible for overseeing our policies, practices and procedures in the area of corporate governance.

**Code of Business Conduct and Ethics**

Listed companies must adopt and disclose a code of business conduct and ethics for directors, officers and employees, and promptly disclose any waivers of the code for directors or executive officers.

We have adopted the Code of Ethics for all directors, officers and employees. A copy of our Code of Ethics is available on our website at [www.lgdisplay.com](http://www.lgdisplay.com).

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**PART III**

**Item 17. FINANCIAL STATEMENTS**

Not applicable.

**Item 18. FINANCIAL STATEMENTS**

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**Item 19. EXHIBITS**

| <b>Number</b> | <b>Description</b>   |
|---------------|--|
| 1.1           | Articles of Incorporation (translation in English)   |
| 2.1*          | Form of Common Stock Certificate (translation in English) (incorporated by reference to Exhibit 4.1 to the Registrant's Registration Statement (No. 333-116819) on Form F-1, filed on July 13, 2004)   |
| 2.2*          | Deposit Agreement (including Form of American Depositary Receipt) (incorporated by reference to Exhibit (a) to the Registrant's Registration Statement (No. 333-147661) on Form F-6, filed on November 28, 2007)   |
| 2.3*          | Letter from Citibank, N.A., as depositary, dated as of November 29, 2007, to the Registrant relating to the direct registration system for the American depositary receipts (incorporated by reference to Exhibit 2.3 to the Registrant's Annual Report (No. 001-32238) on Form 20-F, filed on April 16, 2008) |
| 4.1*          | Joint Venture Agreement by LG Display and Nippon Electric Glass Co., Ltd. (incorporated by reference to Exhibit 4.4 to the Registrant's Annual Report (No. 001-32238) on Form 20-F, filed on April 11, 2005)   |
| 8.1**         | List of subsidiaries of LG Display Co., Ltd.   |
| 12.1          | Section 302 certification of the Chief Executive Officer   |
| 12.2          | Section 302 certification of the Chief Financial Officer   |
| 13.1          | Section 906 certification of the Chief Executive Officer   |
| 13.2          | Section 906 certification of the Chief Financial Officer   |

\* Filed previously.

\*\* Incorporated by reference to Note 1 of the notes to the consolidated financial statements of LG Display Co., Ltd. included in this annual report.

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**SIGNATURES**

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

**LG DISPLAY CO., LTD.**

(Registrant)

**/s/ YOUNG SOO KWON**  
(Signature)

Young Soo Kwon

Representative Director/

President and Chief Executive Officer

Name/Title

**/s/ JAMES JEONG**  
(Signature)

James (Hoyoung) Jeong

Director/ Executive Vice

President and Chief Financial Officer

Name/Title

Date: May 3, 2011

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**Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Shareholders

LG Display Co., Ltd.:

We have audited the accompanying consolidated statements of financial position of LG Display Co., Ltd. and subsidiaries as of December 31, 2010, 2009 and January 1, 2009, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2010 and 2009. We also have audited LG Display Co., Ltd.'s internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). LG Display's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the LG Display Co., Ltd.'s internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting 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.

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In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of LG Display Co., Ltd and subsidiaries as of December 31, 2010, 2009 and January 1, 2009 and the results of their operations and their cash flows for the years ended December 31, 2010 and 2009, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. Also in our opinion, LG Display Co., Ltd. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ KPMG Samjong Accounting Corp.

Seoul, Korea

April 29, 2011

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

## Consolidated Statements of Financial Position

As of December 31, 2010, 2009 and January 1, 2009

| (In millions of won)                      | Note          | December 31, 2010       | December 31, 2009 | January 1, 2009   |
|---|---------------|-------------------------|-------------------|-------------------|
| <b>Assets</b>                             |               |                         |                   |                   |
| Cash and cash equivalents                 | 6             | (Won) 1,631,009         | 817,982           | 1,352,752         |
| Deposits in banks                         | 6, 13         | 1,503,000               | 2,500,000         | 2,055,000         |
| Trade accounts and notes receivable, net  | 7, 13, 20, 23 | 3,000,661               | 2,950,245         | 2,014,700         |
| Other accounts receivable, net            | 7, 13         | 256,028                 | 127,340           | 127,085           |
| Other current financial assets            | 9, 13         | 35,370                  | 3,856             | 26,526            |
| Inventories                               | 8             | 2,215,217               | 81,667,780        | 1,136,672         |
| Other current assets                      | 7             | 199,148                 | 158,939           | 220,127           |
| <b>Total current assets</b>               |               | <b>8,840,433</b>        | <b>8,226,142</b>  | <b>6,932,862</b>  |
| Investments in equity accounted investees | 10            | 325,532                 | 282,450           | 89,047            |
| Other non-current financial assets        | 9, 13         | 83,246                  | 145,970           | 183,476           |
| Deferred tax assets                       | 31            | 1,074,853               | 926,219           | 608,319           |
| Property, plant and equipment, net        | 11, 24        | 12,815,401              | 9,596,497         | 9,242,378         |
| Intangible assets, net                    | 12, 24        | 539,901                 | 352,393           | 204,441           |
| Other non-current accounts receivable     | 7, 13         | 11,045                  | 11,311            | 25,057            |
| Other non-current assets                  | 7, 13         | 167,247                 | 162,495           | 176,269           |
| <b>Total non-current assets</b>           |               | <b>15,017,225</b>       | <b>11,477,335</b> | <b>10,528,987</b> |
| <b>Total assets</b>                       |               | <b>(Won) 23,857,658</b> | <b>19,703,477</b> | <b>17,461,849</b> |
| <b>Liabilities</b>                        |               |                         |                   |                   |
| Trade accounts and notes payable          | 23            | (Won) 2,961,995         | 2,031,422         | 988,012           |
| Current financial liabilities             | 14            | 2,100,979               | 2,007,332         | 1,170,285         |
| Other accounts payable                    |               | 2,592,527               | 1,596,135         | 2,043,570         |
| Accrued expenses                          |               | 373,717                 | 300,412           | 203,374           |
| Income tax payable                        |               | 153,890                 | 145,326           | 294,494           |
| Provisions                                | 15            | 634,815                 | 362,443           | 51,424            |
| Other current liabilities                 | 19            | 63,906                  | 52,001            | 32,944            |
| <b>Total current liabilities</b>          |               | <b>8,881,829</b>        | <b>6,495,071</b>  | <b>4,784,103</b>  |
| Non-current financial liabilities         | 14            | 2,542,900               | 2,076,160         | 2,870,265         |
| Non-current provisions                    | 15            | 8,773                   | 5,611             | 10,097            |
| Deferred tax liabilities                  | 31            | 6,640                   |                   |                   |
| Employee benefits                         | 18            | 78,715                  | 84,297            | 75,402            |
| Long-term advance received                | 20            | 945,287                 | 583,800           |                   |
| Other non-current liabilities             | 19            | 332,547                 | 418,789           | 554,075           |
| <b>Total non-current liabilities</b>      |               | <b>3,914,862</b>        | <b>3,168,657</b>  | <b>3,509,839</b>  |
| <b>Total liabilities</b>                  |               | <b>12,796,691</b>       | <b>9,663,728</b>  | <b>8,293,942</b>  |
| <b>Equity</b>                             |               |                         |                   |                   |
| Share capital                             | 22            | 1,789,079               | 1,789,079         | 1,789,079         |
| Share premium                             |               | 2,251,113               | 2,251,113         | 2,251,113         |

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|   |    |                         |                   |                   |
|---|----|-------------------------|-------------------|-------------------|
| Reserves  | 22 | (35,298)                | (51,005)          | 1,580             |
| Retained earnings   |    | 7,031,163               | 6,050,562         | 5,126,135         |
| <b>Total equity attributable to owners of the Company</b> |    | <b>11,036,057</b>       | <b>10,039,749</b> | <b>9,167,907</b>  |
| <b>Non-controlling interest</b>                           |    | <b>24,910</b>           |                   |                   |
| <b>Total equity</b>                                       |    | <b>11,060,967</b>       | <b>10,039,749</b> | <b>9,167,907</b>  |
| <b>Total liabilities and equity</b>                       |    | <b>(Won) 23,857,658</b> | <b>19,703,477</b> | <b>17,461,849</b> |

See accompanying notes to consolidated financial statements.

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

Consolidated Statement of Comprehensive Income

For the years ended December 31, 2010 and 2009

| (In millions of won, except earnings per share)                                | Note       | 2010             | 2009         |
|--|------------|------------------|--------------|
| <b>Revenue</b>   | 23, 24, 25 | (Won) 25,511,535 | 20,037,701   |
| <b>Cost of sales</b>   | 8, 23      | (21,780,880)     | (17,476,995) |
| <b>Gross profit</b>  |            | 3,730,655        | 2,560,706    |
| Other income   | 26         | 1,483,443        | 1,365,554    |
| Selling expenses   | 17         | (846,376)        | (712,580)    |
| Administrative expenses  | 17         | (521,035)        | (325,325)    |
| Research and development expenses  |            | (674,684)        | (407,857)    |
| Other expenses   | 26         | (1,861,531)      | (1,470,146)  |
| <b>Results from operating activities</b>                                       |            | 1,310,472        | 1,010,352    |
| Finance income   | 29         | 240,988          | 332,721      |
| Finance costs  | 29         | (288,472)        | (343,855)    |
| Other non-operating loss, net  |            | (15,611)         | (6,475)      |
| Equity income on investments, net  |            | 18,192           | 20,217       |
| <b>Profit before income tax</b>  |            | 1,265,569        | 1,012,960    |
| Income tax expense (benefit)   | 30         | 106,335          | (104,818)    |
| <b>Profit for the year</b>   |            | 1,159,234        | 1,117,778    |
| <b>Other comprehensive income (loss)</b>                                       |            |                  |              |
| Net change in fair value of available-for-sale financial assets                | 29         | 12,063           | (24,367)     |
| Net change in fair value of cash flow hedges transferred to profit or loss     | 29         |                  | 2,534        |
| Defined benefit plan actuarial gains (loss)                                    | 18         | 4,480            | (18,927)     |
| Cumulative translation differences   | 29         | 6,735            | (37,175)     |
| Gain on sales of own shares of associate accounted for using the equity method |            | 810              |              |
| Income tax on other comprehensive income                                       | 30         | (5,107)          | 10,907       |
| <b>Other comprehensive income (loss) for the year, net of income tax</b>       |            | 18,981           | (67,028)     |
| <b>Total comprehensive income for the year</b>                                 |            | (Won) 1,178,215  | 1,050,750    |
| <b>Profit attributable to:</b>   |            |                  |              |
| Owners of the Company  |            | 1,156,343        | 1,117,778    |
| Non-controlling interest   |            | 2,891            |              |
| <b>Profit for the year</b>   |            | (Won) 1,159,234  | 1,117,778    |
| <b>Total comprehensive income attributable to:</b>                             |            |                  |              |
| Owners of the Company  |            | 1,175,216        | 1,050,750    |
| Non-controlling interest   |            | 2,999            |              |
| <b>Total comprehensive income for the year</b>                                 |            | (Won) 1,178,215  | 1,050,750    |



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**Earning per share**

|                            |    |       |       |       |
|----------------------------|----|-------|-------|-------|
| Basic earnings per share   | 32 | (Won) | 3,232 | 3,124 |
| Diluted earnings per share | 32 | (Won) | 3,152 | 3,124 |

See accompanying notes to the consolidated financial statements.

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

## Consolidated Statement of Changes in Equity

For the years ended December 31, 2010 and 2009

| (In millions of won)  | Share<br>capital | Share<br>premium | Gain on sales of<br>own<br>shares<br>of<br>associates | Translation<br>reserve | Hedging<br>reserve | Fair value<br>reserve | Retained<br>earnings | Non-controlling<br>interest | Total<br>equity |
|---|------------------|------------------|---|------------------------|--------------------|-----------------------|----------------------|-----------------------------|-----------------|
| <b>Balances at<br/>January 1, 2009</b>  | (Won) 1,789,079  | 2,251,113        |   |                        | (1,920)            | 3,500                 | 5,126,135            |                             | 9,167,907       |
| <b>Total comprehensive<br/>income for the year</b>  |                  |                  |   |                        |                    |                       |                      |                             |                 |
| Profit for the year   |                  |                  |   |                        |                    |                       | 1,117,778            |                             | 1,117,778       |
| <b>Other comprehensive<br/>income (loss)</b>  |                  |                  |   |                        |                    |                       |                      |                             |                 |
| Net change in fair<br>value of<br>available-for-sale<br>financial assets, net of<br>tax         |                  |                  |   |                        |                    | (18,136)              |                      |                             | (18,136)        |
| Net change in fair<br>value of cash flow<br>hedges transferred to<br>profit or loss, net of tax |                  |                  |   |                        | 1,920              |                       |                      |                             | 1,920           |
| Defined benefit plan<br>actuarial gain, net of<br>tax   |                  |                  |   |                        |                    |                       | (14,443)             |                             | (14,443)        |
| Cumulative translation<br>differences   |                  |                  |   | (36,369)               |                    |                       |                      |                             | (36,369)        |
| <b>Total other<br/>comprehensive income<br/>(loss)</b>  |                  |                  |   | (36,369)               | 1,920              | (18,136)              | (14,443)             |                             | (67,028)        |
| <b>Total comprehensive<br/>income (loss) for the<br/>year</b>                                   | (Won)            |                  |   | (36,369)               | 1,920              | (18,136)              | 1,103,335            |                             | 1,050,750       |
| <b>Transaction with<br/>owners, recognized<br/>directly in equity</b>                           |                  |                  |   |                        |                    |                       |                      |                             |                 |
| Dividends to equity<br>holders  |                  |                  |   |                        |                    |                       | (178,908)            |                             | (178,908)       |
| <b>Balances at<br/>December 31, 2009</b>  | (Won) 1,789,079  | 2,251,113        |   | (36,369)               |                    | (14,636)              | 6,050,562            |                             | 10,039,749      |
| <b>Balances at<br/>January 1, 2010</b>  | (Won) 1,789,079  | 2,251,113        |   | (36,369)               |                    | (14,636)              | 6,050,562            |                             | 10,039,749      |

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|   |       |           |           |           |           |         |           |        |            |
|---|-------|-----------|-----------|-----------|-----------|---------|-----------|--------|------------|
| <b>Total comprehensive income (loss) for the year</b>                           |       |           |           |           |           |         |           |        |            |
| Profit for the year   |       |           |           | 1,156,343 | 2,891     |         | 1,159,234 |        |            |
| <b>Other comprehensive income</b>   |       |           |           |           |           |         |           |        |            |
| Net change in fair value of available-for-sale financial assets, net of tax     |       |           |           | 9,076     |           |         | 9,076     |        |            |
| Cumulative translation differences  |       | 5,821     |           |           | 108       |         | 5,929     |        |            |
| Defined benefit plan actuarial gain, net of tax                                 |       |           |           | 3,166     |           |         | 3,166     |        |            |
| Gain on sales of own shares of associates accounted for using the equity method |       | 810       |           |           |           |         | 810       |        |            |
| Total other comprehensive income  |       | 810       | 5,821     | 9,076     | 3,166     | 108     | 18,981    |        |            |
| Total comprehensive income for the year   | (Won) | 810       | 5,821     | 9,076     | 1,159,509 | 2,999   | 1,178,215 |        |            |
| <b>Transaction with owners, recognized directly in equity</b>                   |       |           |           |           |           |         |           |        |            |
| Dividends to equity holders   |       |           |           |           | (178,908) |         | (178,908) |        |            |
| Changes in ownership interests in subsidiaries                                  |       |           |           |           |           | 21,911  | 21,911    |        |            |
| <b>Balances at December 31, 2010</b>  |       |           |           |           |           |         |           |        |            |
|   | (Won) | 1,789,079 | 2,251,113 | 810       | (30,548)  | (5,560) | 7,031,163 | 24,910 | 11,060,967 |

See accompanying notes to the consolidated financial statements.

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

## Consolidated Statement of Cash Flows

For the years ended December 31, 2010 and 2009

| (In millions of won)                              | Note | 2010            | 2009      |
|---|------|-----------------|-----------|
| <b>Cash flows from operating activities:</b>      |      |                 |           |
| Profit for the year                               |      | (Won) 1,159,234 | 1,117,778 |
| <b>Adjustments for:</b>                           |      |                 |           |
| Income tax expense (benefit)                      | 30   | 106,335         | (104,818) |
| Depreciation                                      | 11   | 2,756,532       | 2,778,727 |
| Amortization of intangible assets                 | 12   | 168,846         | 63,339    |
| Gain on disposal of intangible assets             |      |                 | (9)       |
| Gain on foreign currency translation              |      | (119,880)       | (159,293) |
| Loss on foreign currency translation              |      | 85,263          | 31,844    |
| Impairment loss on property, plant and equipment  |      |                 | 664       |
| Gain on disposal of property, plant and equipment |      | (1,387)         | (486)     |
| Loss on disposal of property, plant and equipment |      | 415             | 234       |
| Finance income                                    |      | (165,465)       | (217,657) |
| Finance costs                                     |      | 167,843         | 185,392   |
| Equity income on investments, net                 |      | (18,192)        | (20,217)  |
| Other income                                      |      | (23,913)        | (52,357)  |
| Other expenses                                    |      | 708,718         | 575,829   |
| Other non-operating loss                          |      | 275             |           |
|   |      | 4,824,624       | 4,198,970 |
| Change in trade accounts and notes receivable     |      | (81,196)        | (912,427) |
| Change in other accounts receivable               |      | (13,442)        | (48,311)  |
| Change in other current assets                    |      | (50,310)        | 7,483     |
| Change in inventories                             |      | (510,332)       | (531,108) |
| Change in other non-current accounts receivable   |      | 267             | 626       |
| Change in other non-current assets                |      | (54,146)        | (37,859)  |
| Change in trade accounts and notes payable        |      | 966,567         | 1,021,864 |
| Change in other accounts payable                  |      | (30,419)        | 48,005    |
| Change in accrued expenses                        |      | 68,948          | 123,666   |
| Change in other current liabilities               |      | 11,654          | 128,158   |
| Change in long-term advance received              |      | 379,105         | 695,500   |
| Change in other non-current liabilities           |      | 10,231          | (4,214)   |
| Change in provisions                              |      | (290,536)       | (125,817) |
| Change in defined benefit obligation              | 18   | (103,716)       | (91,005)  |
| Cash generated from operating activities          |      | 5,127,299       | 4,473,531 |
| Income tax paid                                   |      | (242,389)       | (363,773) |
| Interest received                                 |      | 110,812         | 171,861   |
| Interest paid                                     |      | (112,190)       | (128,313) |
| <b>Net cash from operating activities</b>         |      | (Won) 4,883,532 | 4,153,306 |

See accompanying notes to the consolidated financial statements.



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

Consolidated Statements of Cash Flows, Continued

For the years ended December 31, 2010 and 2009

| (In millions of won)  | Note | 2010                   | 2009               |
|---|------|------------------------|--------------------|
| <b>Cash flows from investing activities:</b>                        |      |                        |                    |
| Dividends received  |      | (Won) 33,772           | 557                |
| Proceeds from withdrawal of deposits in banks                       |      | 5,400,000              | 3,555,000          |
| Increase in deposits in banks                                       |      | (4,403,000)            | (4,000,000)        |
| Acquisition of investments in equity accounted investees            |      | (72,316)               | (186,477)          |
| Proceeds from disposal of investments in equity accounted investees |      | 20,530                 |                    |
| Acquisition of property, plant and equipment                        |      | (4,942,360)            | (3,761,424)        |
| Proceeds from disposal of property, plant and equipment             |      | 1,887                  | 7,850              |
| Acquisition of intangible assets                                    |      | (227,663)              | (202,649)          |
| Proceeds from disposal of intangible assets                         |      |                        | 11                 |
| Grant received  |      | 46                     | 2,550              |
| Payment for settlement of derivatives                               |      | (14,781)               | 50,946             |
| Proceeds from short-term loans                                      |      | 42                     | 23                 |
| Acquisition of other non-current financial assets                   |      | (52,205)               | (32,817)           |
| Proceed from disposal of other non-current financial assets         |      | 11,417                 | 2,106              |
| Acquisition of businesses, net of cash acquired                     | 34   | (270,536)              |                    |
| <b>Net cash used in investing activities</b>                        |      | <b>(4,515,167)</b>     | <b>(4,564,324)</b> |
| <b>Cash flows from financing activities:</b>                        |      |                        |                    |
| Proceeds from short-term borrowings                                 |      | 1,422,669              | 879,117            |
| Repayment of short-term borrowings                                  |      | (1,007,485)            | (727,938)          |
| Issuance of debentures  |      | 1,117,437              | 498,020            |
| Redemption of debentures  |      |                        | (400,000)          |
| Proceeds from long-term debt  |      | 477,064                | 370,299            |
| Repayment of long-term debt   |      | (120,000)              |                    |
| Repayment of current portion of long-term debt                      |      | (1,324,562)            | (557,612)          |
| Increase in non-controlling interest                                |      | 21,911                 |                    |
| Payment of cash dividend  | 22   | (178,908)              | (178,908)          |
| <b>Net cash provided (used) in financing activities</b>             |      | <b>408,126</b>         | <b>(117,022)</b>   |
| <b>Net increase (decrease) in cash and cash equivalents</b>         |      | <b>776,491</b>         | <b>(528,040)</b>   |
| Cash and cash equivalents at January 1                              |      | 817,982                | 1,352,752          |
| Effect of exchange rate fluctuations on cash held                   |      | 36,536                 | (6,730)            |
| <b>Cash and cash equivalents at December 31</b>                     |      | <b>(Won) 1,631,009</b> | <b>817,982</b>     |

See accompanying notes to the consolidated financial statements.

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

Notes to Consolidated Financial Statements

For the years ended December 31, 2010 and 2009

**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 65-228 Hangang-ro 3-ga, Yongsan-gu, Seoul, the Republic of Korea, to which the Controlling Company moved in September 2010. In July 1999, LG Electronics Inc. and Koninklijke Philips Electronics N.V. (Philips) entered into a joint venture agreement. Pursuant to the agreement, the Controlling Company changed its name to LG.Philips LCD Co., Ltd. However, on February 29, 2008, the Controlling Company changed its name to LG Display Co., Ltd. based upon the approval of shareholders at the general shareholders meeting on the same date as a result of the decrease in Philips's share interest in the Controlling Company and the possibility of its business expansion to Organic Light Emitting Diode (OLED) and Flexible Display products. As of December 31, 2010, LG Electronics Inc. owns 37.9% (135,625,000 shares) of the Controlling Company's common shares.

As of December 31, 2010, the Controlling Company has its TFT-LCD manufacturing plants, OLED manufacturing plant and LCD Research & Development Center in Paju and TFT-LCD manufacturing plants and OLED manufacturing plant in Gumi. The Controlling Company has overseas subsidiaries located in the United States of America, Europe and Asia.

The Controlling Company's common stock is listed on the Korea Exchange under the identifying code 034220. As of December 31, 2010, 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, 2010, there are 35,763,650 ADSs outstanding.

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Notes to Consolidated Financial Statements

For the years ended December 31, 2010 and 2009

(b) Consolidated Subsidiaries as of December 31, 2010

(In millions)

| Subsidiaries                                 | Percentage of ownership | Location            | Date of incorporation | Business                                | Capital stocks |
|--|-------------------------|---------------------|-----------------------|---|----------------|
| LG Display America, Inc.                     | 100%                    | California, U.S.A.  | September 24, 1999    | Sell TFT-LCD products                   | USD105         |
| LG Display Japan Co., Ltd.                   | 100%                    | Tokyo, Japan        | October 12, 1999      | Sell TFT-LCD Products                   | JPY95          |
| LG Display Germany GmbH                      | 100%                    | Dusseldorf, Germany | November 5, 1999      | Sell TFT-LCD products                   | EUR1           |
| LG Display Taiwan Co., Ltd.                  | 100%                    | Taipei, Taiwan      | April 12, 1999        | Sell TFT-LCD products                   | NTD116         |
| LG Display Nanjing Co., Ltd. (*1)            | 100%                    | Nanjing, China      | July 15, 2002         | Manufacture and sell TFT-LCD products   | CNY2,254       |
| LG Display Shanghai Co., Ltd.                | 100%                    | Shanghai, China     | January 16, 2003      | Sell TFT-LCD products                   | CNY4           |
| LG Display Poland Sp. zo. o. (*2)            | 80%                     | Wroclaw, Poland     | September 6, 2005     | Manufacture and sell TFT-LCD products   | PLN511         |
| LG Display Guangzhou Co., Ltd. (*3)          | 90%                     | Guangzhou, China    | June 30, 2006         | Manufacture and sell TFT-LCD products   | CNY992         |
| LG Display Shenzhen Co., Ltd.                | 100%                    | Shenzhen, China     | August 28, 2007       | Sell TFT-LCD products                   | CNY4           |
| LG Display Singapore Pte. Ltd.               | 100%                    | Singapore           | January 12, 2009      | Sell TFT-LCD products                   | SGD1.4         |
| L&T Display Technology (Xiamen) Limited (*4) | 51%                     | Xiamen, China       | January 5, 2010       | Manufacture LCD module and TV sets      | CNY82          |
| L&T Display Technology (Fujian) Limited (*4) | 51%                     | Fujian, China       | January 5, 2010       | Manufacture LCD Module and monitor sets | CNY116         |
| LG Display Yantai Co., Ltd. (*5)             | 100%                    | Yantai, China       | April 19, 2010        | Manufacture and sell TFT-LCD products   | CNY273         |
|  | 51%                     | Dongguan            | September 26,         |   | CNY33          |



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|   |      |          |                   |  |          |
|---|------|----------|-------------------|--|----------|
| L&I Electronic Technology (Dongguan) Limited (*6) |      | China    | 2010              | Manufacture and Sell e-Book devices      |          |
| Image&Materials, Inc. (*7)                        | 100% | Domestic | May 17, 2006      | Manufacture EPD materials                | KRW1,392 |
| LUCOM Display Technology (Kunshan) Limited (*8)   | 51%  | Kunshan  | December 15, 2010 | Manufacture Notebook Borderless Hinge-up | CNY30    |

(\*1) In July 2009, the Controlling Company entered into a stock purchase agreement with LG Electronics Inc. and LG Electronics (China) Co., Ltd. for the acquisition of the shares of LG Electronics (Nanjing) Plasma Co., Ltd. in order to expand cell back-end process of module production. In accordance with the agreement, the Controlling Company acquired whole shares of LG Electronics (Nanjing) Plasma Co., Ltd. at (Won)3,503 million in December 2009. In July 2010, LG Electronics (Nanjing) Plasma Co., Ltd. was merged with LG Display Nanjing Co., Ltd.

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## Notes to Consolidated Financial Statements

For the years ended December 31, 2010 and 2009

- (\*2) Toshiba Corporation ( Toshiba ) acquired 20% of LG Display Poland Sp. zo.o. ( LGDWR ) in December 2007 through a stock purchase agreement. With the acquisition of the 20% interest, Toshiba and the Controlling Company and LGDWR entered into a derivative contract that is based on LGDWR's equity shares. According to the contract, the Controlling Company or LGDWR has a call option to buy Toshiba's 20% interest in LGDWR and Toshiba has a put option to sell its 20% interest in LGDWR to the Controlling Company or LGDWR under the same terms: the price of the call is equal to the price of the put option which is the total amount of Toshiba's investment at cost. The call and put option are exercisable after five years from the date of acquisition and on each anniversary thereafter with no stated expiry date in whole or in part. Toshiba's investment in LGDWR is regarded as financing due to the options and recorded as long-term other accounts payable in the consolidated statement of financial position of the Group. Accordingly, LGDWR is consolidated as a wholly owned subsidiary in the consolidated financial statements.
- (\*3) Skyworth TV Holdings Limited ( Skyworth ) acquired 16% of equity interest in LG Display Guangzhou Co., Ltd. ( LGDGZ ) in June 2008. With the acquisition of the 16% interest in June 2008 (which is reduced to 10% at December 31, 2009 with additional investment in LGDGZ by the Controlling Company), Skyworth and the Controlling Company entered into a derivative contract that is based on LGDGZ's equity interest. According to the contract, LGD has a call option to buy Skyworth's interest in LGDGZ and Skyworth has a put option to sell its interest in LGDGZ to LG Display Co., Ltd. under the same terms: the price of the call is equal to the price of the put option which is the total amount of Skyworth's investment at cost. The call and put option is exercisable after five years from the date of acquisition with no stated expiry date in whole or in part. Skyworth's investment in LGDGZ is regarded as financing due to the options and recorded as long-term other accounts payable in the consolidated statement of financial position of the Group. Accordingly, LGDGZ is consolidated as a wholly owned subsidiary in the consolidated financial statements.
- (\*4) In January 2010, the Controlling Company entered into a joint venture agreement with Top Victory Investments Limited, accordingly, L&T Display Technology (Xiamen) Limited ( L&T XM ) and L&T Display Technology (Fujian) Limited ( L&T FJ ) were incorporated in Xiamen and Fujian, China, to manufacture LCD module, LCD TV set and LCD monitor set products. The Controlling Company acquired 51% equity interests in L&T XM and L&T FJ at (Won)7,146 million and (Won)10,123 million, respectively.
- (\*5) LG Display Yantai Co., Ltd. was incorporated in Yantai, China, on April 19, 2010, to manufacture and sell TFT-LCD products. As of December 31, 2010, the Controlling Company has a 100% equity interest of this subsidiary and its capital stock amounts to (Won)44,628 million as of December 31, 2010.
- (\*6) On September 26, 2010, the Controlling Company entered into a joint venture agreement with Iriver Co., Ltd., accordingly, L&I Electronic Technology (Dongguan) Limited ( L&I ) was incorporated in Dongguan, China, to manufacture and sell e-Book devices. The Controlling Company acquired a 51% equity interest in L&I at (Won)2,885 million.
- (\*7) On November 29, 2010, the Controlling Company acquired a 100% equity interest of Image & Materials, Inc., which manufactures Electro Phoresis Display ( EPD ), at (Won)35,000 million. As of December 31, 2010, its capital stock amounted to (Won)1,392 million.
- (\*8) In December 2010, the Controlling Company entered into a joint venture agreement with Compal Electronics Inc., accordingly, LUCOM Display Technology (Kunshan) Limited ( LUCOM ) was incorporated in Kunshan, China, to manufacture notebook borderless hinge-ups (Shuriken). The Controlling Company acquired a 51% equity interest in LUCOM at (Won)2,652 million.

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Notes to Consolidated Financial Statements

For the years ended December 31, 2010 and 2009

(c) Associates and Jointly Controlled Entities (Equity Method Investees) as of December 31, 2010*(In millions of won)*

| Associates and jointly controlled entities                       | Percentage of ownership | Date of incorporation | Business   | Carrying amount |
|--|-------------------------|-----------------------|--|-----------------|
| Suzhou Raken Technology Ltd.                                     | 51%                     | October 2008          | Manufacture and sell LCD modules and LCD TV set (Won)                            | 114,402         |
| Guangzhou New Vision Technology Research and Development Limited | 50%                     | July 2008             | R&D on design of LCD modules and LCD TV set                                      | 3,540           |
| Global OLED Technology LLC                                       | 33%                     | December 2009         | Managing and utilizing OLED patents  | 47,594          |
| Paju Electric Glass Co., Ltd.                                    | 40%                     | January 2005          | Manufacture electric glass for flat-panel displays                               | 45,947          |
| TLI Inc.   | 12%                     | October 1998          | Manufacture and sell semiconductor parts   | 16,614          |
| AVACO Co., Ltd.  | 20%                     | January 2001          | Manufacture and sell equipment for flat-panel displays                           | 6,998           |
| New Optics LTD.  | 42%                     | August 2005           | Manufacture back light parts for TFT-LCDs  | 17,261          |
| LIG ADP Co., Ltd. (formerly, ADP Engineering Co., Ltd.)          | 13%                     | January 2001          | Develop and manufacture the equipment for flat-panel displays                    | 4,037           |
| WooRee LED Co., Ltd.   | 30%                     | June 2008             | Manufacture LED (*) back light unit packages                                     | 12,448          |
| Dynamic Solar Design Co., Ltd.                                   | 40%                     | April 2009            | Develop and manufacture equipment for solar battery and flat-panel displays      | 5,776           |
| RPO, Inc.  | 26%                     | November 2005         | Develop digital waveguide touch technology                                       | 11,268          |
| LB Gemini New Growth Fund No. 16                                 | 31%                     | December 2009         | Invest in small and middle sized companies and to benefit from M&A opportunities | 7,949           |
| Can Yang Investments Limited                                     | 15%                     | January 2010          |  | 16,999          |

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|   |     |             |  |        |
|---|-----|-------------|--|--------|
| YAS Co., Ltd.                               | 20% | April 2002  | Develop and<br>manufacture and sell<br>LEDs                        | 10,124 |
| Eralite Optoelectronics (Jiangsu) Co., Ltd. | 20% | August 2010 | Develop and<br>manufacture<br>deposition<br>equipment for<br>OLEDs | 4,575  |
|   |     |             | Manufacture LED<br>Packages  |        |

(\*) LED represents Light Emitting Diode.

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

Notes to Consolidated Financial Statements

For the years ended December 31, 2010 and 2009

**2. Basis of Presenting Financial Statements**

(a) Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ( IFRSs ) as issued by the International Accounting Standards Board. LG Display Co., Ltd. determined to adopt the IFRSs for annual periods beginning on January 1, 2010. LG Display Co., Ltd 's transition date to IFRSs from its previous GAAP (generally accepted accounting principles) was January 1, 2009. Prior to the adoption of IFRS, LG Display Co., Ltd and its subsidiaries (together referred to as the Group and individually as Group entities ) prepared the consolidated financial statements in accordance with both of GAAP of the Republic of Korea (K-GAAP) and accounting principles generally accepted in the United States of America ( U.S.GAAP ). The Group determined its previous GAAP as K-GAAP.

These are the Group 's first consolidated financial statements prepared in accordance with IFRSs including IFRS No. 1, *First-time adoption of International Financial Reporting Standards*. An explanation of how the transition to IFRSs has affected the consolidated financial statements of the Group is provided in note 35.

The consolidated financial statements were authorized for issue by the Board of Directors on April 15, 2011.

(b) Basis of Measurement

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

derivative financial instruments measured at fair value,

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

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

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

liabilities for defined benefit plans recognized at the net total of present value of defined benefit obligation less the fair value of plan assets

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

Notes to Consolidated Financial Statements

For the years ended December 31, 2010 and 2009

(c) **Functional and Presentation Currency**

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

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

The preparation of the consolidated financial statements in conformity with 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))

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

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

Measurement of defined benefit obligations (note 18)

Utilization of tax credit carryforwards (note 31)

**3. Summary of Significant Accounting Policies**

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

(a) **Consolidation**

**(i) Subsidiaries**

Subsidiaries are those entities controlled by the Controlling Company or its subsidiaries where control is the power to govern the financial and operating policies of the entity so as to obtain benefit from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Each item of profit and loss and other reserves is

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attributed to the owners of the parent and non-controlling interests. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

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

Notes to Consolidated Financial Statements

For the years ended December 31, 2010 and 2009

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

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

A jointly controlled entity is an entity that the Group has joint control over and whose activities are established by a contractual arrangement and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

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

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

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

**(iii) Transactions eliminated on consolidation**

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



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

Notes to Consolidated Financial Statements

For the years ended December 31, 2010 and 2009

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

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that 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 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 transaction. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or previous financial statements shall be recognized in profit or loss in the period in which they arise.

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

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

(c) **Inventories**

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted-average method, and includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. 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 allocation of fixed production overhead if the actual level of production is lower than the normal capacity.

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

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

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For the years ended December 31, 2010 and 2009

(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 financial assets, including financial assets at fair value through profit or loss, are recognized in the 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 on 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 statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

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

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

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

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**Held-to-maturity financial assets**

If the Group has non-derivative debt securities with fixed or determinable payments and fixed maturity and the Group has the positive intention and ability to hold to maturity, then such financial assets are classified as held-to-maturity. When held-to-maturity financial assets are recognized initially, the Group measures it at its fair value plus, transaction costs that are directly attributable to the acquisition of the financial asset. Subsequent to initial recognition held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses. Any sale or reclassification of a more than an insignificant amount of held-to-maturity investment not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Group from classifying any financial assets as held-to-maturity for the current and the following two financial years.

**Cash and cash equivalents**

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

**Deposits in banks**

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

**Loans and receivables**

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

**Available-for-sale financial assets**

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

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

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For the years ended December 31, 2010 and 2009

**(ii) Non-derivative financial liabilities**

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

Financial liabilities at fair value through profit or loss include financial liabilities held for trading or designated as such upon initial recognition at fair value through profit or loss. After initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. Upon initial recognition, transaction costs that are directly attributable to the acquisition are recognized in profit or loss as incurred. As of December 31, 2010, financial liabilities at fair value through profit or loss of the Group consist of convertible bonds.

Non-derivative financial liabilities other than financial liabilities classified as fair value through profit or loss are classified as other financial liabilities and measured initially at fair value minus transaction costs that are directly attributable to the issue. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. As of December 31, 2010, non-derivative financial liabilities comprise borrowings, bonds and others.

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

**(iii) Ordinary share capital**

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

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

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

The Group designates derivatives as hedging items to hedge the risk of changes in the fair value of assets, liabilities or firm commitments (a fair value hedge) and foreign currency risk of highly probable forecast 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 forecast 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 the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast 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 as the hedged cash flows affect profit or loss under the same line item in the statement of comprehensive income as the hedged item. 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 forecast 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 forecast transaction is no longer expected to occur, then the balance in other comprehensive income is recognized immediately in profit or loss. In other cases the amount recognized in other comprehensive income is transferred to profit or loss in the same period that the hedged item affects profit or loss.

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**Embedded derivative**

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

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

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

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

**(ii) Subsequent costs**

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

**(iii) Depreciation**

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

Estimated useful lives of the assets are as follows:

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

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

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(f) **Borrowing Costs**

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

(g) **Government Grants**

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

**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.

**Grants for compensating the Group's expenses incurred**

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

**Other government grants**

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

(h) **Intangible Assets**

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

(i) **Goodwill**

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

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**(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 relationship, technology, membership and others.

**(iv) Subsequent costs**

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



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**(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 membership 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 relationship                                      | 7                                     |
| Technology   | 10                                    |
| Development costs  | (*)                                   |
| Condominium and golf club membership                       | Not amortized                         |

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

**(i) Impairment****(i) Financial assets**

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

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

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

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

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

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

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

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

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**(ii) Non-financial assets**

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

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

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

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

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

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(j) **Provisions**

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

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

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

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

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

(k) **Employee Benefits**

**(i) Short-term employee benefit**

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

**(ii) Other long-term employee benefit**

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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**(iii) Defined contribution plan**

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

**(iv) Defined benefit plan**

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

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

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

**(v) Share-based payment transactions**

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

**(l) Revenue**

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

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(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 24 to these consolidated financial statements.

(n) **Finance Income and Finance Costs**

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

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

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

(o) **Income Tax**

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

(i) **Current tax**

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

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**(ii) Deferred tax**

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

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

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

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

**(p) Earnings per Share**

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

**(q) Business Combination**

The business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as:

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The fair value of the consideration transferred; plus

The recognized amount of any non-controlling interests in the acquiree; less

The net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of preexisting relationships. Such amounts are generally recognized in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(r) New Standards and Interpretations Not Yet Adopted

The following new standards, interpretations and amendments to existing standards have been published and are mandatory for the Group beginning on or after January 1, 2011, but the Group has not early adopted them. Management is in the process of evaluating the impact, if any, of applying these standards and interpretations on its financial position and results of operations.

(i) IFRS No. 9, *Financial Instruments*

This standard introduces certain new requirements for classifying and measuring financial assets. IFRS No. 9 divides all financial assets that are currently in the scope of International Accounting Standards ( IASs ) No. 39 into two classifications, those measured at amortized cost and those measured at fair value. The standard along with proposed expansion of IFRS No. 9 for classifying and measuring financial liabilities, de-recognition of financial instruments, impairment, and hedge accounting will be applicable from the year 2013, although entities are permitted to adopt earlier. Management is evaluating the impact that this new standard will have on the Group's consolidated financial statements.

(ii) Revised IAS 24, *Related Parties Disclosures*

The revised standard simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition. The Group will apply IAS 24 (revised) retrospectively from January 1, 2011.



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**4. Determination of Fair Value**

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

(a) Current Assets and Liabilities

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

(b) Trade Receivables and Other Receivables

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

(c) Investments in Equity and Debt Securities

The fair value of financial assets at fair value through profit or loss ( FVTPL ) and available-for-sale financial assets in market is determined by reference to their quoted closing bid price at the reporting date. The fair value of non-marketable securities is determined using valuation methods.

(d) Derivatives

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

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

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

(e) Non-derivative Financial Liabilities

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

(f) Share-based Payment Transactions

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

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(g) Assets Acquired in a Business Combination

(i) Inventories

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

(ii) Property, plant and equipment

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

(iii) Intangible assets

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

**5. Risk Management**

(a) Financial Risk Management

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

(i) Credit risk

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

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

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

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



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

**(iii) Market risk**

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

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

*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 and JPY.

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

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

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

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**Interest rate risk**

Interest rate risk arises principally from the Group's debentures and borrowings. The Group used to hedge the interest rate risk by entering interest swap contracts. The Group does not have any interest swap contract as of December 31, 2010. The fair value of interest rate swap as of December 31, 2009 is as follows:

*(In millions of won)*

| Type   | 2009        |
|--|-------------|
| Loss on valuation of interest rate swap, net | (Won) 3,698 |
| Financial liabilities, net                   | 3,698       |

**(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. Management also monitors the level of dividends to ordinary shareholders.

| <i>(In millions of won)</i>       | December 31,<br>2010 | December 31,<br>2009 |
|-----------------------------------|----------------------|----------------------|
| Total liabilities                 | (Won) 12,796,691     | 9,663,728            |
| Total equity                      | 11,060,967           | 10,039,749           |
| Cash and deposits in banks (*)    | 3,134,009            | 3,317,982            |
| Borrowings                        | 4,642,923            | 4,079,731            |
| Total liabilities to equity ratio | 116%                 | 96%                  |
| Net borrowing to equity ratio     | 14%                  | 8%                   |

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

**6. Cash and Cash Equivalents and Deposits in Banks**

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

| <i>(In millions of won)</i>      | December 31,<br>2010 | December 31,<br>2009 | January 1,<br>2009 |
|----------------------------------|----------------------|----------------------|--------------------|
| <b>Current assets</b>            |                      |                      |                    |
| <b>Cash and cash equivalents</b> |                      |                      |                    |
| Demand deposits                  | (Won) 1,631,009      | 817,982              | 1,352,752          |
| <b>Deposits in banks</b>         |                      |                      |                    |
| Time deposits                    | 1,500,000            | 2,500,000            | 2,055,000          |

|                 |           |           |           |
|-----------------|-----------|-----------|-----------|
| Restricted cash | 3,000     |           |           |
|                 | 1,503,000 | 2,500,000 | 2,055,000 |

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**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,<br/>2010</b> | <b>December 31,<br/>2009</b> | <b>January 1,<br/>2009</b> |
|-----------------------------|------------------------------|------------------------------|----------------------------|
| Trade, net                  | (Won) 2,230,003              | 2,058,989                    | 1,520,114                  |
| Due from related parties    | 770,658                      | 891,256                      | 494,586                    |
|                             | (Won) 3,000,661              | 2,950,245                    | 2,014,700                  |

The Group's accounts and notes receivable amounting to (Won)1,290,234 million (USD1,133 million) and (Won)702,191 million (USD601 million) were sold to financial institutions, but among these there are no current and outstanding balances, as of December 31, 2010 and 2009, respectively. For the years ended December 31, 2010 and 2009, the Group recognized (Won)9,366 million and (Won)4,307 million, respectively, as loss on disposal of trade accounts and notes receivable.

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

| <i>(In millions of won)</i>         | <b>December 31,<br/>2010</b> | <b>December 31,<br/>2009</b> | <b>January 1,<br/>2009</b> |
|-------------------------------------|------------------------------|------------------------------|----------------------------|
| <b>Current assets</b>               |                              |                              |                            |
| Non-trade accounts receivable       | (Won) 231,843                | 79,978                       | 36,088                     |
| Accrued income                      | 24,093                       | 47,277                       | 90,889                     |
| Short-term loans                    | 92                           | 85                           | 108                        |
|                                     | (Won) 256,028                | 127,340                      | 127,085                    |
| <b>Non-current assets</b>           |                              |                              |                            |
| Long-term other accounts receivable | (Won) 11,045                 | 11,311                       | 25,057                     |

Due from related parties included in other accounts receivable, as of December 31, 2010, 2009 and January 1, 2009 are (Won)9,005 million, (Won)14,431 million and (Won)4,646 million, respectively.

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

| <i>(In millions of won)</i> | <b>December 31,<br/>2010</b> | <b>December 31,<br/>2009</b> | <b>January 1,<br/>2009</b> |
|-----------------------------|------------------------------|------------------------------|----------------------------|
| <b>Current assets</b>       |                              |                              |                            |



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|                            |               |         |         |
|----------------------------|---------------|---------|---------|
| Advance payments           | (Won) 10,947  | 11,634  | 398     |
| Prepaid expenses           | 43,456        | 44,016  | 41,361  |
| Value added tax refundable | 144,727       | 95,892  | 176,379 |
| Others                     | 18            | 7,397   | 1,989   |
|                            | (Won) 199,148 | 158,939 | 220,127 |
| <b>Non-current assets</b>  |               |         |         |
| Long-term prepaid expenses | (Won) 166,958 | 162,495 | 176,269 |
| Others                     | 289           |         |         |
|                            | (Won) 167,247 | 162,495 | 176,269 |

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**8. Inventories**

Inventories at the reporting date are as follows:

| <i>(In millions of won)</i> | <b>December 31, 2010</b> | <b>December 31, 2009</b> | <b>January 1, 2009</b> |
|-----------------------------|--------------------------|--------------------------|------------------------|
| Finished goods              | (Won) 978,386            | 763,181                  | 539,387                |
| Goods in trade              |                          |                          | 940                    |
| Work-in-process             | 612,497                  | 544,071                  | 358,091                |
| Raw materials               | 421,593                  | 228,631                  | 168,188                |
| Supplies                    | 202,741                  | 131,897                  | 70,066                 |
|                             | (Won) 2,215,217          | 1,667,780                | 1,136,672              |

During 2010 and 2009, the amounts of supplies, raw materials and changes in finished goods and work in process recognized as cost of sales and write-downs of inventories to net realizable value and reversal of such write-downs also included in cost of sales are as follows:

| <i>(In millions of won)</i>                  | <b>December 31, 2010</b> | <b>December 31, 2009</b> |
|--|--------------------------|--------------------------|
| Inventories recognized as cost of sales      | (Won) 21,780,880         | 17,476,995               |
| Including: Inventory write-downs (reversals) | 57,762                   | (56,586)                 |

**9. Other Financial Assets**

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

| <i>(In millions of won)</i>                           | <b>December 31,<br/>2010</b> | <b>December 31,<br/>2009</b> | <b>January 1,<br/>2009</b> |
|---|------------------------------|------------------------------|----------------------------|
| <b>Current assets</b>                                 |                              |                              |                            |
| Available-for-sale financial assets                   | (Won)                        |                              | 74                         |
| Deposits  | 26,116                       | 1,119                        | 1,878                      |
| Derivatives not used for hedging                      | 9,254                        | 2,737                        | 24,574                     |
|   | (Won) 35,370                 | 3,856                        | 26,526                     |
| <b>Non-current assets</b>                             |                              |                              |                            |
| Guarantee deposits with banks                         | (Won) 13                     | 13                           | 13                         |
| Financial assets at fair value through profit or loss | 16,804                       | 17,342                       |                            |
| Available-for-sale financial assets                   | 42,753                       | 109,339                      | 126,455                    |
| Deposits  | 23,676                       | 19,276                       | 17,359                     |
| Derivatives not used for hedging                      |                              |                              | 39,649                     |

(Won) 83,246

145,970

183,476

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(b) Financial assets at fair value through profit or loss at the reporting date are as follows:

| <i>(In millions of won)</i>     | December 31,<br>2010 | December 31,<br>2009 | January 1,<br>2009 |
|---------------------------------|----------------------|----------------------|--------------------|
| Everlight Electronics Co., Ltd. |                      |                      |                    |
| Acquisition cost                | (Won) 14,404         | 14,404               |                    |
| Fair value                      | 16,804               | 17,342               |                    |

The financial assets at fair value through profit or loss are debt securities with embedded derivatives that otherwise would have been classified as available-for-sale.

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

| <i>(In millions of won)</i>                   | December 31,<br>2010 | December 31,<br>2009 | January 1,<br>2009 |
|---|----------------------|----------------------|--------------------|
| <b>Current assets</b>                         |                      |                      |                    |
| <b>Debt securities</b>                        |                      |                      |                    |
| Government bonds                              | (Won)                |                      | 74                 |
| <b>Non-current assets</b>                     |                      |                      |                    |
| <b>Debt securities</b>                        |                      |                      |                    |
| Government bonds                              | (Won) 2,346          | 83                   |                    |
| Hydis Technologies Co., Ltd.                  | 26,085               |                      |                    |
| <b>Redeemable convertible preferred stock</b> |                      |                      |                    |
| HannStar Display Corporation(*)               |                      | 91,394               | 126,455            |
| <b>Equity securities</b>                      |                      |                      |                    |
| Prime View International Co., Ltd. ( PVI )    | 9,701                | 12,912               |                    |
| Formosa Epitaxy, Inc. ( Formosa )             | 4,509                | 4,841                |                    |
| Other   | 112                  | 107                  |                    |
|   | (Won) 42,753         | 109,339              | 126,529            |

(\*) In February 2008, in order for the Controlling Company to be supplied with TFT-LCD products stably, the Controlling Company purchased non-voting mandatorily redeemable convertible preferred stock of HannStar Display Corporation ( Hannstar ) located in Taiwan. The Controlling Company has exercised the put option for total amount of the preferred stocks and recognized the uncollected receivable upon exercise as other accounts receivables amounting to (Won)123,893 million (TWD3,170 million) in 2010.

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**10. Investments in Equity Accounted Investees**

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

*(In millions of won)*

| Company  | December 31,<br>2010 | Carrying value<br>December 31,<br>2009 | January 1,<br>2009 |
|--|----------------------|--|--------------------|
| Suzhou Raken Technology Ltd.                                     | (Won) 114,402        | 97,348                                 | 18,328             |
| Paju Electric Glass Co., Ltd.                                    | 45,947               | 35,895                                 | 33,175             |
| TLI Inc. (*1)  | 16,614               | 14,984                                 | 13,116             |
| AVACO Co., Ltd. (*1)   | 6,998                | 7,569                                  | 8,070              |
| New Optics Ltd.  | 17,261               | 11,736                                 | 11,789             |
| Guangzhou New Vision Technology Research and Development Limited | 3,540                | 3,996                                  | 4,569              |
| LIG ADP Co., Ltd. (formerly, ADP Engineering Co., Ltd.) (*1)     | 4,037                | 4,273                                  |                    |
| WooRee LED Co., Ltd.   | 12,448               | 12,097                                 |                    |
| Dynamic Solar Design Co., Ltd.                                   | 5,776                | 5,964                                  |                    |
| RPO, Inc.  | 11,268               | 14,538                                 |                    |
| Global OLED Technology LLC                                       | 47,594               | 72,250                                 |                    |
| LB Gemini New Growth Fund No.16                                  | 7,949                | 1,800                                  |                    |
| Can Yang Investments Limited                                     | 16,999               |  |                    |
| YAS Co., Ltd.  | 10,124               |  |                    |
| Eralite Optoelectronics (Jiangsu) Co., Ltd.                      | 4,575                |  |                    |
|  | (Won) 325,532        | 282,450                                | 89,047             |

(\*1) Based on quoted market price at December 31, 2010, the fair values of the investments in TLI Inc., AVACO Co., Ltd. and LIG ADP Co., Ltd., which are listed companies on the Korea Exchange, are (Won)15,839 million, (Won)34,021 million and (Won)17,880 million, respectively.

The received dividends from equity accounted investees for the years ended December 31, 2010 and 2009 amounted to (Won)33,772 million and (Won)557 million, respectively.

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

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

*(In millions of won)*

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

*(In millions of won)*

| Company  | Ownership (%) | Current assets | Non-current assets | Total assets | December 31, 2009   |                     |                   | Revenue   | Expenses  | Profit (loss) |
|--|---------------|----------------|--------------------|--------------|---------------------|---------------------|-------------------|-----------|-----------|---------------|
|  |               |                |                    |              | Current liabilities | current liabilities | Total liabilities |           |           |               |
| Suzhou Raken Technology Ltd. (*1)                                | 51            | (Won) 398,750  | 88,902             | 487,652      | 291,561             | 7                   | 291,568           | 1,496,137 | 1,438,521 | 57,616        |
| Guangzhou New Vision Technology Research and Development Limited | 50            | 7,854          | 147                | 8,001        | 5                   | 4                   | 9                 | 655       | 109       | 546           |
| Global OLED Technology LLC (*2)                                  | 49            |                | 147,450            | 147,450      |                     |                     |                   |           |           |               |

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*(In millions of won)*

| Company   | Ownership<br>(%) | Current<br>assets | January 1, 2009       |                 |                        |                            |
|---|------------------|-------------------|-----------------------|-----------------|------------------------|----------------------------|
|   |                  |                   | Non-current<br>assets | Total<br>assets | Current<br>liabilities | Non-current<br>liabilities |
| Suzhou Raken Technology Ltd. (*1)                                   | 51               | (Won) 15,299      | 22,354                | 37,653          | 12,255                 | 12,255                     |
| Guangzhou New Vision Technology Research<br>and Development Limited | 50               | 8,988             | 167                   | 9,155           | 17                     | 17                         |

- (\*1) Strategic financial and operating decisions essential to the accomplishment of Suzhou Raken Technology Ltd are determined by the board of directors of the investee. Despite its 51% equity interest, management concluded that the Controlling Company does not have control of Suzhou Raken Technology Ltd. because the Controlling Company and AmTRAN Technology Co., Ltd., which has a 49% equity interest of the investee, jointly control the board of directors of the investee through equal through equal voting power by the two parties. Accordingly, investment in Suzhou Raken Technology Ltd. was accounted for as an equity method investment.
- (\*2) In December 2009, the Controlling Company entered into a joint venture agreement with its LG affiliates, accordingly, Global OLED Technology LLC was set up with the purpose of managing and utilizing OLED patents purchased from Eastman Kodak Company. At the time of establishment, the Controlling Company acquired a 49% equity interest in the joint venture and the Controlling Company's investment in this equity investee was (Won)72,250 million. In June 2010, the Controlling Company sold a part of its share interest in Global OLED Technology for (Won)20,530 million, accordingly, the percentage of the Controlling Company's ownership was reduced from 49% to 33%.

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

*(In millions of won)*

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

*(In millions of won)*

| Company   | Ownership<br>(%) | Total<br>assets | December 31, 2009    |                                 |         | Revenue  | Net<br>income<br>(loss) |
|---|------------------|-----------------|----------------------|---------------------------------|---------|----------|-------------------------|
|   |                  |                 | Total<br>liabilities | Total<br>shareholders<br>equity |         |          |                         |
| Paju Electric Glass Co., Ltd. (*1)                              | 40               | (Won) 214,221   | 118,596              | 95,625                          | 636,989 | 10,151   |                         |
| TLI Inc. (*2)   | 13               | 117,680         | 39,590               | 78,090                          | 89,765  | 19,385   |                         |
| AVACO Co., Ltd. (*2)  | 20               | 96,583          | 48,263               | 48,320                          | 122,174 | 9,055    |                         |
| New Optics Ltd.   | 37               | 175,152         | 146,091              | 29,061                          | 474,886 | (882)    |                         |
| LIG ADP Co., Ltd. (formerly, ADP<br>Engineering Co., Ltd.) (*2) | 13               | 73,471          | 41,351               | 32,120                          | 63,136  | (19,334) |                         |
| WooRee LED Co., Ltd.  | 30               | 38,509          | 16,517               | 21,992                          | 43,814  | 1,376    |                         |
| Dynamic Solar Design Co., Ltd.                                  | 40               | 7,484           | 1,019                | 6,465                           |         | (297)    |                         |
| RPO, Inc.   | 26               | 19,209          | 494                  | 18,715                          | 156     | (6,281)  |                         |
| LB Gemini New Growth Fund No.16 (*4)                            | 31               | 5,874           |                      | 5,874                           |         |          |                         |



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*(In millions of won)***January 1, 2009**

| <b>Company</b>                     | <b>Ownership<br/>(%)</b> | <b>Total assets</b> | <b>Total liabilities</b> | <b>Total<br/>shareholders<br/>equity</b> |
|------------------------------------|--------------------------|---------------------|--------------------------|--|
| Paju Electric Glass Co., Ltd. (*1) | 40                       | (Won) 185,335       | 99,767                   | 85,568                                   |
| TLI Inc. (*2)                      | 13                       | 68,442              | 12,215                   | 56,227                                   |
| AVACO Co., Ltd. (*2)               | 20                       | 67,570              | 28,464                   | 39,106                                   |
| New Optics Ltd.                    | 37                       | 129,197             | 99,800                   | 29,397                                   |

(\*1) In November 2010, the Controlling Company acquired an additional 1,484,800 common shares of Paju Electric Glass Co., Ltd. at (Won)14,848 million.

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

(\*3) In February 2010, the Controlling Company acquired an additional 1,000,000 common shares (5%) of New Optics Ltd. at (Won)2,500 million.

(\*4) The Controlling Company joined the LB Gemini New Growth Fund No.16 as a member in a limited partnership in December 2009 and the Controlling Company paid (Won)6,480 million for the additional investment in 2010. As of December 31, 2010, the Controlling Company has acquired a 31% equity interest in LB Gemini New Growth Fund No.16 and the agreed total investment amount of the Controlling Company toward the Fund is (Won)30,000 million.

(\*5) In January 2010, the Controlling Company entered into a joint venture agreement with Formosa Epitaxy Incorporation and several other investors. Accordingly, Can Yang Investments Limited is incorporated in order for the Group to secure a stable supply of LED chip solutions. The Controlling Company acquired 10,800,000 shares (15%) of the joint venture at (Won)12,433 million and has the right to assign a director to the board of directors of the joint venture. In October 2010, the Controlling Company acquired an additional 4,500,000 common shares of Can Yang Investments Limited at (Won)5,083 million.

(\*6) In September 2010, the Controlling Company acquired 500,000 common shares (20%) of Yas Co., Ltd. at (Won)10,000 million in order to secure a stable supply of components for developing a deposition system of OLED.

(\*7) In August 2010, the Controlling Company entered into a joint venture agreement with Everlight Electronics Co., Ltd. and AmTRAN Technology Co., Ltd. Accordingly, Eralite Optoelectronics (Jiangsu) Co., Ltd. has been incorporated in order for the Group to secure a stable supply of LED package solutions. The Controlling Company acquired a 20 percent interest of the joint venture at (Won)4,626 million (USD4 million) and has the right to assign a director to the board of directors of the joint venture.

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**11. Property, Plant and Equipment**

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

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

(\*1) As of December 31, 2010, construction-in-progress consists of investment projects on construction of plants.

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



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Changes in property, plant and equipment for the year ended December 31, 2009 are as follows:

| <i>(In millions of won)</i>                               | Land          | Buildings<br>and<br>structures | Machinery<br>and<br>equipment | Furniture<br>and<br>fixtures | Construction-<br>in-<br>progress (*1) | Others    | Total        |
|---|---------------|--------------------------------|-------------------------------|------------------------------|---------------------------------------|-----------|--------------|
| Acquisition cost as of<br>January 1, 2009                 | (Won) 383,645 | 2,755,911                      | 15,281,673                    | 512,503                      | 4,103,732                             | 229,960   | 23,267,424   |
| Accumulated<br>depreciation as of<br>January 1, 2009      |               | (550,695)                      | (12,871,288)                  | (423,943)                    |                                       | (179,113) | (14,025,039) |
| Accumulated impairment<br>loss as of January 1, 2009      |               |                                | (7)                           |                              |                                       |           | (7)          |
| Book value as of<br>January 1, 2009                       | 383,645       | 2,205,216                      | 2,410,378                     | 88,560                       | 4,103,732                             | 50,847    | 9,242,378    |
| Additions   |               |                                | 141                           | 1,136                        | 3,173,254                             | 258       | 3,174,789    |
| Depreciation  |               | (155,209)                      | (2,539,176)                   | (64,018)                     |                                       | (22,307)  | (2,780,710)  |
| Impairment loss   |               |                                | (481)                         | (170)                        |                                       | (6)       | (657)        |
| Disposals   | (1,299)       | (1,661)                        | (4,358)                       | (131)                        |                                       | (180)     | (7,629)      |
| Others (*2)   | 12,458        | 877,421                        | 4,764,952                     | 54,732                       | (5,690,923)                           | 15,980    | 34,620       |
| Effect of movements in<br>exchange rates                  |               | (34,186)                       | (16,118)                      | (1,270)                      | (4,723)                               | (1,142)   | (57,439)     |
| Subsidy decrease<br>(increase)                            |               | (7,306)                        | (1,644)                       |                              | 95                                    |           | (8,855)      |
| Book value as of<br>December 31, 2009                     | (Won) 394,804 | 2,884,275                      | 4,613,694                     | 78,839                       | 1,581,435                             | 43,450    | 9,596,497    |
| Acquisition cost as of<br>December 31, 2009               | (Won) 394,804 | 3,591,774                      | 19,887,450                    | 562,956                      | 1,581,435                             | 223,523   | 26,241,942   |
| Accumulated<br>depreciation as of<br>December 31, 2009    | (Won)         | (707,499)                      | (15,273,341)                  | (483,947)                    |                                       | (180,068) | (16,644,855) |
| Accumulated impairment<br>loss as of December 31,<br>2009 | (Won)         |                                | (415)                         | (170)                        |                                       | (5)       | (590)        |

(\*1) As of December 31, 2009, construction-in-progress consists of investment projects on construction of plants.

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

The capitalized borrowing costs and capitalization rate for the years ended December 31, 2010 and 2009 are as follows:

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| <i>(In millions of won)</i> | <b>2010</b>  | <b>2009</b> |
|-----------------------------|--------------|-------------|
| Capitalized borrowing costs | (Won) 21,412 | 15,568      |
| Capitalization rate         | 3.97%        | 2.39%       |

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**12. Intangible Assets**

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

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

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

(\*2) Others mainly consist of rights to use of facilities.



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Changes in intangible assets for the year ended December 31, 2009 are as follows:

| <i>(In 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>Others (*2)</b> | <b>Total</b> |
|--|---|-----------------|--------------------|------------------------------|---|--------------------|--------------|
| Acquisition cost as of January 1, 2009           | (Won) 470,056                               | 32,704          | 33,423             |                              | 107,921   | 13,072             | 657,176      |
| Accumulated amortization as of January 1, 2009   | (417,745)                                   | (27,353)        |                    |                              |   | (7,637)            | (452,735)    |
| Book value as of January 1, 2009                 | 52,311                                      | 5,351           | 33,423             |                              | 107,921   | 5,435              | 204,441      |
| Additions internally developed                   |   |                 |                    | 100,672                      |   |                    | 100,672      |
| Other additions                                  | 18,648                                      | 13,834          | 11,571             |                              | 66,916  | 7                  | 110,976      |
| Amortization (*1)                                | (8,359)                                     | (33,690)        |                    | (20,218)                     |   | (1,072)            | (63,339)     |
| Disposals  | (2)   |                 |                    |                              |   |                    | (2)          |
| Transfer from construction-in-progress           |   | 156,830         |                    |                              | (156,830)   |                    |              |
| Effect of movements in exchange rates            |   | (1,315)         |                    |                              | 960   |                    | (355)        |
| Book value as of December 31, 2009               | (Won) 62,598                                | 141,010         | 44,994             | 80,454                       | 18,967  | 4,370              | 352,393      |
| Acquisition cost as of December 31, 2009         | (Won) 488,682                               | 198,367         | 44,994             | 100,672                      | 18,967  | 13,079             | 864,761      |
| Accumulated amortization as of December 31, 2009 | (Won) (426,084)                             | (57,357)        |                    | (20,218)                     |   | (8,709)            | (512,368)    |
| Remaining amortization period (year)             | 7.77  | 3.30            |                    | 0.77                         |   | 4.34               |              |

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

(\*2) Others mainly consist of rights to use of facilities.



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**13. Financial Instruments**

## (a) Credit Risk

## (i) Exposure to credit risk

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

| <i>(In millions of won)</i>                           | <b>December 31,<br/>2010</b> | <b>December 31,<br/>2009</b> | <b>January 1,<br/>2009</b> |
|---|------------------------------|------------------------------|----------------------------|
| Cash and cash equivalents                             | (Won) 1,631,009              | 817,982                      | 1,352,752                  |
| Trade accounts and notes receivable, net              | 3,000,661                    | 2,950,245                    | 2,014,700                  |
| Other accounts receivable, net                        | 256,028                      | 127,340                      | 127,085                    |
| Other non-current accounts receivable                 | 11,045                       | 11,311                       | 25,057                     |
| Available-for-sale financial assets                   | 42,753                       | 109,339                      | 126,529                    |
| Financial assets at fair value through profit or loss | 16,804                       | 17,342                       |                            |
| Deposits  | 49,792                       | 20,395                       | 19,237                     |
| Derivatives not used for hedging                      | 9,254                        | 2,737                        | 64,223                     |
| Deposits in banks                                     | 1,503,000                    | 2,500,000                    | 2,055,000                  |
| Guarantee deposits with banks                         | 13                           | 13                           | 13                         |
|   | (Won) 6,520,359              | 6,556,704                    | 5,784,596                  |

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

| <i>(In millions of won)</i> | <b>December 31,<br/>2010</b> | <b>December 31,<br/>2009</b> | <b>January 1,<br/>2009</b> |
|-----------------------------|------------------------------|------------------------------|----------------------------|
| Domestic                    | (Won) 79,275                 | 90,437                       | 53,433                     |
| Euro-zone countries         | 456,145                      | 659,613                      | 430,822                    |
| Japan                       | 265,732                      | 222,397                      | 165,699                    |
| United States               | 546,364                      | 499,609                      | 202,972                    |
| China                       | 823,020                      | 902,256                      | 482,480                    |
| Taiwan                      | 720,918                      | 482,417                      | 421,684                    |
| Others                      | 109,207                      | 93,516                       | 257,610                    |
|                             | (Won) 3,000,661              | 2,950,245                    | 2,014,700                  |

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## (ii) Impairment loss

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

| <i>(In millions of won)</i> | December 31, 2010 |                 | December 31, 2009 |                 | January 1, 2009 |                 |
|-----------------------------|-------------------|-----------------|-------------------|-----------------|-----------------|-----------------|
|                             | Book value        | Impairment loss | Book value        | Impairment loss | Book value      | Impairment loss |
| Not past due                | (Won) 2,905,600   | (514)           | 2,887,013         | (343)           | 1,958,998       | (946)           |
| Past due 1-15 days          | 25,628            | (4)             | 57,637            | (6)             | 50,009          | (60)            |
| Past due 16-30 days         | 43,820            | (6)             | 756               | (1)             | 4,760           | (16)            |
| Past due 31-60 days         | 21,369            | (4)             | 1,421             |                 | 1,356           | (7)             |
| More than 60 days           | 4,776             | (4)             | 3,783             | (15)            | 611             | (5)             |
|                             | (Won) 3,001,193   | (532)           | 2,950,610         | (365)           | 2,015,734       | (1,034)         |

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

| <i>(In millions of won)</i>                                     | 2010      | 2009  |
|---|-----------|-------|
| Balance at the beginning of the year                            | (Won) 365 | 1,034 |
| Bad debt expenses (reversal of allowance for doubtful accounts) | 167       | (669) |
| Balance at the end of the year                                  | (Won) 532 | 365   |

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## (b) Liquidity Risk

(i) The contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements as of December 31, 2010 are as follows:

| <i>(In millions of won)</i>                                  | Carrying amount  | Contractual cash flows | 6 months or less | 6-12 months | 1-2 years | 2-5 years | More than 5 years |
|--|------------------|------------------------|------------------|-------------|-----------|-----------|-------------------|
| <b>Non-derivative financial liabilities</b>                  |                  |                        |                  |             |           |           |                   |
| Secured bank loan  | (Won) 56,945     | 61,086                 | 637              | 637         | 1,274     | 58,538    |                   |
| Unsecured bank loans   | 2,673,146        | 2,723,715              | 1,342,793        | 560,391     | 454,056   | 363,118   | 3,357             |
| Unsecured bond issues  | 1,828,494        | 2,067,800              | 240,236          | 34,936      | 508,674   | 1,283,954 |                   |
| <b>Financial assets at fair value through profit or loss</b> |                  |                        |                  |             |           |           |                   |
|  | 84,338           | 87,773                 |                  |             | 87,773    |           |                   |
| <b>Trade accounts and notes payables</b>                     |                  |                        |                  |             |           |           |                   |
|  | 2,961,995        | 2,961,995              | 2,961,995        |             |           |           |                   |
| Other accounts payables                                      | 2,592,527        | 2,592,527              | 2,592,527        |             |           |           |                   |
| Other non-current payable                                    | 51,409           | 57,137                 |                  |             | 41,143    | 15,994    |                   |
| <b>Derivative financial liabilities</b>                      |                  |                        |                  |             |           |           |                   |
| <b>Forward exchange contracts not used for hedging:</b>      |                  |                        |                  |             |           |           |                   |
| Outflow  |                  | 489,080                | 489,080          |             |           |           |                   |
| Inflow   |                  | (488,124)              | (488,124)        |             |           |           |                   |
|  | (Won) 10,248,854 | 10,552,989             | 7,139,144        | 595,964     | 1,092,920 | 1,721,604 | 3,357             |

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

(ii) As of December 31, 2010, there is no derivative designated as a cash flow hedge.

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- (c) Currency Risk  
 (i) Exposure to currency risk

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

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

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For the years ended December 31, 2010 and 2009

| <i>(In millions)</i>                                       | December 31, 2009 |          |       |       |      |     |     |
|--|-------------------|----------|-------|-------|------|-----|-----|
|  | USD               | JPY      | CNY   | TWD   | EUR  | PLN | SGD |
| Cash and cash equivalents                                  | 360               | 49       | 23    | 19    | 8    | 7   |     |
| Trade accounts and notes receivable                        | 2,433             | 23       |       |       | 31   |     |     |
| Other accounts receivable                                  | 3                 | 7        | 9     |       |      |     |     |
| Available-for-sale financial assets                        | 11                |          |       | 2,655 |      |     |     |
| Financial assets at fair value through profit or loss      |                   |          |       | 477   |      |     |     |
| Other assets denominated in Foreign currencies             |                   | 103      | 8     | 12    |      |     | 1   |
| Trade accounts and notes payable                           | (1,326)           | (12,717) | (33)  |       |      |     |     |
| Other accounts payable                                     | (167)             | (9,536)  | (226) | (35)  | (2)  | (7) |     |
| Other non-current accounts payable                         | (12)              |          |       |       | (24) |     |     |
| Debts  | (1,120)           | (38,383) | (194) |       | (70) |     |     |
| Financial liabilities at fair value through profit or loss | (599)             |          |       |       |      |     |     |
| Gross statement of financial position exposure             | (417)             | (60,454) | (413) | 3,128 | (57) |     | 1   |
| Forward exchange contracts                                 | (175)             |          |       |       |      |     |     |
| Net exposure   | (592)             | (60,454) | (413) | 3,128 | (57) |     | 1   |

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For the years ended December 31, 2010 and 2009

| <i>(In millions)</i>                                       | January 1, 2009 |          |       |       |      |      |     |
|--|-----------------|----------|-------|-------|------|------|-----|
|  | USD             | JPY      | CNY   | TWD   | EUR  | PLN  | HKD |
| Cash and cash equivalents                                  | 427             | 5,374    | 459   | 22    | 25   | 53   | 12  |
| Trade accounts and notes receivable                        | 1,535           | 1,427    |       |       | 11   |      |     |
| Other accounts receivable                                  | 4               | 7        | 3     |       |      |      |     |
| Available-for-sale financial assets                        |                 |          |       | 3,294 |      |      |     |
| Other assets denominated in Foreign currencies             | 10              |          |       |       |      |      |     |
| Trade accounts and notes payable                           | (511)           | (6,384)  | (158) |       | (6)  |      |     |
| Other accounts payable                                     | (252)           | (40,398) | (254) | (20)  | (2)  | (10) |     |
| Other non-current accounts payable                         | (12)            |          |       |       | (24) |      |     |
| Debts  | (1,380)         |          | (70)  |       | (70) |      |     |
| Financial liabilities at fair value through profit or loss | (507)           |          |       |       |      |      |     |
| Gross statement of financial position exposure             | (686)           | (39,974) | (20)  | 3,296 | (66) | 43   | 12  |
| Forward exchange contracts                                 | (245)           |          |       |       |      |      |     |
| Currency swap  | 150             |          |       |       |      |      |     |
| Net exposure   | (781)           | (39,974) | (20)  | 3,296 | (66) | 43   | 12  |

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

| <i>(In won)</i> | Average rate |          | Reporting date spot rate |                   |                 |
|-----------------|--------------|----------|--------------------------|-------------------|-----------------|
|                 | 2010         | 2009     | December 31, 2010        | December 31, 2009 | January 1, 2009 |
| USD             | 1,156.62     | 1,276.62 | (Won) 1,138.90           | 1,167.60          | 1,257.50        |
| JPY             | 13.20        | 13.64    | 13.97                    | 12.63             | 13.94           |
| CNY             | 170.84       | 186.88   | 172.50                   | 171.06            | 184.09          |
| TWD             | 36.71        | 38.62    | 39.08                    | 36.29             | 38.39           |
| EUR             | 1,533.33     | 1,774.27 | 1,513.60                 | 1,674.28          | 1,776.22        |
| PLN             | 383.99       | 410.69   | 381.77                   | 405.18            | 426.18          |
| SGD             | 848.84       | 876.79   | 884.00                   | 831.27            | 875.54          |
| HKD             | 148.88       | 164.69   | 146.35                   | 150.56            | 162.25          |

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## Notes to Consolidated Financial Statements

For the years ended December 31, 2010 and 2009

## (ii) Sensitivity analysis

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

| <i>(In millions of won)</i> | <b>December 31, 2010</b> |                       | <b>December 31, 2009</b> |                       |
|-----------------------------|--------------------------|-----------------------|--------------------------|-----------------------|
|                             | <b>Equity</b>            | <b>Profit or loss</b> | <b>Equity</b>            | <b>Profit or loss</b> |
| USD (5 percent weakening)   | (12,030)                 | (39,344)              | (135,023)                | (158,945)             |
| JPY (5 percent weakening)   | (79,494)                 | (78,810)              | (62,406)                 | (62,003)              |
| CNY (5 percent weakening)   | (2,463)                  |                       | (5,187)                  | (1,659)               |
| TWD (5 percent weakening)   | 7,261                    | 6,410                 | 5,676                    | 4,781                 |
| EUR (5 percent weakening)   | (3,856)                  | (4,837)               | (10,696)                 | (13,230)              |
| PLN (5 percent weakening)   | 1,224                    | 1,405                 | 16                       | 124                   |
| SGD (5 percent weakening)   | 31                       |                       | 29                       |                       |

A strengthening of the won against the above currencies as of December 31, 2010 and 2009 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

## (d) Interest Rate Risk

## (i) Profile

The interest rate profile of the Group's interest-bearing financial instruments as of December 31, 2010 is as follows:

| <i>(In millions of won)</i>      | <b>December 31, 2010</b> | <b>December 31, 2009</b> | <b>January 1, 2009</b> |
|----------------------------------|--------------------------|--------------------------|------------------------|
| <b>Fixed rate instruments</b>    |                          |                          |                        |
| Financial assets                 | (Won) 3,268,887          | 3,409,459                | 3,534,281              |
| Financial liabilities            | (1,584,533)              | (2,021,981)              | (2,093,064)            |
|                                  | (Won) 1,684,354          | 1,387,478                | 1,441,217              |
| <b>Variable rate instruments</b> |                          |                          |                        |
| Financial liabilities            | (Won) (3,058,390)        | (2,057,750)              | (1,928,842)            |

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## Notes to Consolidated Financial Statements

For the years ended December 31, 2010 and 2009

## (ii) Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss.

## (iii) Cash flow sensitivity analysis for variable rate instruments

For the years ended December 31, 2010 and 2009, a change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss before tax by the amounts shown below for the respective following years. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

| <i>(In millions of won)</i> | <b>Equity</b>          |                        | <b>Profit or loss</b>  |                        |
|-----------------------------|------------------------|------------------------|------------------------|------------------------|
|                             | <b>1%<br/>increase</b> | <b>1%<br/>decrease</b> | <b>1%<br/>increase</b> | <b>1%<br/>decrease</b> |
| <b>December 31, 2010</b>    |                        |                        |                        |                        |
| Variable rate instruments   | (Won) (30,584)         | 30,584                 | (30,584)               | 30,584                 |
| Cash flow sensitivity (net) | (Won) (30,584)         | 30,584                 | (30,584)               | 30,584                 |
| <b>December 31, 2009</b>    |                        |                        |                        |                        |
| Variable rate instruments   | (Won) (20,578)         | 20,578                 | (20,578)               | 20,578                 |
| Interest rate swap          | 592                    | (592)                  | 592                    | (592)                  |
| Cash flow sensitivity (net) | (Won) (19,986)         | 19,986                 | (19,986)               | 19,986                 |



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- (e) Fair Values  
 (i) Fair values versus carrying amounts

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

|   | December 31, 2010 |             | December 31, 2009 |             | January 1, 2009  |             |
|---|-------------------|-------------|-------------------|-------------|------------------|-------------|
|   | Carrying amounts  | Fair values | Carrying amounts  | Fair values | Carrying amounts | Fair values |
| <i>(In millions of won)</i>                           |                   |             |                   |             |                  |             |
| <b>Assets carried at fair value</b>                   |                   |             |                   |             |                  |             |
| Available-for-sale financial assets                   | (Won) 42,753      | 42,753      | 109,339           | 109,339     | 126,529          | 126,529     |
| Financial assets at fair value through profit or loss | 16,804            | 16,804      | 17,342            | 17,342      |                  |             |
| Interest rate swaps                                   |                   |             | 63                | 63          |                  |             |
| Cross currency swap                                   |                   |             |                   |             | 39,649           | 39,649      |
| Other forward exchange contracts                      | 9,254             | 9,254       | 2,674             | 2,674       | 24,574           | 24,574      |
|   | (Won) 68,811      | 68,811      | 129,418           | 129,418     | 190,752          | 190,752     |
| <b>Assets carried at amortized cost</b>               |                   |             |                   |             |                  |             |
| Cash and cash equivalents                             | (Won) 1,631,009   | 1,631,009   | 817,982           | 817,982     | 1,352,752        | 1,352,752   |
| Trade accounts and notes receivable                   | 3,000,661         | 3,000,661   | 2,950,245         | 2,950,245   | 2,014,700        | 2,014,700   |
| Other accounts receivable                             | 256,028           | 256,028     | 127,340           | 127,340     | 127,085          | 127,085     |
| Deposits in banks                                     | 1,503,000         | 1,503,000   | 2,500,000         | 2,500,000   | 2,055,000        | 2,055,000   |
| Deposits  | 49,792            | 49,792      | 20,395            | 20,395      | 19,237           | 19,237      |
| Others  | 13                | 13          | 13                | 13          | 195              | 195         |
|   | (Won) 6,440,503   | 6,440,503   | 6,415,975         | 6,415,975   | 5,568,969        | 5,568,969   |
| <b>Liabilities carried at fair value</b>              |                   |             |                   |             |                  |             |
| Financial liabilities at fair value                   |                   |             |                   |             |                  |             |
| through profit or loss                                | (Won) 84,338      | 84,338      | 699,861           | 699,861     | 637,040          | 637,040     |
| Interest rate swaps                                   |                   |             | 3,761             | 3,761       | 8,017            | 8,017       |
| Cross currency swap                                   |                   |             |                   |             | 6,576            | 6,576       |
| Other forward exchange contracts                      | 956               | 956         |                   |             | 4,051            | 4,051       |
|   | (Won) 85,294      | 85,294      | 703,622           | 703,622     | 655,684          | 655,684     |
| <b>Liabilities carried at amortized cost</b>          |                   |             |                   |             |                  |             |
| Secured bank loans                                    | (Won) 56,945      | 56,945      |                   |             |                  |             |
| Unsecured bank loans                                  | 2,673,146         | 2,672,790   | 2,292,146         | 2,294,969   | 1,938,692        | 1,938,676   |
| Unsecured bond issues                                 | 1,828,494         | 1,859,102   | 1,087,724         | 1,101,201   | 1,446,174        | 1,446,174   |
| Trade accounts and notes payable                      | 2,961,995         | 2,961,995   | 2,031,422         | 2,031,422   | 988,012          | 988,012     |

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|                               |                  |            |           |           |           |           |
|-------------------------------|------------------|------------|-----------|-----------|-----------|-----------|
| Other accounts payable        | 2,592,527        | 2,592,527  | 1,596,135 | 1,596,135 | 2,043,570 | 2,043,570 |
| Other non-current liabilities | 51,409           | 55,920     | 52,972    | 59,481    | 53,908    | 57,479    |
|                               | (Won) 10,164,516 | 10,199,279 | 7,060,399 | 7,083,208 | 6,470,356 | 6,473,911 |

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

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## (ii) Interest rates used for determining fair value

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

|                                  | December 31,<br>2010 | December 31,<br>2009 | January 1,<br>2009 |
|----------------------------------|----------------------|----------------------|--------------------|
| Derivatives                      | 3.31%                | 3.78%                | 5.59%              |
| Debentures, loans and borrowings | 3.58%                | 3.75%                | 6.33%              |

## (iii) Fair value hierarchy

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

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

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

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

| <i>(In millions of won)</i>                                | Level 1        | Level 2 | Level 3 | Total    |
|--|----------------|---------|---------|----------|
| <b>December 31, 2010</b>                                   |                |         |         |          |
| Available-for-sale financial assets                        | (Won) 16,668   |         | 26,085  | 42,753   |
| Financial assets at fair value through profit or loss      | 16,804         |         |         | 16,804   |
| Derivative financial assets                                |                | 9,254   |         | 9,254    |
|  | (Won) 33,472   | 9,254   | 26,085  | 68,811   |
| Financial liabilities at fair value through profit or loss | (Won)          | (956)   |         | (956)    |
| Derivative financial liabilities                           | (84,338)       |         |         | (84,338) |
|  | (Won) (84,338) | (956)   |         | (85,294) |
| <b>December 31, 2009</b>                                   |                |         |         |          |
| Available-for-sale financial assets                        | (Won) 17,945   |         | 91,394  | 109,339  |
| Financial assets at fair value through profit or loss      |                |         | 17,342  | 17,342   |
| Derivative financial assets                                |                | 2,737   |         | 2,737    |

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|  |       |           |         |         |           |
|--|-------|-----------|---------|---------|-----------|
|  | (Won) | 17,945    | 2,737   | 108,736 | 129,418   |
| Derivative financial liabilities                           | (Won) |           | (3,761) |         | (3,761)   |
| Financial liabilities at fair value through profit or loss |       | (699,861) |         |         | (699,861) |
|  | (Won) | (699,861) | (3,761) |         | (703,622) |

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| <i>(In millions of won)</i>                                |       | Level 1   | Level 2  | Level 3 | Total     |
|--|-------|-----------|----------|---------|-----------|
| <b>January 1, 2009</b>                                     |       |           |          |         |           |
| Available-for-sale financial assets                        | (Won) | 74        |          | 126,455 | 126,529   |
| Derivative financial assets                                |       |           | 64,223   |         | 64,223    |
|  | (Won) | 74        | 64,223   | 126,455 | 190,752   |
| Derivative financial liabilities                           | (Won) |           | (18,644) |         | (18,644)  |
| Financial liabilities at fair value through profit or loss |       | (637,040) |          |         | (637,040) |
|  | (Won) | (637,040) | (18,644) |         | (655,684) |

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

In order to determine the fair value of Level 3 instruments, management used a valuation technique in which all significant inputs were based on unobservable market data. The fair values of the Level 3 instruments have been computed using binominal tree model considering the financial conditions of the invested companies and by discounting estimated cash flows from stock using the yield rate that reflects invested companies credit risks. Since the financial assets at fair value through profit or loss of Level 3 became tradable in an active market this year, the level of the financial asset has changed from level 3 to level 1 in 2010.

Changes in Level 3 instruments for the years ended December 31, 2010 and 2009 are as follows:

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

| <i>(In millions of won)</i>                              | January 1,<br>2009 | Purchases,<br>disposal<br>and<br>others | Net realized/unrealized<br>gains included in |                                  |                                | December 31,<br>2009 |
|--|--------------------|---|--|----------------------------------|--------------------------------|----------------------|
|  |                    |   | Profit or<br>loss                            | Other<br>comprehensive<br>income | Transfer<br>to other<br>levels |                      |
| <b>December 31, 2010</b>                                 |                    |   |  |                                  |                                |                      |
| Available-for-sale financial assets                      | (Won) 126,455      |   | (6,658)                                      | (28,403)                         |                                | 91,394               |
| Financial assets at fair value through<br>profit or loss |                    | 14,404                                  | 2,906  | 32                               |                                | 17,342               |

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**14. Financial Liabilities**

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

| <i>(In millions of won)</i>             | <b>December 31,<br/>2010</b> | <b>December 31,<br/>2009</b> | <b>January 1,<br/>2009</b> |
|---|------------------------------|------------------------------|----------------------------|
| <b>Current</b>                          |                              |                              |                            |
| Short-term borrowings                   | (Won) 1,213,462              | 770,914                      | 601,068                    |
| Current portion of long-term debt       | 886,561                      | 532,796                      | 553,169                    |
| Current portion of convertible bonds    |                              | 699,861                      |                            |
| Derivatives not used for hedging        | 956                          | 3,761                        | 16,048                     |
|   | (Won) 2,100,979              | 2,007,332                    | 1,170,285                  |
| <b>Non-current</b>                      |                              |                              |                            |
| Won denominated borrowings              | (Won) 19,143                 | 339,922                      | 25,881                     |
| Foreign currency denominated borrowings | 810,925                      | 1,038,179                    | 1,216,775                  |
| Bonds                                   | 1,628,494                    | 698,059                      | 987,973                    |
| Convertible bonds                       | 84,338                       |                              | 637,040                    |
| Derivatives not used for hedging        |                              |                              | 2,596                      |
|   | (Won) 2,542,900              | 2,076,160                    | 2,870,265                  |

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

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

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

| Lender                                 | Annual interest rate  | December 31,<br>2010 | December 31,<br>2009 | January 1,<br>2009 |
|--|---|----------------------|----------------------|--------------------|
|  | as of<br>December 31, 2010 (*1)   |                      |                      |                    |
| Korea Development Bank and others (*2) | LIBOR+0.75%   | (Won) 12,139         | 229,787              | 601,068            |
| China Communication Bank and others    | 90% of the Basic Rate<br>published by the<br>People's Bank of China,<br>6ML+0.65~1.99%,<br>3ML+1.8%       | 162,115              |                      |                    |
| Mizuho Bank                            | 90% of the Basic Rate<br>published by the<br>People's Bank of China,<br>6ML+2%, 3ML+1.6%<br>6ML+0.65~1.9% | 55,574               |                      |                    |
| Shinhan Bank and others                | 3ML+1.1%  | 97,796               | 189,423              |                    |
|  | 3ML+1.6%  | 545,419              | 220,140              |                    |
|  | 6ML+0.65~0.9%   | 711                  |                      |                    |
| Bank of Tokyo-Mitsubishi UFJ           | 5.29%   | 69,854               | 63,141               |                    |
|  | 3ML+1.0%  | 69,854               |                      |                    |
| Korea Exchange Bank                    | 6ML+1.2%  |                      | 34,027               |                    |
| Woori Bank                             | 6ML+1.18%   | 200,000              |                      |                    |
| Other related party                    | 5.13%   |                      | 34,396               |                    |
|  | 1.15%   |                      |                      |                    |
|  |   | USD 95               | USD 245              | USD 478            |
| Foreign currency equivalent            |   | JPY 63,889           | JPY 38,383           |                    |
|  |   | CNY 71               |                      |                    |
|  |   | (Won) 1,213,462      | 770,914              | 601,068            |

(\*1) ML represents Monthly LIBOR (London Inter-Bank Offered Rates).

(\*2) The amount of current and outstanding trade accounts and notes receivable, arising from the Controlling Company's export sales to the Controlling Company's subsidiaries, sold to financial institutions by the Controlling Company is JPY869 million ((Won)12,139 million) as of December 31, 2010. The proceeds from the sale of these accounts receivable current and outstanding are recorded as short-term borrowings. For the year ended December 31, 2010, the Group has recognized (Won)603 million as interest expense in relation to the short-term borrowings resulting from the sale of accounts receivable.

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

*(In millions of won)*

| Lender                                 | Annual interest rate as of<br>December 31, 2010 | December 31,<br>2010 | December 31,<br>2009 | January<br>1, 2009 |
|--|---|----------------------|----------------------|--------------------|
| The Export-Import Bank of Korea        | 6.08%   | (Won)                |                      | 9,850              |
| Shinhan Bank                           | 3-year Korean Treasury                          |                      |                      |                    |
|  | Bond rate less 1.25%                            | 16,008               | 18,380               | 18,982             |
| Korea Development Bank                 | KDBBIR+0.77%                                    |                      | 7,500                | 37,500             |
|  | KDBBIR+3.29%                                    |                      | 120,000              |                    |
| Woori Bank                             | 5.43%   |                      | 200,000              |                    |
|  | 3-year Korean Treasury                          |                      |                      |                    |
|  | Bond rate less 1.25%                            | 4,048                | 3,914                |                    |
|  | 2.75%   | 2,883                |                      |                    |
| Hana Bank                              | 1.23%, 4.18%                                    | 300                  |                      |                    |
| Less current portion of long-term debt |   | (4,096)              | (9,872)              | (40,451)           |
|  |   | (Won) 19,143         | 339,922              | 25,881             |

(\*) KDBBIR represents Korea Development Bank Benchmark Interest Rates.

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

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

| Lender                              | Annual interest rate as of<br>December 31, 2010   | December 31,<br>2010 | December 31,<br>2009 | January 1,<br>2009 |
|-------------------------------------|---|----------------------|----------------------|--------------------|
| China Communication Bank and others | 6ML+0.68~1.99%<br>3M EURIBOR+0.6%,<br>90%~95% of the Basic<br>Rate published by the<br>People's Bank of China | (Won)                |                      |                    |
|                                     |   | 145,917              | 249,034              | 277,867            |
| The Export-Import Bank of Korea     | 6ML+0.69%   | 51,251               | 58,380               | 62,875             |
|                                     | 6ML+1.78%   | 56,945               |                      |                    |
| Korea Development Bank              | 3ML+0.66%~2.79%   | 271,212              | 163,464              | 176,050            |
| Kookmin Bank and others             | 3ML+0.35~0.53%  | 455,560              | 467,040              | 503,000            |
|                                     | 6ML+0.41%   | 227,780              | 233,520              | 251,500            |
| Sumitomo Bank Ltd.                  | 3ML+1.80%   | 284,725              |                      |                    |



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|  |               |           |           |
|--|---------------|-----------|-----------|
| Foreign currency equivalent            | USD1,097      | USD875    | USD902    |
|  | CNY341        | CNY194    | CNY70     |
|  | EUR48         | EUR70     | EUR70     |
|  | JPY8,000      |           |           |
| Less current portion of long-term debt | (682,465)     | (133,259) | (54,517)  |
|  | (Won) 810,925 | 1,038,179 | 1,216,775 |

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For the years ended December 31, 2010 and 2009

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

| <i>(In millions of won and USD)</i>                                   | <b>Maturity</b>    | <b>Annual<br/>interest rate<br/>as of<br/>December 31,<br/>2010</b> | <b>December 31,<br/>2010</b> | <b>December 31,<br/>2009</b> | <b>January 1,<br/>2009</b> |
|---|--------------------|---|------------------------------|------------------------------|----------------------------|
| <b>Local currency debentures(*)</b>                                   |                    |   |                              |                              |                            |
| Publicly issued debentures  | November<br>2012 ~ |   |                              |                              |                            |
|   | December<br>2015   | 4.77~ 5.89%   | (Won) 1,100,000              | 890,000                      | 850,000                    |
| Privately issued debentures   | May 2011           | 5.30%   | 200,000                      | 200,000                      | 600,000                    |
| Less discount on debentures   |                    |   | (3,699)                      | (2,276)                      | (3,826)                    |
| Less current portion of debentures                                    |                    |   | (200,000)                    | (389,665)                    | (458,201)                  |
|   |                    |   | (Won) 1,096,301              | 698,059                      | 987,973                    |
| <b>Foreign currency debentures(*)</b>                                 |                    |   |                              |                              |                            |
| Floating-rate bonds   | August 2012 ~      | 3ML+1.80 ~  |                              |                              |                            |
|   | April 2013         | 2.40%   | (Won) 538,323                |                              |                            |
| Foreign currency equivalent   |                    |   | USD 350<br>JPY 10,000        |                              |                            |
| Less discount on bonds  |                    |   | (6,130)                      |                              |                            |
|   |                    |   | (Won) 532,193                |                              |                            |
| <b>Financial liabilities at fair value<br/>through profit or loss</b> |                    |   |                              |                              |                            |
| Convertible bonds   | April 2012         | Zero coupon   | (Won) 84,338                 | 699,861                      | 637,040                    |
| Foreign currency equivalent   |                    |   | USD74                        | USD599                       | USD507                     |
| Less current portion of convertible<br>bonds                          |                    |   |                              | (699,861)                    |                            |
|   |                    |   | (Won) 84,338                 |                              | 637,040                    |
|   |                    |   | (Won) 1,712,832              | 698,059                      | 1,625,013                  |

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- (\*) Principal of the local currency debentures is to be repaid at maturity and interests are paid quarterly. The Group redeemed local currency debentures with their face value amounting to (Won)390,000 million and issued new publicly and privately issued debentures amounting to (Won)600,000 million, JPY10,000 million and USD350 million for the year ended December 31, 2010.

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

|   | <b>Terms and Conditions</b>  |
|---|------------------------------|
| Issue date                                  | April 18, 2007               |
| Maturity date                               | April 18, 2012               |
| Conversion period                           | April 19, 2008~April 3, 2012 |
| Coupon interest rate                        | 0%                           |
| Conversion price (in won) per share         | (Won)48,075                  |
| Issued amount                               | USD550 million               |
| Residual amount after put options exercised | USD66 million                |
| Fair value as of December 31, 2010          | USD74 million                |
| Amount at maturity                          | USD77 million                |

The Group designated foreign currency denominated convertible bonds as financial liabilities at fair value through profits or loss at transition date to IFRSs from its previous GAAP (generally accepted accounting principles) and recognizes the convertible bonds at fair value with changes in fair value recognized in profit or loss.

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

The Group measured the convertible bonds at their fair value using the market quotes available at Bloomberg and it was assumed that the remaining convertible bonds will be repaid in full at maturity and they were reclassified as non-current liabilities.

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

Based on the terms and conditions of the bond, the conversion price was decreased from (Won)48,251 to (Won)48,075 per share due to the Controlling Company's declaration of cash dividends of (Won)500 per share for the year ended December 31, 2009.

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

| <i>(In won and share)</i>  | December 31,<br>2010 | December 31,<br>2009 | January 1,<br>2009 |
|----------------------------|----------------------|----------------------|--------------------|
| Convertible bonds (*)      | (Won) 61,617,600,000 | 513,480,000,000      | 513,480,000,000    |
| Conversion price           | (Won) 48,075         | 48,251               | 48,760             |
| Common shares to be issued | 1,281,697            | 10,641,851           | 10,530,762         |

(\*) The exchange rate for the conversion is fixed at (Won)933.6 to USD1. The face value of the convertible bonds amounted to USD66 million and USD550 million as of December 31, 2010 and 2009, respectively.

(g) Aggregate maturities of the Group's financial liabilities as of December 31, 2010 are as follows:

*(In millions of won)*

| Period        | Local currency<br>long-term debt | Foreign currency<br>long-term debt | Local<br>currency<br>debentures | Foreign<br>currency<br>debentures | Total     |
|---------------|----------------------------------|------------------------------------|---------------------------------|-----------------------------------|-----------|
| Within 1 year | (Won) 4,096                      | 682,465                            | 200,000                         |                                   | 886,561   |
| 1 ~ 5 year    | 15,945                           | 810,925                            | 1,628,494                       | 84,338                            | 2,539,702 |
| Thereafter    | 3,198                            |                                    |                                 |                                   | 3,198     |
|               | (Won) 23,239                     | 1,493,390                          | 1,828,494                       | 84,338                            | 3,429,461 |

**15. Provision**

| <i>(In millions of won)</i>  | Warranties (*1) | Others (*2) | Total     |
|------------------------------|-----------------|-------------|-----------|
| Balance at January 1, 2010   | (Won) 98,674    | 269,379     | 368,053   |
| Addition                     |                 | 188,530     | 475,921   |
| Usage                        |                 | (165,358)   | (200,386) |
| Balance at December 31, 2010 | (Won) 121,846   | 521,742     | 643,588   |
| Thereof non-current          | (Won) 8,773     |             | 8,773     |

(\*1)

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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 rate of warranty claims on those repairs, and cost per claim to satisfy the Group's warranty obligation. The provision is measured at the present value of the expenditures discounted by the interest rate reflecting current market risks.

(\*2) Others consist of various provisions including the provision for returned goods and the legal proceedings.

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

The classification of expenses by nature for the years ended December 31, 2010 and 2009 are as follows:

| <i>(In millions of won)</i>              | <b>2010</b>      | <b>2009</b> |
|--|------------------|-------------|
| Changes in inventories                   | (Won) (547,437)  | (531,108)   |
| Purchase of raw material and merchandise | 16,490,526       | 12,844,666  |
| Depreciation and amortization            | 2,925,379        | 2,842,066   |
| Labor costs                              | 1,912,188        | 1,388,974   |
| Supplies and others                      | 1,057,995        | 786,213     |
| Outsourcing fee                          | 103,424          | 55,106      |
| Shipping costs                           | 414,563          | 420,487     |
| Utility expense                          | 480,605          | 373,117     |
| Fees and commissions                     | 372,096          | 326,621     |
| After-sale service expenses              | 190,018          | 130,742     |
| Others                                   | 734,240          | 583,723     |
|  | (Won) 24,133,597 | 19,220,607  |

Total expenses, except exchange differences, consist of cost of sales, selling, administrative, research and development expenses and others.

For the year ended December 31, 2010, other income and other expenses contained exchange differences amounting to (Won)1,465,830 million and (Won)1,550,909 million, respectively (the year ended December 31, 2009 : (Won)1,336,721 million and (Won)1,172,296 million, respectively).

**17. Selling and Administrative Expenses**

Details of selling and administrative expenses for the years ended December 31, 2010 and 2009 are as follows:

| <i>(In millions of won)</i>              | <b>2010</b>     | <b>2009</b> |
|--|-----------------|-------------|
| Salaries                                 | (Won) 206,768   | 160,442     |
| Expenses related to defined benefit plan | 14,268          | 8,394       |
| Other employee benefit                   | 54,564          | 40,534      |
| Shipping costs                           | 332,046         | 350,352     |
| Fees and commissions                     | 99,478          | 82,430      |
| Depreciation                             | 142,963         | 44,405      |
| Taxes and dues                           | 24,267          | 9,153       |
| Advertising                              | 87,945          | 59,545      |
| Sales promotion                          | 7,151           | 8,124       |
| After-sale service expenses              | 190,018         | 130,742     |
| Others                                   | 207,943         | 143,784     |
|  | (Won) 1,367,411 | 1,037,905   |





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**18. Employee Benefits**

The Group maintains a defined benefit plan that provides a lump-sum payment to an employee based on final salary rates and length of service at the time the employee leaves the Group. Current severance pay scheme, if legal requirements are satisfied, allows interim settlement upon election. Subsequent to the interim settlement, service term used for severance payment calculation is remeasured from the settlement date.

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

| <i>(In millions of won)</i>                                   | <b>December 31,<br/>2010</b> | <b>December 31,<br/>2009</b> | <b>January 1,<br/>2009</b> |
|---|------------------------------|------------------------------|----------------------------|
| Present value of partially funded defined benefit obligations | (Won) 360,540                | 260,166                      | 206,703                    |
| Fair value of plan assets                                     | (281,825)                    | (175,869)                    | (131,301)                  |
|   | (Won) 78,715                 | 84,297                       | 75,402                     |

- (b) Changes in the present value of the defined benefit obligations for the years ended December 31, 2010 and 2009 are as follows:

| <i>(In millions of won)</i>                       | <b>2010</b>   | <b>2009</b> |
|---|---------------|-------------|
| Opening defined benefit obligations               | (Won) 260,166 | 206,703     |
| Current service cost                              | 87,928        | 63,292      |
| Interest cost                                     | 14,711        | 14,731      |
| Actuarial losses on plan liabilities (before tax) | (2,983)       | 20,386      |
| Benefit payment                                   | (13,866)      | (46,589)    |
| Transfers from related parties                    | 1,806         | 1,643       |
| Past service cost (*)                             | 12,778        |             |
| Closing defined benefit obligations               | (Won) 360,540 | 260,166     |

(\*) The Group adopted a defined benefit plan at date of January 2, 2010 and recognized all past service immediately. Defined benefit obligations are discounted using the rates of high quality corporate bonds.

- (c) Changes in fair value of plan assets for the years ended December 31, 2010 and 2009 are as follows:

| <i>(In millions of won)</i>       | <b>2010</b>   | <b>2009</b> |
|-----------------------------------|---------------|-------------|
| Opening fair value of plan assets | (Won) 175,869 | 131,301     |

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|   |               |          |
|---|---------------|----------|
| Expected return on plan assets                    | 12,946        | 4,911    |
| Actuarial gains on plan assets (before tax)       | 1,497         | 1,495    |
| Contributions by employer directly to plan assets | 100,000       | 63,000   |
| Contributions directly from employer cash flow    | 5,379         | 21,634   |
| Benefit payment                                   | (13,866)      | (46,472) |
| Closing fair value of scheme assets               | (Won) 281,825 | 175,869  |

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

| <i>(In millions of won)</i>         | <b>December 31,<br/>2010</b> | <b>December 31,<br/>2009</b> | <b>January 1,<br/>2009</b> |
|-------------------------------------|------------------------------|------------------------------|----------------------------|
| Deposits with financial institution | (Won) 281,825                | 175,869                      | 131,301                    |

(e) Expenses recognized in profit and loss for the years ended December 31, 2010 and 2009 are as follows:

| <i>(In millions of won)</i>    | <b>2010</b>   | <b>2009</b> |
|--------------------------------|---------------|-------------|
| Current service cost           | (Won) 87,928  | 63,292      |
| Interest cost                  | 14,711        | 14,731      |
| Expected return on plan assets | (12,946)      | (4,911)     |
| Past service cost              | 12,778        |             |
|                                | (Won) 102,471 | 73,112      |

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

| <i>(In millions of won)</i>       | <b>2010</b>   | <b>2009</b> |
|-----------------------------------|---------------|-------------|
| Cost of sales                     | (Won) 81,225  | 60,202      |
| Selling expenses                  | 6,268         | 3,869       |
| Administrative expenses           | 7,531         | 4,484       |
| Research and development expenses | 7,447         | 4,557       |
|                                   | (Won) 102,471 | 73,112      |

(f) Cumulative amount of actuarial gain and loss recognized in other comprehensive income for the years ended December 31, 2010 and 2009 is as follows:

| <i>(In millions of won)</i>      | <b>2010</b>    | <b>2009</b> |
|----------------------------------|----------------|-------------|
| Cumulative amount at January 1   | (Won) (14,443) |             |
| Recognized during the period     | 3,166          | (14,443)    |
| Cumulative amount at December 31 | (Won) (11,277) | (14,443)    |

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

|   | December 31,<br>2010 | December 31,<br>2009 | January 1,<br>2009 |
|---|----------------------|----------------------|--------------------|
| Expected rate of salary increase              | 5.6%                 | 7.0%                 | 7.0%               |
| Discount rate for defined benefit obligations | 5.5%                 | 5.9%                 | 7.1%               |
| Expected long-term rate of return on assets   | 4.4%                 | 6.7%                 | 3.7%               |

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

|          |         | December 31,<br>2010 | December 31,<br>2009 | January 1,<br>2009 |
|----------|---------|----------------------|----------------------|--------------------|
| Twenties | Males   | 0.02%                | 0.07%                | 0.07%              |
|          | Females | 0.01%                | 0.04%                | 0.04%              |
| Thirties | Males   | 0.02%                | 0.08%                | 0.08%              |
|          | Females | 0.01%                | 0.04%                | 0.04%              |
| Forties  | Males   | 0.04%                | 0.16%                | 0.16%              |
|          | Females | 0.02%                | 0.07%                | 0.07%              |
| Fifties  | Males   | 0.09%                | 0.44%                | 0.44%              |
|          | Females | 0.05%                | 0.16%                | 0.16%              |

The overall expected long-term rate of return on assets is 4.4 percent. The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories.

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**19. Other Liabilities**

Other liabilities at the reporting date are as follows:

| <i>(In millions of won)</i>       | <b>December 31,<br/>2010</b> | <b>December 31,<br/>2009</b> | <b>January 1,<br/>2009</b> |
|-----------------------------------|------------------------------|------------------------------|----------------------------|
| <b>Current liabilities</b>        |                              |                              |                            |
| Advances received                 | (Won) 44,879                 | 30,805                       | 17,155                     |
| Withholdings                      | 18,554                       | 20,881                       | 15,675                     |
| Share-based payment liabilities   | 473                          | 315                          | 114                        |
|                                   | (Won) 63,906                 | 52,001                       | 32,944                     |
| <b>Non-current liabilities</b>    |                              |                              |                            |
| Long-term accrued expenses        | (Won) 10,041                 | 10,980                       | 16,471                     |
| Other long-term employee benefits | 16,031                       | 7,615                        |                            |
| Long-term unearned revenues       |                              | 88                           | 18,440                     |
| Long-term other accounts payable  | 306,475                      | 400,106                      | 519,164                    |
|                                   | (Won) 332,547                | 418,789                      | 554,075                    |

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

The Controlling Company has agreements with Korea Exchange Bank and several other banks for accounts receivable sales negotiating facilities of up to an aggregate of USD1,425 million ((Won)1,622,933 million) in connection with its export sales transactions. As of December 31, 2010, accounts and notes receivable amounting to JPY869 million ((Won)12,139 million) were sold but are not past due.

In October 2006, LG Display America, Inc., LG Display Germany GmbH, LG Display Shanghai Co., Ltd. and others entered into a five-year accounts receivable selling program with Standard Chartered Bank on a revolving basis, of up to USD600 million ((Won)683,340 million). The Controlling Company joined this program in April 2007. For the year ended December 31, 2010, no accounts and notes receivable were sold under this program.

The Controlling Company has a credit facility agreement with Shinhan Bank pursuant to which the Controlling Company could negotiate its accounts receivables with Shinhan Bank up to an aggregate of (Won)50,000 million in connection with its domestic sales transactions.

LG Display Singapore Pte. Ltd., the Controlling Company's subsidiary, has an agreement with Standard Chartered Bank for accounts receivable sales negotiating facilities of up to an aggregate of USD250 million ((Won)284,725 million). As of December 31, 2010, accounts and notes receivable amounting to USD235 million ((Won)267,642 million) were sold but are not past due. LG Display Taiwan Co., Ltd. has an agreement with Taishin International Bank for accounts receivable sales negotiating facilities of up to an aggregate of USD710 million ((Won)808,619 million). As of December 31, 2010, accounts and notes receivable amounting to USD272 million ((Won)309,781 million) were sold but are not past due. In addition, LG Display Taiwan Co., Ltd. has agreements with Citibank and Standard Chartered Bank for accounts receivable sales negotiating facilities of up to an aggregate of USD31 million ((Won)35,306 million) and USD260 million ((Won)296,114 million), respectively. As of December 31, 2010, accounts and notes receivable amounting to USD26 million ((Won)29,611 million) and USD100 million

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((Won)113,890 million) were sold but are not past due, respectively. LG Display Shanghai Co., Ltd. has an agreement with BNP Paribas for accounts receivable sales negotiating facilities of up to an aggregate of USD100 million ((Won)113,890 million). As of December 31, 2010, accounts

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and notes receivable amounting to USD74 million ((Won)84,279 million) were sold but are not past due. In July 2010, LG Display Shenzhen Co., Ltd. and LG Display Shanghai Co., Ltd. entered into agreements with Bank of China Limited. As of December 31, 2010, accounts and notes receivable amounting to USD176 million ((Won)200,446 million) are sold, but current and outstanding. In June 2010, LG Display Germany GmbH entered into an agreement with Citibank for accounts receivable sales negotiating facilities of up to an aggregate of USD250 million ((Won)284,725 million). As of December 31, 2010, accounts and notes receivable amounting to USD250 million ((Won)284,725 million) were sold but are not past due. In addition, the Controlling Company has an agreement with Citibank for accounts receivable sales negotiating facilities of up to an aggregate of USD100 million ((Won)113,890 million). As of December 31, 2010, the amount of accounts and notes receivable sold but not past due is zero. In connection with the contracts above, the Controlling Company has sold its accounts receivable without recourse.

**Letters of credit**

As of December 31, 2010, the Controlling Company has agreements with Korea Exchange Bank in relation to the opening of letters of credit up to USD110 million ((Won)125,279 million), USD20 million ((Won)22,778 million) with China Construction Bank, USD210 million ((Won)239,169 million) with Shinhan Bank, JPY14,154 million ((Won)197,743 million) with Woori Bank, USD80 million ((Won)91,112 million) with Bank of China, USD104 million ((Won)118,446 million) million with Hana Bank and JPY11,598 million ((Won)162,027 million) with Sumitomo Mitsui Banking Corporation.

**Payment guarantees**

The Controlling Company receives a payment guarantee amounting to USD8.5 million ((Won)9,681 million) from Royal Bank of Scotland in connection with value added tax payments in Poland. As of December 31, 2010, the Controlling Company is providing a payment guarantee to a syndicate of banks including Kookmin Bank and Societe Generale in connection with a EUR48 million ((Won)73,351 million) term loan credit facility of LG Display Poland Sp. zo.o. LG Display Poland Sp. zo.o. is provided with a payment guarantee amounting to PLN250 million ((Won)95,443 million) by Nordea Bank and others for the Simplified Procedure (deferral of VAT payment), and the Controlling Company provides payment guarantee to Nordea Bank and others in connection with their payment guarantee. In addition, the Controlling Company provides payment guarantees in connection with LG Display Singapore Ltd. s and other subsidiaries term loan credit facilities with an aggregate amount of USD17 million ((Won)19,361 million) for principals and related interests.

LG Display Japan Co., Ltd. and other subsidiaries have entered into short-term credit facility agreements of up to USD203 million ((Won)231,197 million), EUR3.6 million ((Won)5,449 million), JPY6,700 million ((Won)93,604 million), and CNY58 million ((Won)10,005 million), respectively, with Mizuho Corporate Bank and other various banks. LG Display Japan Co., Ltd. and other subsidiaries are provided with repayment guarantees from the Bank of Tokyo-Mitsubishi UFJ and other various banks amounting to USD5 million ((Won)5,695 million), JPY1,300 million ((Won)18,162 million), CNY2,225 million ((Won)383,813 million) and PLN250 million ((Won)95,443 million) respectively, for their local tax payments.

**License agreements**

As of December 31, 2010, in relation to its TFT-LCD business, the Controlling Company has technical license agreements with Hitachi Display, Ltd. and others and has a trademark license agreement with LG Corp.

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**Long-term supply agreement**

In January 2009 as well as in April and December 2010, the Controlling Company entered into separate 5-year long-term supply agreements with Apple, Inc. to supply LCD panels, respectively. In connection with the agreements, the Controlling Company received long-term advances of USD830 million ((Won)945,287 million) from Apple, Inc. in aggregate, which will offset against outstanding accounts receivable balance after a given period of time, as well as those arising from the supply of products thereafter. The Controlling Company received a payment guarantee amounting to USD200 million ((Won)227,780 million) from Industrial Bank of Korea relating to long-term advances received from Apple, Inc.

**Pledged Assets**

The Controlling Company pledged a part of its OLED machinery to the Export-Import Bank of Korea regarding the loan of credit up to USD50 million ((Won)56,945 million).

**21. Contingencies****Patent infringement lawsuit against Chi Mei Optoelectronics Corp., and others**

On December 1, 2006, the Group filed a complaint in the United States District Court for the District of Delaware against Chi Mei Optoelectronics Corp. and AU Optronics Corp. claiming infringement of patents related to liquid crystal displays and the manufacturing processes for TFT-LCDs. On March 8, 2007, AU Optronics Corp. filed a counter-claim against the Group in the United States District Court for the Western District of Wisconsin for alleged infringement of patents related to the manufacturing processes for TFT-LCDs but the suit was transferred to the United States District Court for the District of Delaware on May 30, 2007. On May 4, 2007, Chi Mei Optoelectronics Corp. filed a counter-claim against the Group for patent infringement in the United States District Court for the Eastern District of Texas, but the suit was transferred to the United States District Court for the District of Delaware (the Court) on March 31, 2008.

The Court bifurcated the trial between AU Optronics Corp. and Chi Mei Optoelectronics Corp. holding the first trial against AU Optronics Corp. on June 2, 2009. Although the Group had a total of nine patents to be tried and AU Optronics Corp. had a total of seven patents to be tried in the first trial against AU Optronics Corp., the trial was further bifurcated so that only four patents from each side were tried. On February 16, 2010, the Court found that the four AU Optronics Corp. patents were valid and were infringed by the Group, and on April 30, 2010, the Court further found that the Group's four patents were valid but were not infringed by AU Optronics Corp. In October and November 2010, the Group filed motions for reconsideration as to the court's findings on the AU Optronics Corp.'s patents and the Group's patents respectively. However, the final judgment has not yet been rendered. Once all findings by the Court have been issued, the Group will review all available options including appeal. The Group is unable to predict the ultimate outcome of the above matters.

**Anvik Corporation's lawsuit for infringement of patent**

On February 2, 2007, Anvik Corporation filed a patent infringement case against the Group, along with other LCD manufacturing companies in the United States District Court for the Southern District of New York, in connection with the usage of photo-masking equipment manufactured by Nikon Corporation. While there is no significant progress on this case in 2010, the Group is unable to predict the ultimate outcome of this case.



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**Anti-trust investigations and litigations**

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

In November 2008, the Controlling Company executed an agreement with the U.S. Department of Justice ( DOJ ) whereby the Controlling Company and its U.S. subsidiary, LG Display America, Inc. ( LGDUS ), pleaded guilty to a Sherman Antitrust Act violation and agreed to pay a single total fine of USD400 million. In December 2008, the U.S. District Court for the Northern District of California accepted the terms of the plea agreement and entered a judgment against the Controlling Company and LGDUS and ordered the payment of USD400 million according to the following schedule: USD20 million plus any accrued interest by June 15, 2009, and USD76 million plus any accrued interest by each of June 15, 2010, June 15, 2011, June 15, 2012, June 15, 2013 and December 15, 2013. The agreement resolved all federal criminal charges against the Controlling Company and LGDUS in the United States in connection with this matter.

On May 27, 2009, the European Commission issued a Statement of Objections ( SO ) regarding alleged anti-competitive activities in the LCD industry. The Controlling Company submitted its response to the SO on August 11, 2009, and a hearing before the European Commission was held on September 22 and 23, 2009. On December 8, 2010, the European Commission issued a decision finding that the Controlling Company engaged in anti-competitive activities in the LCD industry in violation of European competition laws and imposed a fine of EUR215 million. As of December 31, 2010, the Controlling Company has accrued a liability for the assessed fine. On February 23, 2011, the Controlling Company filed with the European Union General Court an application for partial annulment and reduction of the fine imposed by the EC. Similar investigations into possible anti-competitive practices in the LCD industry were announced by the Federal Competition Commission of Mexico in or about July 2009 and by the Secretariat of Economic Law of Brazil in December 2009.

In November 2009, the Taiwan Fair Trade Commission terminated its investigation without any finding of violations or levying of fines.

Subsequent to the commencement of the DOJ investigation, a number of class action complaints were filed against the Controlling Company and other TFT-LCD panel manufacturers in the U.S. and Canada alleging violation of respective antitrust laws and related laws. The class action lawsuits in the U.S. were transferred to the Northern District of California for pretrial proceedings ( MDL Proceedings ). On March 28, 2010, the court certified the class action complaints filed by direct purchasers and indirect purchasers. In January 2011, a hearing was held regarding the Canadian direct and indirect purchasers' motion for class certification. The court has not yet ruled on the motion.

Additionally separate claims were filed by AT&T Corp., Motorola, Inc., Best Buy Co., Inc. and their respective related entities, all of which have been transferred to the MDL Proceedings. In addition, several state governments including the state of New York filed claims against the Controlling Company and other LCD panel manufacturing companies.

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In February 2007, regarding the anti-competitive practices in LCD panel pricing, the Controlling Company and certain of its current and former officers and directors were named as defendants in two purported class action complaints filed in the U.S. District Court for the Southern District of New York by the shareholders of the Controlling Company, alleging that the Controlling Company and certain of its officers and directors violated the U.S. Securities Exchange Act of 1934. In May 2010, the Controlling Company reached an agreement in principle with the class plaintiffs to settle the action, and a fairness hearing was held on March 17, 2011 regarding the settlement.

While the Controlling Company continues its vigorous defense of the various pending proceedings described above, there is a possibility that one or more proceedings may result in an unfavorable outcome to the Controlling Company. The Controlling Company has established provisions with respect to certain of the contingencies. However, actual liability may be materially different from the provisions estimated by the Controlling Company. Some of the information usually required by IAS No. 37 *Provision, Contingent Liabilities and Contingent Assets* is not disclosed on the grounds that it can be expected to prejudice seriously the outcome of the litigation.

**22. Capital and Reserves**

(a) Share capital

The Controlling Company is authorized to issue 500,000,000 shares of capital stock (par value (Won)5,000), and as of December 31, 2010, the number of issued common shares is 357,815,700.

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

(b) Reserves

Translation reserve

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

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

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 Controlling Company paid dividend of (Won)178,908 million ((Won)500 per share) in 2010 and the dividend of (Won)178,908 million ((Won)500 per share) has been determined by the board of directors and have been paid in 2011. There are no income tax consequences.



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**23. Related Parties**

## (a) Key management personnel compensation

Compensation costs of key management for the years ended December 31, 2010 and 2009 are as follows:

| <i>(In millions of won)</i>              | <b>2010</b> | <b>2009</b> |
|--|-------------|-------------|
| Short-term benefits                      | (Won) 2,183 | 1,943       |
| Expenses related to defined benefit plan | 360         | 272         |
| Other long-term benefits                 | 606         | 501         |
|  | (Won) 3,149 | 2,716       |

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

## (b) Significant transactions with related companies

Significant transactions which occurred in the normal course of business with related parties for the years ended December 31, 2010 and 2009 are as follows:

| <i>(In millions of won)</i> | <b>Sales and others</b> |             | <b>Purchases and others</b> |             |
|-----------------------------|-------------------------|-------------|-----------------------------|-------------|
|                             | <b>2010</b>             | <b>2009</b> | <b>2010</b>                 | <b>2009</b> |
| Subsidiaries                | (Won) 21,025,952        | 17,521,399  | 3,237,224                   | 790,839     |
| Joint ventures              | 1,163,265               | 839,290     | 27,605                      | 3,279       |
| Associates                  | 7                       | 16          | 1,550,269                   | 1,142,932   |
| LG Electronics              | 5,845,037               | 4,652,913   | 555,569                     | 230,238     |
| Other related parties       | 174,521                 | 479,652     | 317,837                     | 768,977     |
|                             | (Won) 28,208,782        | 23,493,270  | 5,688,504                   | 2,936,265   |

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

| <i>(In millions of won)</i> | <b>Trade accounts and<br/>notes receivable and others</b> |                              |                            | <b>Trade accounts and<br/>notes payable and others</b> |                              |                            |
|-----------------------------|---|------------------------------|----------------------------|--|------------------------------|----------------------------|
|                             | <b>December<br/>31, 2010</b>                              | <b>December<br/>31, 2009</b> | <b>January<br/>1, 2009</b> | <b>December<br/>31, 2010</b>                           | <b>December<br/>31, 2009</b> | <b>January<br/>1, 2009</b> |
| Subsidiaries                | (Won) 3,609,801   | 2,713,663                    | 1,257,958                  | 405,814  | 108,156                      | 279,572                    |
| Joint ventures              | 145,093   | 109,572                      | 9,943                      | 478,009  | 297,717                      |                            |
| Associates                  |   | 3                            | 1                          | 243,357  | 164,268                      | 58,222                     |

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|                       |                 |           |           |           |         |         |
|-----------------------|-----------------|-----------|-----------|-----------|---------|---------|
| LG Electronics        | 634,570         | 719,798   | 442,943   | 138,484   | 51,738  | 82,370  |
| Other related parties |                 | 76,314    | 46,345    | 3,870     | 103,740 | 94,680  |
|                       | (Won) 4,389,464 | 3,619,350 | 1,757,190 | 1,269,534 | 725,619 | 514,844 |

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**24. Geographic and Other Information**

The Group manufactures and sells TFT-LCD and AM-OLED products. Sales of AM-OLED products are insignificant to total sales. Export sales represent approximately 93.3% of total sales for the year ended December 31, 2010.

The following is a summary of sales by region based on the location of the customers for the years ended December 31, 2010 and 2009.

(a) Revenue by geography  
(In millions of won)

| <b>Region</b>          | <b>2010</b>      | <b>2009</b> |
|------------------------|------------------|-------------|
| Domestic               | (Won) 1,705,130  | 1,204,621   |
| Foreign                |                  |             |
| China                  | 14,076,853       | 10,503,680  |
| Asia (excluding China) | 2,752,117        | 2,086,808   |
| United States          | 2,852,204        | 2,491,439   |
| Europe                 | 4,125,231        | 3,751,153   |
|                        | (Won) 25,511,535 | 20,037,701  |

Sales to LG Electronics constituted 22.9% of total revenue for the year ended December 31, 2010 (the year ended December 31, 2009: 23.2%). The Group's top ten end-brand customers together accounted for 75.8% of sales for the year ended December 31, 2010 (the year ended December 31, 2009: 76.5%)

(b) Non-current assets by geography  
(In millions of won)

| <b>Region</b> | <b>December 31, 2010</b>             |                          |
|---------------|--------------------------------------|--------------------------|
|               | <b>Property, plant and equipment</b> | <b>Intangible assets</b> |
| Domestic      | (Won) 11,690,716                     | 520,152                  |
| Foreign       |                                      |                          |
| China         | 945,864                              | 19,105                   |
| Others        | 178,821                              | 644                      |
| Sub total     | (Won) 1,124,685                      | 19,749                   |
| Total         | (Won) 12,815,401                     | 539,901                  |



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*(In millions of won)*

| Region    | December 31, 2009             |                   |
|-----------|-------------------------------|-------------------|
|           | Property, plant and equipment | Intangible assets |
| Domestic  | (Won) 8,730,263               | 340,885           |
| Foreign   |                               |                   |
| China     | 601,913                       | 10,058            |
| Others    | 264,321                       | 1,450             |
| Sub total | (Won) 866,234                 | 11,508            |
| Total     | (Won) 9,596,497               | 352,393           |

*(In millions of won)*

| Region    | January 1, 2009               |                   |
|-----------|-------------------------------|-------------------|
|           | Property, plant and equipment | Intangible assets |
| Domestic  | (Won) 8,431,214               | 199,087           |
| Foreign   |                               |                   |
| China     | 522,876                       | 2,696             |
| Others    | 288,288                       | 2,658             |
| Sub total | (Won) 811,164                 | 5,354             |
| Total     | (Won) 9,242,378               | 204,441           |

(c) Revenue by product  
*(In millions of won)*

| Product             | 2010            | 2009       |
|---------------------|-----------------|------------|
| Panels for:         |                 |            |
| Notebook computers  | (Won) 4,424,440 | 3,567,522  |
| Desktop monitors    | 5,389,736       | 4,639,506  |
| TFT-LCD televisions | 14,078,665      | 10,965,318 |
| Mobile and others   | 1,618,694       | 865,355    |



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**25. Revenue**

Details of revenue for the years ended December 31, 2010 and 2009 are as follows:

| <i>(In millions of won)</i> | <b>2010</b>      | <b>2009</b> |
|-----------------------------|------------------|-------------|
| Sales of goods              | (Won) 25,467,963 | 19,989,116  |
| Royalty                     | 22,552           | 22,024      |
| Others                      | 21,020           | 26,561      |
|                             | (Won) 25,511,535 | 20,037,701  |

**26. Other Income and Other Expenses**

(a) Details of other income for the years ended December 31, 2010 and 2009 are as follows:

| <i>(In millions of won)</i>                                       | <b>2010</b>     | <b>2009</b> |
|---|-----------------|-------------|
| Rental income   | (Won) 4,305     | 4,116       |
| Foreign currency gain   | 1,465,830       | 1,336,721   |
| Gain on disposal of investments, net                              |                 | 11          |
| Gain on disposal of property, plant and equipment                 | 1,387           | 486         |
| Gain on disposal of intangible assets                             |                 | 9           |
| Reversal of allowance for doubtful accounts for other receivables |                 | 548         |
| Others  | 11,921          | 23,663      |
|   | (Won) 1,483,443 | 1,365,554   |

(b) Details of other expenses for the years ended December 31, 2010 and 2009 are as follows:

| <i>(In millions of won)</i>                       | <b>2010</b>     | <b>2009</b> |
|---|-----------------|-------------|
| Other bad debt expenses                           | (Won) 65        | 2           |
| Foreign currency loss                             | 1,550,909       | 1,172,296   |
| Loss on disposal of property, plant and equipment | 415             | 234         |
| Impairment loss on property, plant, and equipment |                 | 664         |
| Anti-trust related expenses and others            | 310,142         | 296,950     |
|   | (Won) 1,861,531 | 1,470,146   |



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**27. Personnel Expenses**

Details of personnel expenses for the years ended December 31, 2010 and 2009 are as follows:

| <i>(In millions of won)</i>              | <b>2010</b>     | <b>2009</b> |
|--|-----------------|-------------|
| Salaries and wages                       | (Won) 1,569,137 | 1,140,809   |
| Other employee benefits                  | 297,366         | 194,901     |
| Contributions to National Pension plan   | 40,553          | 31,308      |
| Expenses related to defined benefit plan | 102,471         | 73,112      |
| Cash-settled share-based payment         | 157             | 201         |
|  | (Won) 2,009,684 | 1,440,331   |

**28. Share-based Payment**

(a) The terms and conditions of share-based payment arrangement as of December 31, 2010 are as follows:

|                                      | <b>Descriptions</b>                                      |
|--------------------------------------|--|
| Settlement method                    | Cash settlement  |
| Type of arrangement                  | Stock appreciation rights (granted to senior executives) |
| Date of grant                        | April 7, 2005  |
| Weighted-average exercise price (*1) | (Won)44,050  |
| Number of rights granted             | 450,000  |
| Number of rights forfeited (*2)      | 230,000  |
| Number of rights cancelled (*3)      | 110,000  |
| Number of rights outstanding         | 110,000  |
| Exercise period                      | From April 8, 2008 to April 7, 2012                      |
| Remaining contractual life           | 1.25 years   |
| Vesting conditions                   | Two years of service from the date of grant              |

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

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

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

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- (b) The changes in the number of SARs outstanding for the years ended December 31, 2010 and 2009 are as follows:

| <i>(In number of shares)</i> | <b>2010</b> | <b>2009</b> |
|------------------------------|-------------|-------------|
| Balance at beginning of year | 110,000     | 110,000     |
| Forfeited or cancelled       |             |             |
| Outstanding at end of year   | 110,000     | 110,000     |
| Exercisable at end of year   | 110,000     | 110,000     |

- (c) In connection with the Group's first adoption of IFRSs, the Group accounted for SARs at its fair value. The fair value of SARs was estimated using the Black-Scholes option-pricing model with the following assumptions:

|   | <b>December 31,<br/>2010</b> | <b>December 31,<br/>2009</b> | <b>January 1,<br/>2009</b> |
|---|------------------------------|------------------------------|----------------------------|
| Risk free rate (*1)                       | 2.89%                        | 3.48%                        | 3.26%                      |
| Expected term (*2)                        | 1.0 year                     | 1.1 year                     | 1.3 year                   |
| Expected volatility                       | 35.20%                       | 55.57%                       | 53.20%                     |
| Expected dividends (*3)                   | 0%                           | 0%                           | 0%                         |
| Fair value per share                      | (Won)4,296                   | (Won)2,865                   | (Won)1,039                 |
| Total carrying amount of liabilities (*4) | (Won)472,527,182             | (Won)315,126,395             | (Won)114,300,015           |

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

(\*2) As of December 31, 2010, the remaining contractual life is 15 months and the expected term is determined as 1 year.

(\*3) The Controlling Company did not pay any dividends from 2000 to 2006 and, accordingly, expected dividend used is 0% despite recent dividend yields of 1.6%, 2.3% and 1.3% in 2007, 2008 and 2009, respectively.

(\*4) As of December 31, 2010, the market price of the stock does not exceed the exercise price and accordingly, the intrinsic value of the share-based payments is zero.

- (d) The Group recognized stock compensation cost of (Won)157 million as administrative expenses for the year ended December 31, 2010.

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**29. Finance Income and Finance Costs**

(a) Finance income and costs recognized in profit and loss for the years ended December 31, 2010 and 2009 are as follows:

| <i>(In millions of won)</i>   | <b>2010</b>   | <b>2009</b> |
|---|---------------|-------------|
| <b>Finance income</b>   |               |             |
| Interest income of financial assets measured at amortized cost                  |               |             |
|   | (Won) 90,129  | 119,642     |
| Interest income of available-for-sale securities                                | 1,074         | 3,285       |
| Dividend income   | 48            |             |
| Foreign currency gain   | 146,563       | 206,592     |
| Gain on sale of Investments in equity accounted investees                       | 2,506         | 295         |
| Gain on valuation of financial assets at fair value through profit or loss      | 668           | 2,907       |
|   | (Won) 240,988 | 332,721     |
| <b>Finance costs</b>  |               |             |
| Interest expense of financial liabilities measured at amortized costs           | (Won) 99,659  | 112,632     |
| Foreign currency loss   | 170,307       | 108,483     |
| Loss on sale of available-for-sale securities                                   | 854           | 5           |
| Loss on redemption of debentures  | 4,138         | 173         |
| Loss on valuation of financial assets at fair value through profit or loss      | 1,729         |             |
| Loss on valuation of financial liabilities as fair value through profit or loss | 2,419         | 108,363     |
| Loss on derivatives   |               | 9,727       |
| Loss on sale of trade accounts and notes receivable                             | 9,366         | 4,307       |
| Loss on sale of investments in equity accounted investees                       |               | 165         |
|   | (Won) 288,472 | 343,855     |

(b) Finance income and costs recognized in other comprehensive income (loss) for the years ended December 31, 2010 and 2009 are as follows:

| <i>(In millions of won)</i>                        | <b>2010</b>  | <b>2009</b> |
|--|--------------|-------------|
| Change in cumulative translation adjustments       | (Won) 6,735  | (37,175)    |
| Loss on valuation of available-for-sale securities | 12,063       | (24,367)    |
| Gain on cash flow hedges                           |              | 2,534       |
| Tax effect   | (3,793)      | 6,423       |
|  | (Won) 15,005 | (52,585)    |



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**30. Income Taxes**

(a) Details of income tax expense (benefit) for the years ended December 31, 2010 and 2009 are as follows:

| <i>(In millions of won)</i>         | <b>2010</b>          | <b>2009</b>      |
|-------------------------------------|----------------------|------------------|
| Current tax expense                 | (Won) 253,436        | 202,174          |
| Deferred tax benefit                | (147,101)            | (306,992)        |
| <b>Income tax expense (benefit)</b> | <b>(Won) 106,335</b> | <b>(104,818)</b> |

(b) Income taxes recognized directly in other comprehensive income for the years ended December 31, 2010 and 2009 is as follows:

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

| <i>(In millions of won)</i>                        | <b>Before tax</b>     | <b>2009<br/>Tax benefit<br/>(expense)</b> | <b>Net of<br/>tax</b> |
|--|-----------------------|---|-----------------------|
| Loss on valuation of available-for-sale securities | (Won) (24,367)        | 6,231                                     | (18,136)              |
| Defined benefit plan actuarial loss                | (18,927)              | 4,484                                     | (14,443)              |
| Cumulative translation differences                 | (37,175)              | 806                                       | (36,369)              |
| Gain on valuation of cash flow hedges              | 2,534                 | (614)                                     | 1,920                 |
|  | <b>(Won) (77,935)</b> | <b>10,907</b>                             | <b>(67,028)</b>       |



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

| <i>(In millions of won)</i>                                  | <b>2010</b> |                        | <b>2009</b> |                        |
|--|-------------|------------------------|-------------|------------------------|
| Profit for the period  |             | (Won) 1,159,234        |             | 1,117,778              |
| Income tax expense (benefit)                                 |             | 106,335                |             | (104,818)              |
| <b>Profit excluding income tax</b>                           |             | <b>(Won) 1,265,569</b> |             | <b>1,012,960</b>       |
| Income tax using the Controlling Company's domestic tax rate | 24.20%      | (Won) 306,268          | 24.20%      | (Won) 245,136          |
| Effect of tax rates in foreign jurisdictions                 | 1.24%       | 15,732                 | 1.87%       | 18,981                 |
| Non-deductible expenses                                      | 7.69%       | 97,268                 | 3.58%       | 36,268                 |
| Tax credits  | (24.33%)    | (307,911)              | (37.07%)    | (375,544)              |
| Change in tax rates  | (0.85%)     | (10,798)               | (0.85%)     | (8,612)                |
| Tax effects on unrealized inter-company profit               | 0.54%       | 6,871                  | (1.79%)     | (18,106)               |
| Others   | (0.09%)     | (1,095)                | (0.29%)     | (2,941)                |
| <b>Income tax expense (benefit)</b>                          |             | <b>(Won) 106,335</b>   |             | <b>(Won) (104,818)</b> |

**31. Deferred Income Tax Assets and Liabilities**

(a) Unrecognized deferred tax liabilities

As of December 31, 2010, the Controlling Company did not recognize the deferred tax liabilities of the temporary differences amounting to (Won)181,342 on investments in subsidiaries since the Controlling Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Accordingly, the Group did not recognize deferred income taxes on the temporary differences.

(b) Unrecognized deferred tax assets

The Controlling Company did not recognize deferred income taxes on temporary differences related to the cumulative loss of subsidiary, as the possibility of recovering the deferred tax assets amounting to (Won)439,798, through events such as disposal of the related investments in the foreseeable future, is remote.

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

| <i>(In millions of won)</i>                       | Assets               |                      |                    | Liabilities          |                      |                    | Total                |                      |                    |
|---|----------------------|----------------------|--------------------|----------------------|----------------------|--------------------|----------------------|----------------------|--------------------|
|   | December 31,<br>2010 | December 31,<br>2009 | January 1,<br>2010 | December 31,<br>2010 | December 31,<br>2009 | January 1,<br>2009 | December 31,<br>2010 | December 31,<br>2009 | January 1,<br>2009 |
| Other accounts receivable, net                    | (Won)                |                      |                    | (5,919)              | (11,512)             | (22,023)           | (5,919)              | (11,512)             | (22,023)           |
| Inventories, net                                  | 17,942               | 19,765               | 25,577             |                      |                      |                    | 17,942               | 19,765               | 25,577             |
| Available-for-sale financial assets               | 2,199                | 5,186                |                    | (6,983)              | (4,488)              | (1,045)            | (4,784)              | 698                  | (1,045)            |
| Defined benefit obligation                        | 3,829                | 5,052                | 1,137              |                      |                      |                    | 3,829                | 5,052                | 1,137              |
| Investments in equity accounted investees         | 12,041               | 11,660               |                    |                      |                      | (6,446)            | 12,041               | 11,660               | (6,446)            |
| Derivative instruments                            |                      |                      | 614                | (2,008)              | (647)                | (17,170)           | (2,008)              | (647)                | (16,556)           |
| Accrued expense                                   | 78,396               | 60,575               | 5,619              |                      |                      |                    | 78,396               | 60,575               | 5,619              |
| Property, plant and equipment                     | 112,286              | 108,334              | 74,891             |                      |                      |                    | 112,286              | 108,334              | 74,891             |
| Intangible assets                                 |                      |                      |                    |                      | (19,470)             |                    |                      | (19,470)             |                    |
| Provisions  | 17,962               | 16,806               | 14,666             |                      |                      |                    | 17,962               | 16,806               | 14,666             |
| Gain or loss on foreign currency translation, net | 81,075               | 64,588               | 105,482            | (61,031)             | (57,174)             | (33,541)           | 20,044               | 7,414                | 71,941             |
| Debentures  | 5,049                | 45,874               | 27,409             |                      |                      |                    | 5,049                | 45,874               | 27,409             |
| Others  | 24,134               | 17,498               | 11,391             | (6,006)              |                      |                    | 18,128               | 17,498               | 11,391             |
| Tax credit carryforwards                          | 795,247              | 664,172              | 421,758            |                      |                      |                    | 795,247              | 664,172              | 421,758            |
| Deferred income tax assets (liabilities)          | (Won) 1,150,160      | 1,019,510            | 688,544            | (81,947)             | (93,291)             | (80,225)           | 1,068,213            | 926,219              | 608,319            |

Realization of deferred tax assets related to tax credit carryforwards is dependent on whether sufficient taxable income will be generated prior to the expiration period. Although realization is not assured, management believes it is probable that all of the deferred tax assets at the reporting date will be realized. The amount of such deferred tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

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(d) Changes in deferred tax assets and liabilities for the years ended December 31, 2010 and 2009 are as follows:

| <i>(In millions of won)</i>                          | <b>January 1,<br/>2009</b> | <b>Profit or<br/>loss</b> | <b>Other<br/>comprehensive<br/>income</b> | <b>December 31,<br/>2009</b> | <b>Profit or<br/>loss</b> | <b>Other<br/>comprehensive<br/>income</b> | <b>December 31,<br/>2010</b> |
|--|----------------------------|---------------------------|---|------------------------------|---------------------------|---|------------------------------|
| Other accounts receivable, net                       | (Won) (22,023)             | 10,511                    |   | (11,512)                     | 5,593                     |   | (5,919)                      |
| Inventories, net                                     | 25,577                     | (5,812)                   |   | 19,765                       | (1,823)                   |   | 17,942                       |
| Available-for-sale financial<br>assets               | (1,045)                    | (4,488)                   | 6,231                                     | 698                          | (2,495)                   | (2,987)                                   | (4,784)                      |
| Defined benefit obligation                           | 1,137                      | (569)                     | 4,484                                     | 5,052                        | 91                        | (1,314)                                   | 3,829                        |
| Investments in equity<br>accounted investees         | (6,446)                    | 18,106                    |   | 11,660                       | 381                       |   | 12,041                       |
| Derivative instruments                               | (16,556)                   | 16,523                    | (614)                                     | (647)                        | (1,361)                   |   | (2,008)                      |
| Accrued expense                                      | 5,619                      | 54,956                    |   | 60,575                       | 17,821                    |   | 78,396                       |
| Property, plant and<br>equipment                     | 74,891                     | 33,443                    |   | 108,334                      | 3,952                     |   | 112,286                      |
| Intangible assets                                    |                            | (19,470)                  |   | (19,470)                     | 19,470                    |   |                              |
| Provisions   | 14,666                     | 2,140                     |   | 16,806                       | 1,156                     |   | 17,962                       |
| Gain or loss on foreign<br>currency translation, net | 71,941                     | (64,527)                  |   | 7,414                        | 12,630                    |   | 20,044                       |
| Debentures   | 27,409                     | 18,465                    |   | 45,874                       | (40,825)                  |   | 5,049                        |
| Others   | 11,391                     | 5,301                     | 806                                       | 17,498                       | 1,436                     | (806)                                     | 18,128                       |
| Tax credit carryforwards                             | 421,758                    | 242,414                   |   | 664,172                      | 131,075                   |   | 795,247                      |
| Deferred income tax assets<br>(liabilities)          | (Won) 608,319              | 306,992                   | 10,907                                    | 926,219                      | 147,101                   | (5,107)                                   | 1,068,213                    |

Statutory tax rate applicable to the Controlling Company is 24.2% for the year ended December 31, 2010. In accordance with the revised Corporate Income Tax Law, statutory tax rate applicable to the Controlling Company is 24.2% until 2011 and 22% thereafter.

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**32. Earnings per Share**

(a) Basic earnings per share for the years ended December 31, 2010 and 2009 are as follows:

| <i>(In won and No. of shares)</i>                    | <b>2010</b>             | <b>2009</b>       |
|--|-------------------------|-------------------|
| <b>Profit for the period</b>                         | (Won) 1,156,343,357,418 | 1,117,778,414,962 |
| Weighted-average number of common shares outstanding | 357,815,700             | 357,815,700       |
| <b>Earnings per share</b>                            | (Won) 3,232             | 3,124             |

There were no events or transactions that result in changes in the number of common shares used for calculating earnings per share.

(b) Diluted earnings per share for the years ended December 31, 2010 and 2009 are as follows:

| <i>(In won and No. of shares)</i>  | <b>2010</b>             | <b>2009</b>       |
|--|-------------------------|-------------------|
| <b>Profit for the period</b>   | (Won) 1,156,343,357,418 | 1,117,778,414,962 |
| Interest on convertible bond, net of tax   | (18,345,174,214)        | 47,618,111,426    |
| <b>Adjusted income</b>   | 1,137,998,183,204       | 1,165,396,526,388 |
| Weighted-average number of common shares outstanding and common equivalent shares (*1) | 361,080,224             | 368,457,551       |
| <b>Diluted earnings per share (*2)</b>   | (Won) 3,152             | 3,124             |

(\*1) Weighted-average number of common shares outstanding for the years ended December 31, 2010 and 2009 is calculated as follows:

| <i>(In No. of shares)</i>   | <b>2010</b> | <b>2009</b> |
|---|-------------|-------------|
| <b>Weighted-average number of common shares (basic)</b>               | 357,815,700 | 357,815,700 |
| Effect of conversion of convertible bonds                             | 3,264,524   | 10,641,851  |
| <b>Weighted-average number of common shares at the reporting date</b> | 361,080,224 | 368,457,551 |

(\*2) For the year ended December 31, 2009, there was no dilution effect.



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- (c) The number of dilutive potential ordinary shares outstanding for the years ended December 31, 2010 and 2009 is calculated as follows:

|   | 2010                                  |                   | 2009                                  |
|---|---------------------------------------|-------------------|---------------------------------------|
|   | Convertible bonds                     | Convertible bonds | Convertible bonds                     |
| Common shares to be issued                            | 1,281,697                             | 9,399,113         | 10,641,851                            |
| Period  | January 1, 2010~                      |                   |                                       |
|   | January 1, 2010~<br>December 31, 2010 | March 19, 2010    | January 1, 2009~<br>December 31, 2009 |
| Weight  | 365 days /365 days                    | 77 days /365 days | 365 days /365 days                    |
| Weighted-average number of common shares to be issued | 1,281,697                             | 1,982,827         | 10,641,851                            |

**33. Supplemental Cash Flow Information**

Supplemental cash flow information for the years ended December 31, 2010 and 2009 are as follows:

| <i>(In millions of won)</i>  | 2010          | 2009      |
|--|---------------|-----------|
| Non-cash investing and financing activities:   |               |           |
| Changes in other accounts payable arising from the purchase of property, plant and equipment | (Won) 906,481 | (604,186) |

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**34. Business Combinations**

## (a) Acquisition of LCD module business

The Controlling Company acquired LCD module business from LG Innotek Co., Ltd. ( LG Innotek ) in order to improve competitiveness of the LCD module business and the operational efficiency by simplified supply chain on May 1, 2010. Regarding the business acquisition, the Controlling Company acquired and assumed assets (other than land and buildings), liabilities, employment relationship and all of the rights and obligations related to LCD module business located in Gumi. In addition, LG Display Yantai Co., Ltd., the Controlling Company's subsidiary in China, also acquired assets on LCD module and Cell business from LG Innotek Yantai Co., Ltd. which is an LG Innotek's subsidiary in China. The Controlling Company and LG Display Yantai Co., Ltd. measured the identifiable assets acquired and the liabilities assumed at their acquisition-date fair value. The entire consideration transferred for the acquisitions was paid in cash.

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

| <i>(In millions of won and CNY)</i> | <b>Gumi</b>  | <b>Yantai</b> |               |
|-------------------------------------|--------------|---------------|---------------|
| Consideration transferred           | (Won) 72,472 | CNY 1,016     | (Won) 166,010 |
| Identifiable assets acquired and    |              |               |               |
| the liabilities assumed             |              |               |               |
| Inventories                         | 18,110       | CNY 117       | 18,995        |
| Property, plant and equipment       | 3,226        | CNY 882       | 144,168       |
| Intangible assets (*1)              | 36,972       |               |               |
| Long-term prepaid expenses          | 392          | CNY 17        | 2,847         |
| Accrued expenses                    | (821)        |               |               |
| Identifiable net asset              | 57,879       | CNY 1,016     | 166,010       |
| Goodwill (*2)                       | (Won) 14,593 |               | (Won)         |

(\*1) Intangible assets in Gumi include customer relationships and technology acquired in the business combination.

(\*2) Goodwill amounting to (Won)14,593 million arose from the improvement in efficiency of LCD business, the synergy effect between the existing subsidiaries and benefits from assembled workforce. Reduction in the carrying amount of goodwill is deductible in determining taxable profit.

Acquisition-related costs, such as legal consulting and accounting valuation fees amounting to (Won)381 million are expensed. The revenue and profit or loss from the assets acquired and liabilities assumed are not reported separately since the assets and liabilities of acquired business are combined with and not separable from the Group's existing accounting. Therefore, the amount of profit or loss after the acquisition date in 2010 and the amount of profit or loss during 2010 from the acquired business were not disclosed as they are not estimated reliably.

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## (b) Acquisition of Image &amp; Materials Inc.

For manufacturing of EPD, the Controlling Company acquired 100 percent equity interest of Image & Materials Inc. ( I&M ), located in Daejeon, Korea, on November 30, 2010 with payment of (Won)35,000 million in cash. The Controlling Company measured the identifiable assets acquired and the liabilities assumed at their acquisition-date fair value.

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

*(In millions of won)*

|  |               |
|--|---------------|
| Consideration transferred                                | (Won) 35,000  |
| Identifiable assets acquired and the liabilities assumed |               |
| Cash and cash equivalents                                | 2,946         |
| Other current assets                                     | 230           |
| Property, plant and equipment                            | 2,757         |
| Intangible assets (*1)                                   | 27,314        |
| Other non-current assets                                 | 87            |
| Current liabilities                                      | (1,057)       |
| Other non-current liabilities                            | (590)         |
| Deferred tax liability                                   | (6,006)       |
| <b>Identifiable net asset</b>                            | <b>25,681</b> |
| Goodwill (*2)  | (Won) 9,319   |

(\*1) Intangible assets mainly consist of in-process development projects amounting to (Won)27,300 million.

(\*2) Goodwill amounting to (Won)9,319 million arose from the research work force with specialized knowledge and experience.

The revenue and loss of I&M for the period from the beginning of the reporting period to the acquisition date are (Won)4 million and (Won)1,607 million, respectively, and the amount of the loss included in the consolidated statement of comprehensive income for the year ended December 31, 2010 is (Won)108 million. In addition, acquisition-related costs, such as legal consulting and accounting valuation fees amounting to (Won)59 million are expensed.

The revenue and profit or loss of the Group for the current reporting period, as though the acquisition date for all business combinations that occurred during the year had been as of the beginning of the annual reporting period, were not disclosed as a part of them are not estimated reliably since the revenue and profit or loss from the LCD module business acquired in 2010 are not reported separately.



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**35. Explanation of Transition to IFRSs**

As stated in note 2(a), the Group's first financial statements are prepared in accordance with IFRSs as the Group adopts IFRSs in 2010.

The accounting policies set out in note 3 have been applied in preparing the consolidated financial statements for the year ended December 31, 2009 and in the preparation of an opening IFRS statement of financial position at January 1, 2009, the transition date.

In preparing its opening statement of financial position prepared in accordance with IFRSs, the Group has adjusted amounts reported previously in financial statements prepared in accordance with Korean Generally Accepted Accounting Principles ( K-GAAP ). An explanation of how the transition from previous GAAP to IFRSs has affected the Group's consolidated financial statements is set out in the following tables and the notes that accompany the tables.

In addition, the reconciliation of the financial statements from accounting principles generally accepted in the United States of America ( U.S.GAAP ) to IFRS is also provided since the Group presented the financial statements in accordance with U.S. GAAP prior to the first adoption.

(a) Previous K-GAAP to IFRS

(i) Differences between accounting under IFRSs and under K-GAAP having a material effect on the Group

| Area                | Previous K-GAAP   | IFRSs   |
|---------------------|---|---|
| Convertible bonds   | In accordance with Statements of Korea Accounting Standards ( SKAS ) No. 9, the Group recognizes liability at fair value measured by the present value of the expected future cash flows and amortizes the difference between the fair value and proceeds received at the issue date using the effective interest method. Recognize conversion right on debentures in equity and does not reevaluate. | In accordance with IAS No. 39, the convertible bonds are designated as financial liabilities at fair value through profits or loss ( FVTPL ) and recognized at fair value with changes in fair value recognized in profit or loss.  |
| Employee benefits   | In accordance with Statements of Korea Financial Accounting Standards ( SKFAS ) Article 27, the Group recognizes retirement and severance liability expected to be payable if all employees, who have been with the Group for more than one year, leaves at the end of the reporting period.  | In accordance with IAS No. 19, the Group recognizes defined benefit obligations at present value of the expected future benefit cost using unbiased and mutually compatible actuarial assumptions about demographic variables and financial variables. Under the Group's accounting policy, all actuarial gains or losses are recognized in equity. |
| Share-based payment | In accordance with SKAS No. 22, liability relating to fully vested share-based payment to be settled in cash is remeasured at the intrinsic value at each   | In accordance with IFRS No. 2, the Group recognizes the liability relating to fully vested share-based payment to be settled in cash at fair value at each  |

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reporting date and at the date of settlement and the Group recognizes the changes in the intrinsic value as compensation expenses. reporting date with changes in fair value recognized in profit or loss.

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| Area                               | Previous K-GAAP   | IFRSs  |
|------------------------------------|---|--|
| Available-for-sale securities      | In accordance with SKAS No. 8, the Group recognizes available-for-sale securities at fair value with changes in fair value recognized in accumulated other comprehensive income.  | <p>In accordance with IAS No. 39, the Group may designate available-for-sale securities as FVTPL at inception and recognize the changes in fair value in profit or loss.</p> <p>In accordance with IAS No. 39, the Group recognizes available-for-sale debt securities at fair value with effect of changes in exchange rate recognized in profit or loss, the remaining differences between acquisition cost and fair value recognized in accumulated other comprehensive income.</p> <p>In accordance with IAS No. 32, dividends are recognized when the rights to receive payment is established. Convertible preferred stock is regarded as debt security.</p> |
| Derivatives                        | In accordance with K-GAAP Interpretation 53-70, the Group applies cash flow hedge accounting for derivatives only if certain conditions are met.  | In IAS No. 39, criteria to apply cash flow hedge accounting is more detailed than current K-GAAP and the Group does not apply cash flow hedge accounting as a condition of the detailed criteria is not met.   |
| Cumulative translation differences | N/A   | The cumulative translation differences for all foreign operations are deemed to be zero at January 1, 2009 (the transition date).  |
| Capitalization of development cost | In accordance with SKAS No. 3, an internally generated intangible asset is recognized only if it is highly probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and the cost of the asset can be measured reliably.  | In accordance with IAS No. 38, an internally generated intangible asset is recognized if, and only if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and the cost of the asset can be measured reliably.  |
| Deferred taxes                     | In accordance with SKAS No. 16, recognition of deferred tax assets and liabilities is based on assessment of temporary differences regardless of how each temporary difference is reversed. Deferred taxes are classified as current or non-current based on classification of related item in the consolidated financial | In accordance with IAS No. 12, deferred tax assets and liabilities are recognized based on assessment of temporary differences that considers how each temporary difference is reversed. Deferred tax assets and liabilities are classified as non-current.  |

statements. Classification of current and non-current for items not related to statement of financial position items are determined based on estimated reversal.

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| Area  | Previous K-GAAP  | IFRSs   |
|---|--|---|
| Long-term payables  | In accordance with SKFAS Article 66, long-term payables of LGDUS are discounted using the Group's weighted average borrowing rate.   | In accordance with IAS No. 39, long-term payables of LGDUS are discounted using the risk free rate.   |
| Allocation of difference between cost and book value of investment (goodwill) | In accordance with K-GAAP, the Group amortizes goodwill over its estimated useful life under the straight-line method  | In accordance with IAS No. 28, the Group does not amortize but periodically reviews the goodwill for impairment   |
| Bargain purchase of investments   | In accordance with K-GAAP, the Group allocates negative goodwill to distinguishable non-monetary asset over weighted average useful lives using straight-line method and unallocated amount is recognized in current period's earnings | In accordance with IAS No. 28, the excess of acquirer's interest in the net fair value of acquiree's identifiable assets remaining after reassessing the identification and measurement of assets, liabilities and contingent liabilities is recognized immediately in earnings |
| Borrowing costs   | In accordance with SKAS No. 7, borrowing costs are capitalized regardless of time required to get an asset ready for its intended use.   | In accordance with IAS No. 23, borrowing costs that take a substantial period of time required to get an asset ready for its intended use is capitalized.   |
| Changes in scope of consolidation   | Scope of consolidation is determined in accordance with SKAS 25. In addition, scope of consolidation is determined in accordance with Act on External Audit of Stock Companies of Korea.   | In accordance with IAS No. 27, scope of consolidation is determined based on control model.   |
| (ii) The Change of the consolidation scope                                    |  |   |

| Previous K-GAAP                           | IFRSs                                     | Difference |
|---|---|------------|
| LG Display America, Inc.                  | LG Display America, Inc.                  |            |
| LG Display Germany GmbH                   | LG Display Germany GmbH                   |            |
| LG Display Japan Co., Ltd.                | LG Display Japan Co., Ltd.                |            |
| LG Display Taiwan Co., Ltd.               | LG Display Taiwan Co., Ltd.               |            |
| LG Display Nanjing Co., Ltd.              | LG Display Nanjing Co., Ltd.              |            |
| LG Display Shanghai Co., Ltd.             | LG Display Shanghai Co., Ltd.             |            |
| LG Display Poland Sp. z o.o.              | LG Display Poland Sp. z o.o.              |            |
| LG Display Guangzhou Co., Ltd.            | LG Display Guangzhou Co., Ltd.            |            |
| LG Display Shenzhen Co., Ltd.             | LG Display Shenzhen Co., Ltd.             |            |
| LG Display Singapore Pte. Ltd.            | LG Display Singapore Pte. Ltd.            |            |
| LG Electronics (Nanjing) Plasma Co., Ltd. | LG Electronics (Nanjing) Plasma Co., Ltd. |            |

Suzhou Raken Technology Ltd.

reclassified as investments in joint  
ventures

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(iii) Summary of the effects of the adoption of IFRSs on the Group's financial position and the results of its operation

The effects of the adoption of IFRSs on the Group's financial position as of January 1, 2009, the transition date to IFRSs, are as follows:

| <i>(In millions of won)</i>            | <b>Total assets</b> | <b>Total liabilities</b> | <b>Total equity</b> |
|--|---------------------|--------------------------|---------------------|
| <b>K-GAAP</b>                          | (Won) 17,388,366    | 8,099,743                | 9,288,623           |
| <b>Adjustment for:</b>                 |                     |                          |                     |
| Convertible bonds (*1)                 |                     | 134,568                  | (134,568)           |
| Employee benefits (*2)                 |                     | 5,170                    | (5,170)             |
| Share-based payments (*3)              |                     | 114                      | (114)               |
| Long-term payables (*4)                |                     | 56,661                   | (56,661)            |
| Equity method investments (*5)         | 10,002              |                          | 10,002              |
| Cumulative translation adjustment (*6) | 46,513              |                          | 46,513              |
| Deferred tax asset (*7)                | 31,881              | (2)                      | 31,883              |
| Changes in scope of consolidation (*8) | (14,913)            | (2,312)                  | (12,601)            |
| <b>Total adjustment</b>                | <b>73,483</b>       | <b>194,199</b>           | <b>(120,716)</b>    |
| <b>IFRS</b>                            | (Won) 17,461,849    | 8,293,942                | 9,167,907           |

(\*1) Designation of convertible bonds as financial liability at fair value through profit or loss under IFRSs

(\*2) Assessment of employee benefits using actuarial assumptions under IFRSs

(\*3) Measurement of share-based payment using fair value under IFRSs

(\*4) Difference in discount rate applied to present value calculation of long-term payables

(\*5) Reversal of amortization of goodwill on equity method investments and recognition of bargain purchase of investments

(\*6) Difference in deferred taxes on change in cumulative translation adjustment

(\*7) Deferred tax adjustments on differences in accounting balances under IFRSs and current K-GAAP

(\*8) Elimination of Suzhou Raken Technology Ltd. from the scope of consolidation

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The effects of the adoption of IFRSs on the Group's financial position as of December 31, 2009 are as follows:

| <i>(In millions of won)</i>             | <b>Total assets</b> | <b>Total liabilities</b> | <b>Total equity</b> |
|---|---------------------|--------------------------|---------------------|
| <b>K-GAAP</b>                           | (Won) 19,538,190    | 9,322,297                | 10,215,893          |
| <b>Adjustment for:</b>                  |                     |                          |                     |
| Convertible bonds (*1)                  |                     | 170,316                  | (170,316)           |
| Employee benefits (*2)                  |                     | 25,322                   | (25,322)            |
| Share-based payments (*3)               |                     | 315                      | (315)               |
| Long-term payables (*4)                 |                     | 37,050                   | (37,050)            |
| Equity method investments (*5)          | 7,312               |                          | 7,312               |
| Capitalized borrowing costs (*6)        | (1,666)             |                          | (1,666)             |
| Development cost (*7)                   | 80,454              |                          | 80,454              |
| Cumulative translation differences (*8) | 39,453              |                          | 39,453              |
| Deferred tax asset (*9)                 | 24,122              |                          | 24,122              |
| Changes in scope of consolidation (*10) | 15,612              | 108,428                  | (92,816)            |
| <b>Total adjustment</b>                 | <b>165,287</b>      | <b>341,431</b>           | <b>(176,144)</b>    |
| <b>IFRS</b>                             | (Won) 19,703,477    | 9,663,728                | 10,039,749          |

- (\*1) Designation of convertible bonds as financial liability at fair value through profit or loss under IFRSs
- (\*2) Assessment of employee benefits using actuarial assumptions under IFRSs
- (\*3) Measurement of share-based payment using fair value under IFRSs
- (\*4) Difference in discount rate applied to present value calculation of long-term payables
- (\*5) Reversal of amortization of goodwill on equity method investments and recognition of bargain purchase of investments
- (\*6) Difference in capitalization of borrowing costs that takes a substantial period of time to get ready for its intended use
- (\*7) Capitalization of development costs meeting capitalization criteria under IFRSs
- (\*8) Difference in deferred taxes on change in cumulative translation adjustment
- (\*9) Deferred tax adjustments on differences in accounting balances under IFRSs and current K- GAAP
- (\*10) Elimination of Suzhou Raken Technology Ltd. from the scope of consolidation



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The effects of the adoption of IFRSs on the Group's result of operations for the year ended December 31, 2009 are as follows:

| <i>(in millions of won)</i>                                | <b>Net income</b> | <b>Total comprehensive income</b> |
|--|-------------------|-----------------------------------|
| <b>K-GAAP</b>  | (Won) 1,083,653   | 1,036,407                         |
| <b>Adjustment for:</b>                                     |                   |                                   |
| Convertible bonds (*1)                                     | (35,748)          | (35,748)                          |
| Employee benefits (*2)                                     | (1,259)           | (20,152)                          |
| Share-based payments (*3)                                  | (201)             | (201)                             |
| Available for sale securities (*4)                         | (3,373)           |                                   |
| Derivatives (*5)   | 8,337             |                                   |
| Long-term payables (*6)                                    | 17,075            | 19,611                            |
| Equity method investments (*7)                             | 205               | (2,690)                           |
| Financial asset at fair value through profit and loss (*8) | 2,906             |                                   |
| Capitalized borrowing costs (*9)                           | (1,666)           | (1,666)                           |
| Development cost (*10)                                     | 80,454            | 80,454                            |
| Cumulative translation differences (*11)                   |                   | (7,060)                           |
| Deferred tax asset (*12)                                   | (13,360)          | (7,761)                           |
| Changes in scope of consolidation (*13)                    | (19,245)          | (10,444)                          |
| <b>Total adjustment</b>                                    | 34,125            | 14,343                            |
| <b>IFRS</b>  | (Won) 1,117,778   | 1,050,750                         |

(\*1) Designated convertible bonds as financial liability at fair value through profit or loss under IFRSs

(\*2) Assessment of employee benefits using actuarial assumptions under IFRSs

(\*3) Measurement of share-based payment using fair value under IFRSs

(\*4) Gains/losses on foreign currency translation and interest income on convertible preferred stocks

(\*5) Derivatives previously accounted for as cash flow hedge were derecognized as held-for-trading derivative asset

(\*6) Difference in discount rate applied to present value calculation of long-term payables

(\*7) Reversal of amortization of goodwill on equity method investments and recognition of bargain purchase of investments

(\*8) Fair value recognition of investment assets designated as financial asset at fair value through profit

(\*9) Difference in capitalization of borrowing costs that takes a substantial period of time to get ready for its intended use

(\*10) Capitalization of development costs meeting capitalization criteria under IFRSs

(\*11) Difference in deferred taxes on change in cumulative translation adjustment

(\*12) Deferred tax adjustments on differences in accounting balances under IFRSs and current K-GAAP

(\*13) Elimination of Suzhou Raken Technology Ltd. from the scope of consolidation

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For the years ended December 31, 2010 and 2009

## b) US GAAP to IFRS

## (i) Differences between accounting under IFRSs and under US GAAP having a material effect on the Group

| Area                               | US GAAP   | IFRS  |
|------------------------------------|---|---|
| Convertible bonds                  | In accordance with ASC 470, the accounting for the convertible debt is identical to accounting for debt that has no conversion feature if the debt is convertible into the common stock of the debtor at a specified price at the option of the creditor and is sold at a price or has a value at issuance not significantly in excess of face amount. Interest expense on convertible debt is recorded using the effective interest rate method just like debt without conversion feature. | In accordance with IAS 39, convertible bonds are designated as financial liabilities at fair value through profits or loss ( FVTPL ) and recognized at fair value with changes in fair value recognized in profit or loss.  |
| Debt issuance costs                | In accordance with ASC 835, the Group recognizes debt issuance costs as deferred charges in the statement of financial position and amortizes the costs by using the effective interest method over the life of the associated debt.  | In accordance with IAS 39, when a financial at fair value through profit or loss is recognized initially, the Group expenses transaction costs at the acquisition.  |
| Employee benefits                  | In accordance with ASC 715, the Group estimates its severance pay plan and accrued severance benefits assuming all eligible employees are to terminate their employment at the reporting date.  | In accordance with IAS 19, the Group recognizes defined benefit obligations under the severance pay plan at present value of the expected future benefit cost using unbiased and mutually compatible actuarial assumptions about demographic variables and financial variables. In addition, under the Group's accounting policy, all actuarial gains or losses are recognized in equity. |
| Available-for-sale securities      | In accordance with ASC 320, all unrealized holding gains and losses, net of the related tax effect, on available-for-sale securities, including debt securities, are recognized as an accumulated other comprehensive income until realized.  | In accordance with IAS 39, in the case of debt securities, the effect of changes in exchange rate on available-for-sale securities is recognized as profit or loss when the remaining differences between acquisition cost and fair value is recognized in accumulated other comprehensive income.  |
| Cumulative translation differences | N/A   | The cumulative translation differences for all foreign operations are deemed to be zero at January 1, 2009 (the transition date).   |

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| <b>Area</b>                        | <b>US GAAP</b>   | <b>IFRS</b>  |
|------------------------------------|--|--|
| Capitalization of development cost | In accordance with ASC 350, the Group expenses internal research and development expenditure as incurred.  | In accordance with IAS 38, an internally generated intangible asset is recognized if, and only if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and the cost of the asset can be measured reliably.  |
| Other non-current payables         | In accordance with paragraph 3(e) of APB 21, the Group is precluded from discounting the fine payable to government authorities.   | In accordance with IAS 37, assessed fine is discounted using the risk free rate.   |
| Borrowing costs                    | In accordance with ASC 835, the Group excludes foreign exchange gains/losses related to borrowings denominated in foreign currencies from capitalized borrowing costs.                                     | In accordance with IAS 23, borrowing costs to be capitalized include certain foreign exchange gains/losses arising from borrowings denominated in foreign currencies.  |
| Government subsidies               | Under US GAAP, there is no specific guidance on the accounting for grants from governments therefore the Group recognizes the subsidies related to purchased assets as other non-current liabilities.      | In accordance with IAS 20, subsidies related to purchased assets are deducted from the carrying amount of the relevant assets.   |
| Common control transactions.       | Under US GAAP, the Group applied book value accounting in net assets acquired from the entity in a common control.   | Under IFRS, the acquirer in a common control transaction should choose an accounting policy in respect of its consolidated financial statements, to be applied consistently to all similar common control transactions, to use. The Group has applied acquisition accounting to the transaction in a common control.   |
| Equity method investments          | Under US GAAP, for negative goodwill in relation to equity method investees, the Group reduced proportionately the amount it would otherwise assign to the net assets of the investee on acquisition date. | In accordance with IFRS 3, when the interest in the net fair value of the assets acquired and liabilities and contingent liabilities assumed exceeds the cost of the investment (negative goodwill), any excess of the investor's share of the net fair value of the associate's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the investor's share of the investment's profit or loss during the period of acquisition. |

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(ii) Summary of the effects of the adoption of IFRSs on the Group's consolidated financial statements.

The effects of the adoption of IFRSs on the Group's financial position as of January 1, 2009, the transition date to IFRSs, are as follows:

| <i>(in millions of won)</i>                 | <b>Total assets</b> | <b>Total liabilities</b> | <b>Total equity</b> |
|---|---------------------|--------------------------|---------------------|
| <b>US GAAP</b>                              | (Won) 17,512,073    | 8,461,273                | 9,050,800           |
| <b>Adjustment for:</b>                      |                     |                          |                     |
| Convertible bonds (*1)                      |                     | (91,519)                 | 91,519              |
| Debt issuance cost (*2)                     | (1,959)             | (853)                    | (1,106)             |
| Employee benefits (*3)                      |                     | 144                      | (144)               |
| Long-term payables (*4)                     |                     | (12,729)                 | 12,729              |
| Equity method investments (*5)              | 9,573               |                          | 9,573               |
| Capitalized borrowing costs (*6)            | (3,083)             |                          | (3,083)             |
| Business transfer under common control (*7) | (23,509)            |                          | (23,509)            |
| Government subsidies (*8)                   | (62,373)            | (62,373)                 |                     |
| Deferred tax asset (*9)                     | 31,127              | (1)                      | 31,128              |
| <b>Total adjustment</b>                     | (50,224)            | (167,331)                | 117,107             |
| <b>IFRS</b>                                 | (Won) 17,461,849    | 8,293,942                | 9,167,907           |

(\*1) Designation of convertible bonds as financial liability at fair value through profit or loss under IFRS

(\*2) Designation of debentures as financial liability at fair value through profit or loss under IFRS

(\*3) Assessment of employee benefits using actuarial assumptions under IFRS

(\*4) Discounted present value of long-term payables

(\*5) IFRS adjustments for equity-method investees and negative goodwill on equity method investee

(\*6) Difference in capitalization of borrowing costs including foreign exchange gains/losses arising from foreign currency denominated borrowings

(\*7) Transferred net assets recorded at fair value under IFRS

(\*8) Government subsidies recorded net of relating assets

(\*9) Deferred tax adjustments on differences in accounting balances under IFRS and US GAAP

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For the years ended December 31, 2010 and 2009

The effects of the adoption of IFRSs on the Group's financial position as of December 31, 2009 are as follows:

| <i>(in millions of won)</i>                 | <b>Total assets</b> | <b>Total liabilities</b> | <b>Total equity</b> |
|---|---------------------|--------------------------|---------------------|
| <b>US GAAP</b>                              | (Won) 19,719,611    | 9,765,674                | 9,953,937           |
| <b>Adjustment for:</b>                      |                     |                          |                     |
| Convertible bonds (*1)                      |                     | 3,365                    | (3,365)             |
| Debt issuance cost (*2)                     | (2,264)             | (2,011)                  | (253)               |
| Employee benefits (*3)                      |                     | 18,452                   | (18,452)            |
| Long-term payables (*4)                     |                     | (8,280)                  | 8,280               |
| Equity method investments (*5)              | 4,190               |                          | 4,190               |
| Capitalized borrowing costs (*6)            | (14,121)            |                          | (14,121)            |
| Development cost (*7)                       | 80,454              |                          | 80,454              |
| Business transfer under common control (*8) | (20,823)            |                          | (20,823)            |
| Provision (*9)                              |                     | (30,358)                 | 30,358              |
| Government subsidies (*10)                  | (83,114)            | (83,114)                 |                     |
| Deferred tax asset (*11)                    | 19,544              |                          | 19,544              |
| <b>Total adjustment</b>                     | (16,134)            | (101,946)                | 85,812              |
| <b>IFRS</b>                                 | (Won) 19,703,477    | 9,663,728                | 10,039,749          |

(\*1) Designation of convertible bonds as financial liability at fair value through profit or loss under IFRS

(\*2) Designation of debentures as financial liability at fair value through profit or loss under IFRS

(\*3) Assessment of employee benefits using actuarial assumptions under IFRS

(\*4) Discounted present value of long-term payables

(\*5) IFRS adjustments for equity-method investees and negative goodwill on equity method investee

(\*6) Difference in capitalization of borrowing costs including foreign exchange gains/losses arising from foreign currency denominated borrowings

(\*7) Capitalization of development costs meeting capitalization criteria under IFRS

(\*8) Transferred net assets recorded at fair value under IFRS

(\*9) Additional accrual on contingencies in the US GAAP financial statements was due to the difference in dates through which subsequent events have been evaluated in preparation of Korean GAAP financial statements and US GAAP financial statements. Such subsequent event period for US GAAP financial statements was longer than the Korean GAAP financial statements as the date when US GAAP financial statements were available to be issued was later than that of the Korean GAAP financial statements.

(\*10) Government grants recorded net of relating assets

(\*11) Deferred tax adjustments on differences in accounting balances under IFRS and US GAAP

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The effects of the adoption of IFRSs on the Group's result of operations for the year ended December 31, 2009 are as follows:

| <i>(in millions of won)</i>                 | <b>Net income</b> | <b>Total comprehensive income</b> |
|---|-------------------|-----------------------------------|
| <b>US GAAP</b>                              | (Won) 1,110,677   | 1,078,151                         |
| <b>Adjustment for:</b>                      |                   |                                   |
| Convertible bonds (*1)                      | (90,990)          | (90,990)                          |
| Debt issuance cost (*2)                     | 853               | 853                               |
| Employee benefits (*3)                      | 584               | (18,308)                          |
| Available for sale securities (*4)          | (6,656)           |                                   |
| Long-term payables (*5)                     | (3,879)           | (4,449)                           |
| Equity method investments (*6)              | (1,682)           | (5,383)                           |
| Capitalized borrowing costs (*7)            | (11,038)          | (11,038)                          |
| Development cost (*8)                       | 80,454            | 80,454                            |
| Business transfer under common control (*9) | 2,686             | 2,686                             |
| Provision (*10)                             | 30,358            | 30,358                            |
| Deferred tax asset (*11)                    | 6,411             | (11,584)                          |
| <b>Total adjustment</b>                     | 7,101             | (27,401)                          |
| <b>IFRS</b>                                 | (Won) 1,117,778   | 1,050,750                         |

(\*1) Designated convertible bonds as financial liability at fair value through profit or loss under IFRS

(\*2) Designation of debentures as financial liability at fair value through profit or loss under IFRS

(\*3) Assessment of employee benefits using actuarial assumptions under IFRS

(\*4) Gains/losses on foreign currency translation and interest income on convertible preferred stocks

(\*5) Discounted present value of long-term payables

(\*6) IFRS adjustments for equity-method investees and negative goodwill on equity method investee

(\*7) Difference in capitalization of borrowing costs including foreign exchange gains/losses arising from foreign currency denominated borrowings

(\*8) Capitalization of development costs meeting capitalization criteria under IFRS

(\*9) Transferred net assets recorded at fair value under IFRS

(\*10) Additional accrual on contingencies in the US GAAP financial statements was due to the difference in dates through which subsequent events have been evaluated in preparation of Korean GAAP financial statements and US GAAP financial statements. Such subsequent event period for US GAAP financial statements was longer than the Korean GAAP financial statements as the date when US GAAP financial statements were available to be issued was later than that of the Korean GAAP financial statements.

(\*11) Deferred tax adjustments on differences in accounting balances under IFRS and US GAAP

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**36. Subsequent Events**

On March 11, 2011, the northeast coast of Japan experienced a severe earthquake followed by a tsunami, with continuing aftershocks. These geological events have caused significant damage in the region, including severe damage to nuclear power plants, and have impacted Japan's power and other infrastructure. The total assets of the Controlling Company's Japanese subsidiary, LG Display Japan Co., Ltd., is not significant and management is not aware of any physical property damage there. A number of suppliers of the Group's raw materials, components and manufacturing equipment are located in Japan. Some of these suppliers were affected by the March 2011 earthquake and tsunami and some continue to be affected by unreliable power, shipping constraints and issues with their suppliers. The Group's major Japanese customer accounted for approximately 7.4% of the Group's total sales for the year ended December 31, 2010. Management has been informed that this customer has not experienced any significant physical property damage or production disruptions to date. Management continues to monitor the situation and the Group's potential exposure.

The Controlling Company issued debentures of (Won)300,000 million with maturity of five years in February 2011 and (Won)300,000 million with maturity of three years in April 2011.

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