

LG Display Co., Ltd.  
Form 6-K  
November 14, 2016  
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**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**Form 6-K**

**REPORT OF FOREIGN PRIVATE ISSUER**

**PURSUANT TO RULE 13a-16 OR 15d-16**

**UNDER THE SECURITIES EXCHANGE ACT OF 1934**

**For the month of November 2016**

**LG Display Co., Ltd.**

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

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

**(Address of principal executive offices)**

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

Form 20-F

Form 40-F

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

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

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

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

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

Yes

No

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**QUARTERLY REPORT**

(From January 1, 2016 to September 30, 2016)

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

IN THE TRANSLATION PROCESS, SOME PARTS OF THE REPORT WERE REFORMATTED, REARRANGED OR SUMMARIZED AND CERTAIN NUMBERS WERE ROUNDED FOR THE CONVENIENCE OF READERS. REFERENCES TO Q1 , Q2 , Q3 AND Q4 OF A FISCAL YEAR ARE REFERENCES TO THE THREE-MONTH PERIODS ENDED MARCH 31, JUNE 30, SEPTEMBER 30 AND DECEMBER 31, RESPECTIVELY, OF SUCH FISCAL YEAR. REFERENCES TO Q1~Q3 OF A FISCAL YEAR ARE REFERENCES TO THE NINE-MONTH PERIOD ENDED SEPTEMBER 30 OF SUCH FISCAL YEAR.

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**Table of Contents****1. Company****A. Name and contact information**

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

Our principal executive office is located at LG Twin Towers, 128 Yeoui-daero, Yeongdeungpo-gu, Seoul 07336, Republic of Korea, and our telephone number is +82-2-3777-1010. Our website address is <http://www.lgdisplay.com>.

**B. Domestic credit rating****(1) Corporate bonds**

| Subject instrument | Month of rating | Credit rating <sup>(1)</sup> | Rating agency (Rating range)                 |
|--------------------|-----------------|------------------------------|--|
|                    | April 2014      |                              |  |
|                    | September 2014  |                              |  |
|                    | April 2015      | AA                           | NICE Information Service Co., Ltd. (AAA ~ D) |
|                    | June 2016       |                              |  |
|                    | October 2016    |                              |  |
|                    | October 2016    |                              |  |
|                    | March 2014      |                              |  |
|                    | April 2015      | AA                           | Korea Investors Service, Inc. (AAA ~ D)      |
| Corporate bonds    | April 2016      |                              |  |
|                    | September 2016  |                              |  |
|                    | March 2014      |                              |  |
|                    | September 2014  |                              |  |
|                    | May 2015        |                              |  |
|                    | April 2016      | AA                           | Korea Ratings Corporation (AAA ~ D)          |
|                    | September 2016  |                              |  |
|                    | October 2016    |                              |  |
|                    | October 2016    |                              |  |

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

| Subject instrument | Credit rating | Definition   |
|--------------------|---------------|--|
|                    | AAA           | Strongest capacity for timely repayment.   |
|                    | AA+/AA/AA-    | Very strong capacity for timely repayment. This capacity may, nevertheless, be slightly inferior than is the case for the highest rating category  |
| Corporate bonds    | A+/A/A-       | Strong capacity for timely repayment. This capacity may, nevertheless, be more vulnerable to adverse changes in circumstances or in economic conditions than is the case for higher rating categories. |

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

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## (2) Commercial paper

| Subject instrument | Month of rating | Credit rating <sup>(1)</sup> | Rating agency (Rating range)                |
|--------------------|-----------------|------------------------------|---|
|                    | October 2015    | A1                           | Korea Investors Service, Inc. (A1 ~ D)      |
|                    | October 2015    | A1                           | NICE Information Service Co., Ltd. (A1 ~ D) |
| Commercial paper   | June 2016       | A1                           | Korea Investors Service, Inc. (A1 ~ D)      |
|                    | June 2016       | A1                           | NICE Information Service Co., Ltd. (A1 ~ D) |
|                    | September 2016  | A1                           | NICE Information Service Co., Ltd. (A1 ~ D) |
|                    | September 2016  | A1                           | Korea Investors Service, Inc. (A1 ~ D)      |

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

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

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



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## C. Capitalization

## (1) Change in capital stock (as of September 30, 2016)

There were no changes to our issued capital stock during the quarterly reporting period ended September 30, 2016.

## (2) Convertible bonds

Not applicable.

## D. Voting rights (as of September 30, 2016)

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

(1) Authorized: 500,000,000 shares

## E. Dividends

Dividends for the three most recent fiscal years

| Description (unit)                                       | 2016 Q3          | 2015    | 2014    |
|--|------------------|---------|---------|
| Par value (Won)  | 5,000            | 5,000   | 5,000   |
| Profit for the year (million Won) <sup>(1)</sup>         | 108,676          | 966,553 | 904,268 |
| Earnings per share (Won) <sup>(2)</sup>                  | 304              | 2,701   | 2,527   |
| Total cash dividend amount for the period (million Won)  |                  | 178,908 | 178,908 |
| Total stock dividend amount for the period (million Won) |                  |         |         |
| Cash dividend payout ratio (%)                           |                  | 18.51%  | 19.78%  |
| Cash dividend yield (%) <sup>(3)</sup>                   | Common shares    | 1.97%   | 1.47%   |
|  | Preferred shares |         |         |
| Stock dividend yield (%)                                 | Common shares    |         |         |
|  | Preferred shares |         |         |
| Cash dividend per share (Won)                            | Common shares    | 500     | 500     |
|  | Preferred shares |         |         |
| Stock dividend per share (share)                         | Common shares    |         |         |
|  | Preferred shares |         |         |

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

**Table of Contents****2. Business****A. Business overview**

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

As of September 30, 2016, in order to support our business activities, we operated TFT-LCD and OLED production and research facilities in Paju and Gumi in Korea, and we have also established subsidiaries in the Americas, Europe and Asia.

As of September 30, 2016, our business consisted of the manufacture and sale of display and display related products utilizing TFT-LCD, OLED and other technologies under a single reporting business segment.

**2016 Q1~Q3 consolidated operating results highlights**

| 2016 Q1~Q3       | (Unit: In billions of Won) |
|------------------|----------------------------|
|                  | Display business           |
| Sales Revenue    | 18,568                     |
| Gross Profit     | 2,176                      |
| Operating Profit | 407                        |

**B. Industry****(1) Industry characteristics and growth potential**

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

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

**(2) Cyclicalities**

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

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

(3) Market conditions

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

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Most display panel manufacturers are located in Asia.

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

## (4) Market shares

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

|                                       | 2016 Q1~Q3   | 2015         | 2014         |
|---------------------------------------|--------------|--------------|--------------|
| Panels for Televisions <sup>(1)</sup> | 27.8%        | 25.4%        | 25.0%        |
| Panels for Monitors                   | 37.1%        | 39.0%        | 32.7%        |
| Panels for Notebook Computers         | 27.2%        | 27.3%        | 27.5%        |
| Panels for Tablet Computers           | 22.4%        | 22.5%        | 27.0%        |
| <b>Total</b>                          | <b>29.1%</b> | <b>27.7%</b> | <b>26.9%</b> |

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

(1) Includes panels for public displays.

## (5) Competitiveness

Our ability to compete successfully depends on factors both within and outside our control, including product pricing, our relationship with customers, timely investments, adaptable production capabilities, development of new and premium products through technological advances, competitive production costs, success in marketing to our end-brand customers, component and raw material supply costs, foreign exchange rates and general economic and industry conditions.

In order to compete effectively, it is critical to be cost competitive and maintain stable and long-term relationships with customers which will enable us to be profitable even in a buyer's market.

A substantial portion of our sales is attributable to a limited number of end-brand customers and their designated system integrators. The loss of these end-brand customers, as a result of customers entering into strategic supplier arrangements with our competitors or otherwise, would result in reduced sales.

Developing new products and technologies that can be differentiated from those of our competitors is critical to the success of our business. It is important that we take active measures to protect our intellectual property internationally by obtaining patents and undertaking monitoring activities in our major markets. It is also necessary to recruit and retain experienced key managerial personnel and skilled line operators.

As a leading technology innovator in the display industry, we continue to focus on delivering differentiated value to our customers by developing various technologies and products, including display panels with OLED, IPS, in-TOUCH and other technologies. With respect to OLED panels, following our supply of the world's first 55-inch OLED 3D panels for televisions in January 2013, we have supplied ultra-high definition ( Ultra HD ) OLED panels for televisions, flexible plastic OLED panels for smartphones, round OLED panels for wearable devices among others and have shown that we are technologically a step ahead of the competition. With respect to TFT-LCD panels, we are leading the market with our differentiated products with IPS technology, such as our ultra-large and high definition Ultra HD television panels and 21:9 screen aspect ratio ultra-wide IPS curved monitors, and have prepared our production facilities to produce products with in-TOUCH technology.

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

## C. New businesses

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

**3. Major Products and Raw Materials**

## A. Major products

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

(Unit: In billions of Won, except percentages)

| Business area | Sales type                          | Items<br>(Market)                           | Usage  | Major<br>trademark | Sales in 2016 Q1~Q3 (%) |
|---------------|-------------------------------------|---|--|--------------------|-------------------------|
| Display       | Product/<br>Service/<br>Other sales | Display panel<br>(Overseas <sup>(1)</sup> ) | Panels for notebook computers,<br>monitors, televisions,<br>smartphones, tablets, etc. | LG<br>Display      | 17,143 (92.3%)          |
|               |                                     | Display panel<br>(Korea <sup>(1)</sup> )    | Panels for notebook computers,<br>monitors, televisions,<br>smartphones, tablets, etc. | LG<br>Display      | 1,425 (7.7%)            |
| <b>Total</b>  |                                     |   |  |                    | <b>18,568 (100.0%)</b>  |

Period: January 1, 2016 ~ September 30, 2016.

(1) Based on ship-to-party.

## B. Average selling price trend of major products

The average selling price of LCD panels per square meter of net display area shipped in the third quarter of 2016 increased by approximately 10% from the second quarter of 2016, largely as a result of an increase in the overall average selling prices of panels, particularly large-sized panels, as well as changes in our product mix, while average selling prices of LCD panels exhibited varying trends according to demand by product category. There is no assurance that the average selling prices of LCD panels will not fluctuate in the future due to changes in market conditions.

| Description                     | (Unit: US\$ / m <sup>2</sup> ) |         |         |         |
|---------------------------------|--------------------------------|---------|---------|---------|
|                                 | 2016 Q3                        | 2016 Q2 | 2016 Q1 | 2015 Q4 |
| Display panel <sup>(1)(2)</sup> | 555                            | 504     | 525     | 632     |

- (1) Quarterly average selling price per square meter of net display area shipped.  
(2) Excludes semi-finished products in the cell process.

#### C. Major raw materials

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



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(Unit: In billions of Won, except percentages)

| Business area | Purchase type | Items                  | Usage                       | Cost <sup>(1)</sup> | Ratio (%) | Suppliers                 |
|---------------|---------------|------------------------|-----------------------------|---------------------|-----------|---------------------------|
| Display       | Raw materials | Backlights             | Display panel manufacturing | 2,120               | 20.2%     | HeeSung Electronics, etc. |
|               |               | Polarizers             |                             | 1,681               | 16.1%     | LG Chem, etc.             |
|               |               | Glass                  |                             | 1,220               | 11.7%     | NEG, Asahi Glass, etc.    |
|               |               | Printed circuit boards |                             | 1,116               | 10.7%     | Korea SMT, etc.           |
|               |               | Others                 |                             | 4,331               | 41.3%     |                           |
| Total         |               |                        |                             | 10,468              | 100.0%    |                           |

Period: January 1, 2016 ~ September 30, 2016.

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

#### 4. Production and Equipment

##### A. Production capacity and output

###### (1) Production capacity

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

(Unit: 1,000 glass sheets)

| Business area | Items         | Location of facilities        | 2016 Q1~Q3 <sup>(1)</sup> | 2015 <sup>(2)</sup> | 2014 <sup>(2)</sup> |
|---------------|---------------|-------------------------------|---------------------------|---------------------|---------------------|
| Display       | Display panel | Gumi, Paju, Guangzhou, Ochang | 7,576                     | 9,781               | 9,573               |

(1) Calculated based on the maximum monthly input capacity (based on glass input substrate size for eighth generation glass sheets) during the period multiplied by the number of months in the period (i.e., 9 months).

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

###### (2) Production output

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

(Unit: 1,000 glass sheets)

| Business area | Items         | Location of facilities        | 2016 Q1~Q3 | 2015  | 2014  |
|---------------|---------------|-------------------------------|------------|-------|-------|
| Display       | Display panel | Gumi, Paju, Guangzhou, Ochang | 6,667      | 8,609 | 8,425 |

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

#### B. Production performance and utilization ratio

(Unit: Hours, except percentages)

| Production facilities | Available working hours<br>in 2016 Q1~Q3          | Actual working hours<br>in 2016 Q1~Q3             | Average utilization ratio |
|-----------------------|---|---|---------------------------|
| Gumi                  | 6,576 <sup>(1)</sup><br>(274 days) <sup>(2)</sup> | 6,412 <sup>(1)</sup><br>(267 days) <sup>(2)</sup> | 97.5%                     |
| Paju                  | 6,576 <sup>(1)</sup><br>(274 days) <sup>(2)</sup> | 6,552 <sup>(1)</sup><br>(273 days) <sup>(2)</sup> | 99.6%                     |
| Guangzhou             | 6,576 <sup>(1)</sup><br>(274 days) <sup>(2)</sup> | 6,576 <sup>(1)</sup><br>(274 days) <sup>(2)</sup> | 100.0%                    |
| Ochang                | 6,576 <sup>(1)</sup><br>(274 days) <sup>(2)</sup> | 5,736 <sup>(1)</sup><br>(239 days) <sup>(2)</sup> | 87.2%                     |

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

(2) Number of days is calculated by averaging the number of working days for each facility.

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## C. Investment plan

In 2015, our total capital expenditures on a cash out basis was ₩2.4 trillion. In 2016, we currently expect that our total capital expenditures on a cash out basis will be higher than in 2015, in order to fund the construction of our P10 fabrication facility in Paju, Korea and expansion of our OLED panel production capacities, while maintaining and making improvements to our existing facilities. Such amount is subject to change depending on business conditions and market environment.

**5. Sales**

## A. Sales performance

| Business area | Sales types    | Items (Market) | (Unit: In billions of Won) |        |        |        |
|---------------|----------------|----------------|----------------------------|--------|--------|--------|
|               |                |                | 2016 Q1~Q3                 | 2015   | 2014   |        |
| Display       | Products, etc. | Display panel  | Overseas <sup>(1)</sup>    | 17,143 | 26,166 | 23,847 |
|               |                |                | Korea <sup>(1)</sup>       | 1,425  | 2,218  | 2,608  |
|               |                |                | Total                      | 18,568 | 28,384 | 26,456 |

(1) Based on ship-to-party.

## B. Sales route and sales method

## (1) Sales organization

As of September 30, 2016, each of our television, IT, mobile and OLED businesses had individual sales and customer support functions.

Sales subsidiaries in the United States, Germany, Japan, Taiwan, China and Singapore perform sales activities and provide local technical support to customers.

## (2) Sales route

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

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

LG Display HQ and overseas manufacturing subsidiaries g System integrators and end-brand customers g  
End users

(3) Sales methods and sales terms

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

(4) Sales strategy

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

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In the smartphone, commercial (including interactive whiteboards and video wall displays), industrial products (including aviation and medical equipment) and automobile displays segment, we have continued to build a strong and diversified business portfolio by expanding our business with customers with a global reach on the strength of our differentiated products applying IPS, plastic OLED, high-resolution, high-reliability, Super Narrow bezel, in-TOUCH and other technologies.

(5) Purchase orders

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

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

**6. Market Risks and Risk Management**

A. Market risks

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

The display industry is highly competitive. We have experienced pressure on the prices and margins of our major products due largely to additional industry capacity from panel manufacturers in Korea, Taiwan, China and Japan coupled with changes in the production mix of such manufacturers. Our main competitors in the industry include Samsung Display, AU Optronics, Innolux, Sharp, BOE, CSOT, Japan Display, CPT, HannStar, Panasonic LCD and CEC Panda.

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

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

**B. Risk management**

As the average selling prices of TFT-LCD and OLED panels can continue to decline over time irrespective of industry-wide cyclical fluctuations, we may find it hard to manage risks associated with certain factors that are outside our control. However, we counteract such declines in average selling prices by increasing the proportion of high value added panels in our product mix while also implementing various cost reduction measures. In addition, in order to manage our risk against foreign currency fluctuations, we continually monitor our currency position and risk, and when needed, we may from time to time enter into cross-currency interest rate swap contracts and foreign currency forward contracts.

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**7. Derivative Contracts**

A. Currency risks

We are exposed to currency risks on sales, purchases and borrowings that are denominated in currencies other than in Won, our functional currency. These currencies are primarily the U.S. dollar, the Japanese Yen and the Chinese Yuan.

Interest on borrowings is denominated in the currency of the borrowing. Generally, borrowings are denominated in currencies that match the cash flows generated by our underlying operations, primarily in Won, the U.S. dollar and the Chinese Yuan.

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

As of September 30, 2016, we have entered into an aggregate of US\$200 million in Won/US\$ forward foreign exchange contracts with Crédit Agricole and NongHyup Bank, for which we have not applied hedge accounting.

We recognized a loss on valuation of derivative instruments in the amount of ₩10,261 million with respect to currency derivative instruments held as of September 30, 2016.

B. Interest rate risks

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

As of September 30, 2016, we have entered into an aggregate of ₩350 billion in interest rate swap agreements with Shinhan Bank and NongHyup Bank, for which we have not applied hedge accounting.

We recognized a loss on valuation of derivative instruments in the amount of ₩2,454 million with respect to interest rate derivative instruments held as of September 30, 2016.

**8. Major contracts**

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

| Type of agreement                     | Name of party                   | Term            | Content  |
|---------------------------------------|---------------------------------|-----------------|--|
| Technology licensing agreement        | Semiconductor Energy Laboratory | October 2005 ~  | Patent licensing of LCD and OLED related technology  |
|                                       | Hewlett-Packard                 | January 2011 ~  | Patent licensing of semi-conductor device technology |
| Technology licensing/supply agreement | HannStar Display Corporation    | December 2013 ~ | Patent cross-licensing of LCD technology             |
|                                       | AU Optronics Corporation        | August 2011~    | Patent cross-licensing of LCD technology             |
|                                       | Innolux Corporation             | July 2012 ~     | Patent cross-licensing of LCD technology, etc.       |



**Table of Contents****9. Research & Development**

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

|   |   | (Unit: In millions of Won, except percentages) |                  |                  |
|---|---|--|------------------|------------------|
| Items                                     |   | 2016 Q1~Q3                                     | 2015             | 2014             |
| Material Cost                             |   | 503,123  | 679,603          | 762,008          |
| Labor Cost                                |   | 370,486  | 510,455          | 542,857          |
| Depreciation Expense                      |   | 107,167  | 196,799          | 249,306          |
| Others                                    |   | 95,572   | 159,983          | 233,422          |
| <b>Total R&amp;D-Related Expenditures</b> |   | <b>1,076,348</b>                               | <b>1,546,840</b> | <b>1,787,593</b> |
|   | Selling & Administrative Expenses   | 653,749  | 995,336          | 987,594          |
| Accounting Treatment <sup>(1)</sup>       | Manufacturing Cost  | 177,144  | 324,437          | 532,918          |
|   | Development Cost (Intangible Assets)  | 245,455  | 227,067          | 267,081          |
|   | <b>R&amp;D-Related Expenditures / Revenue Ratio (Total R&amp;D-Related Expenditures ÷ Revenue for the period × 100)</b> | <b>5.8%</b>                                    | <b>5.4%</b>      | <b>6.8%</b>      |

- (1) For accounting treatment purposes, selling & administrative expenses are presented as research and development expenses in our statements of comprehensive income, net of amortization of capitalized intangible asset development costs, and the amounts for 2014 and 2015 have been restated.

## B. R&amp;D achievements

*Achievements in 2014*

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

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

Developed energy conservation technology for Ultra HD products

- (2)

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

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

Reduced panel PAD parts and minimized bezel size

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

New size in our product lineup

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

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

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

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

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

Same level of performance as 6Mask panels

- (6) Developed the world's first Low Temperature Polycrystalline Silicon ( LTPS ) Advanced High Performance IPS ( AH-IPS ) photo alignment and negative LC panel product for smartphones (5.0-inch FHD)

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

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

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

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

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

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

LTPS AH-IPS QHD smartphone product developed in April 2014

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

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

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

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

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

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

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

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

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

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

- (12) Developed the world's first AH-IPS FHD Gate in Panel ( GIP )/Double Rate Driving ( DRD ) product (15.6-inch notebook product)

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

Increased cost competitiveness by developing GIP/DRD technology

- (13) Developed the world's first in-TOUCH LTPS smartphone product (4.5-inch HD product)

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

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

- (14) Developed the world's first in-TOUCH a-Si smartphone product (4.5-inch WVGA product)

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

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

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

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

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

Our new line of 98-inch Ultra HD products

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

- (17)

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

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

Reduced panel PAD and lower bezel thickness

Improved PAC transmittance and after image reliability

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

Our new line of 60-inch Ultra HD products

Achieved narrow panel bezel of 7.8 mm

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

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

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

Lowered power consumption by developing Power Save Mode algorithm

Display can be turned on without powering the P-IC

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

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

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

Achieved LCM thickness of 7.5 mm

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

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

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

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

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

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

Reduced GIP area by 50% compared to conventional GIP area

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

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

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

*Achievements in 2015*

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

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

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

- (2) Developed the world's first QHD in-TOUCH LTPS smartphone display (5.5-inch QHD)

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

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

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

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

Optimized sizing of panel PAD and mechanical bezel

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

Achieved LCD module thickness of 8.4mm

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



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

Developed the world's first Ultra HD television product lineup

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

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

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

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

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

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

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

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

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

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

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

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

(10) Developed the world's first in-TOUCH notebook product (15.6-inch and 14-inch FHD)

Improved touch functionality and cost competitiveness through world's first application of in-TOUCH technology on notebook products

Simplified customer supply chain management by providing touch total solution

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Delivered 11.9mm thickness on large-size LCD module

*Achievements in 2016*

(1) Developed the world's narrowest, at the time, bezel videowall product (55-inch FHD, bezel to bezel 1.8mm)

Delivered 0.9mm even bezel, four-sided borderless product (bezel to bezel 1.8mm)

(2) Developed the world's first ultra-stretch format display product (86-inch, 58:9 screen aspect ratio)

Developed new display panel size and screen aspect ratio (86-inch, 58:9 screen aspect ratio)

Applied next-generation stain (per pixel) offset technology

(3) Developed the world's first ultra-large display product utilizing data single bank and GIP technology (86-inch Ultra HD)

Achieved cost-competitiveness by developing world's first ultra-large display product utilizing data single bank and GIP technology

(4) Developed the world's first in-TOUCH monitor product (23-inch)

Improved touch functionality and strengthened cost-competitiveness by applying the world's first in-TOUCH technology to monitor display products

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Simplified customer software configuration management by providing touch total solution

- (5) Developed ultra-slim OLED television display product applying high dynamic range (65-inch, 800 nit luminance, 2.52 mm module thickness)

Applied high dynamic range (HDR) technology to achieve 800 nit peak luminance and improved display quality

Achieved module thickness of 2.52mm (without back cover) and 5.92mm (with back cover)

- (6) Developed combined 5.3-inch QHD in-TOUCH + 3D cover glass product for LG Electronics

Developed world class smart phone product (G5) through collaboration with other LG Group companies

Strengthened competitiveness of design by achieving processability and productivity for 0.4t 3D cover glass

Improved power consumption of AoD Mode from Self Font Generation technology and operation optimization

- (7) Developed the world's first large-scale outdoor high luminance 3000 nit product (75-inch Ultra HD)

Developed the world's first large-scale outdoor 75-inch Ultra HD, high luminance 3000 nit product

Achieved cost competitiveness and power consumption reduction through utilization of high transmittance M+ panel

- (8) Developed the world's first FHD/Ultra HD multi-input Interactive Whiteboard product (75-inch Ultra HD)

Strengthened product competitiveness through delivery of customer FHD/Ultra HD selective input functionality

- (9) Developed our first 4.9mm depth Art Slim2 Ultra HD television (55-inch Ultra HD)

Strengthened design competitiveness through delivery of ultra-slim product with application of Glass Light Guide Plate

- (10) Developed the world's largest 21:9 screen aspect ratio curved monitor (37.5-inch UltraWide Quad HD ( WQHD )+)

Continued pioneering of the market with the world's largest 21:9 screen aspect ratio IPS curved monitor lineup (37.5-inch, 2300R curvature radius, 44mm curvature depth)

Established flagship line through application of new high definition technology (WQHD+, 3840 x 1600 resolution)

Improved panel transmittance and backlight bleeding through our first-time application of a Super-IPS COT panel structure to monitor models

- (11) Developed the world's first in-TOUCH GIP/DRD notebook product (15.6-inch FHD)

Strengthened competitiveness through application of GIP/DRD technology to FHD-quality notebook in-TOUCH products

- (12) Developed the world's narrowest, at the time, bezel (BtB 1.8mm) videowall product (49-inch FHD)

Achieved 0.9mm even bezel, four-sided borderless design

- (13) Developed a transparent 32-inch FHD product

Achieved high transmittance of transparent panel through application of RGBW(M+) panel technology

- (14) Developed the world's first Light Absorption Polarizer ( LAP ) product (65-inch/60-inch Ultra HD)

Developed differentiated wide color gamut solution

- (15) Developed the world's first UHD DRD product (50-inch UHD)

Utilized UHD RGBW(M+) pixel structure-based DRD technology to strengthen product competitiveness and optimize picture quality (high definition, high luminance, low energy consumption and HDR)

(16) Developed a 5.7-inch QHD flexible display product

Developed a flexible display smart phone product through collaboration with other LG Group companies

Reduced the lower bezel size by 0.59mm and improved power consumption by applying VESA Display Stream Compression 1.1

**Table of Contents****10. Intellectual Property**

As of September 30, 2016, our cumulative patent portfolio (including patents that have already expired) included a total of 30,728 patents, consisting of 14,569 in Korea and 16,159 in other countries.

**11. Environmental and Safety Matters**

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

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

In connection with the greenhouse gas emission and energy reduction target system, we submitted a statement of our domestic emissions and energy usage for 2015 to the Korean government (i.e., the Ministry of Environment) in March 2016 after it was certified by the Korean Foundation for Quality, a government-designated certification agency. The table below sets forth yearly levels of our greenhouse gases emissions and energy usage in the statement submitted to the Korean government:

| Category         | (Unit: thousand tonnes of CO <sub>2</sub> equivalent; Tetra Joules) |        |        |
|------------------|---|--------|--------|
|                  | 2015  | 2014   | 2013   |
| Greenhouse gases | 7,348   | 7,537  | 6,922  |
| Energy           | 60,146  | 60,002 | 61,092 |

Operations at our manufacturing plants are subject to regulation and periodic scheduled and unscheduled on-site inspections by the Ministry of Environment and local environmental protection authorities. We believe that we have adopted adequate anti-pollution measures and have minimized our impact on the environment by improving existing and developing new technologies for the effective maintenance of environmental protection standards consistent with local industry practice. In addition, we have continually monitored, and we believe that we are in compliance in all



material respects with, the applicable environmental laws and regulations in Korea. Expenditures related to such compliance may be substantial. Such expenditures are generally included in capital expenditures. As required by Korean law, we employ licensed environmental specialists to manage our water and air pollution, toxic materials and waste. In December 2013, to ensure safe water quality and reduce costs, we entered into a contract with a specialist company to operate our waste water treatment facilities. In stages beginning in November 1997, we have obtained environmental management system ISO 14001 certifications for our domestic panel and module production facilities and our overseas module production plants in Nanjing, Yantai and Guangzhou, China, and with respect to our domestic panel and module production plants, we received ISO 50001 certification in December 2013 for our energy management system.

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In addition, in August 2014, GP1, our newest eighth-generation panel fabrication facility located in Guangzhou, China, was the first electronics plant in China to receive the Green Plant designation under China's Green China Policy, in addition to receiving ISO 14001, ISO 50001, OHSAS 18001, ISO 9001, PAS 2050 and ISO 14064-1 certifications. Furthermore, with respect to our production facilities in Gumi, we have been certified by the Ministry of Environment as a Green Company for P1 and our Gumi module production plant since 1997, P2 and P3 since 2006 and P4, P5 and P6 since 2008. Also, we received certification to self-inspect designated waste products with respect to our Paju plant by the Ministry of Environment in 2011, which was recertified in 2013. In recognition of our efforts to reduce greenhouse gas emissions, we were awarded a commendation from the Minister of Environment in the efforts against climate change category in the 2013 Green Management Awards, which was jointly hosted by the Ministry of Environment and the Ministry of Trade, Industry & Energy. In addition, in recognition of our efforts to improve recycling and reduce waste, we received a citation in 2014 for being a leading recycling company from the Prime Minister of Korea and, in recognition of our continued greenhouse gas emission reduction activities, we received a special carbon management award in 2015 from the Carbon Disclosure Project, which was presided over by the Carbon Disclosure Project Korea Committee.

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

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

In October 2005, we became the first display panel company to receive accreditation as an International Accredited Testing Laboratory by the Korea Laboratory Accreditation Scheme, which is operated by the Korean Ministry of Trade, Industry & Energy. In September 2006, we received international accreditation from TUV SUD, EU's German accreditation agency, as a RoHS testing laboratory. Our efforts to keep pace with the increasingly stringent accreditation standards and to receive and maintain such accreditations are part of our on-going efforts to systematically monitor environmentally controlled substances in our component parts inventory. Moreover, we participated in reforming IEC 62321, an international testing standard published by the International Electrotechnical Commission and used by RoHS, and the commission adopted our halogen-free combustion ion chromatography method in as IEC 62321-3-2, which was published in June 2013.

In February 2015, we were issued a corrective order and assessed a fine of ₩276 million, which we subsequently followed and paid, respectively, for violating the Occupational Health and Safety Act in connection with an accidental nitrogen gas exposure at one of our production facilities in Paju, Korea in January 2015. In 2016, we were assessed an additional fine of ₩10 million in connection with such accidental exposure for other violations of the Occupational Health and Safety Act. To prevent such accidents happening again in the future, we have strengthened our safety standards and management and employee education.

**Table of Contents****12. Financial Information**

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

| Description                                  | (Unit: In millions of Won)  |                            |                            |
|--|-----------------------------|----------------------------|----------------------------|
|  | As of<br>September 30, 2016 | As of<br>December 31, 2015 | As of<br>December 31, 2014 |
| Current assets                               | 9,818,530                   | 9,531,634                  | 9,240,629                  |
| Quick assets                                 | 7,326,575                   | 7,179,965                  | 6,486,531                  |
| Inventories                                  | 2,491,955                   | 2,351,669                  | 2,754,098                  |
| Non-current assets                           | 13,751,781                  | 13,045,526                 | 13,726,394                 |
| Investments in equity accounted<br>investees | 178,472                     | 384,755                    | 407,644                    |
| Property, plant and equipment, net           | 11,386,357                  | 10,546,020                 | 11,402,866                 |
| Intangible assets                            | 851,590                     | 838,730                    | 576,670                    |
| Other non-current assets                     | 1,335,362                   | 1,276,021                  | 1,339,214                  |
| <b>Total assets</b>                          | <b>23,570,311</b>           | <b>22,577,160</b>          | <b>22,967,023</b>          |
| Current liabilities                          | 7,075,384                   | 6,606,712                  | 7,549,556                  |
| Non-current liabilities                      | 4,193,264                   | 3,265,492                  | 3,634,057                  |
| <b>Total liabilities</b>                     | <b>11,268,648</b>           | <b>9,872,204</b>           | <b>11,183,613</b>          |
| Share capital                                | 1,789,079                   | 1,789,079                  | 1,789,079                  |
| Share premium                                | 2,251,113                   | 2,251,113                  | 2,251,113                  |
| Retained earnings                            | 8,085,604                   | 8,158,526                  | 7,455,063                  |
| Other equity                                 | (283,912)                   | (5,766)                    | (63,843)                   |
| Non-controlling interest                     | 459,779                     | 512,004                    | 351,998                    |
| <b>Total equity</b>                          | <b>12,301,663</b>           | <b>12,704,956</b>          | <b>11,783,410</b>          |

| Description   | (Unit: In millions of Won, except for per share data and<br>number of consolidated entities) |   |   |
|---|--|---|---|
|   | For the nine months ended<br>September 30, 2016  | For the year ended<br>December 31, 2015 | For the year ended<br>December 31, 2014 |
| Revenue   | 18,568,118   | 28,383,884                              | 26,455,529                              |
| Operating profit                                      | 407,075  | 1,625,566                               | 1,357,255                               |
| Operating profit (loss) from<br>continuing operations | 106,825  | 1,023,456                               | 917,404                                 |
| Profit (loss) for the period                          | 106,825  | 1,023,456                               | 917,404                                 |
| Profit (loss) attributable to:                        |  |   |   |
| Owners of the Company                                 | 108,676  | 966,553                                 | 904,268                                 |

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|                                   |         |        |        |
|-----------------------------------|---------|--------|--------|
| Non-controlling interest          | (1,851) | 56,903 | 13,136 |
| Basic earnings (loss) per share   | 304     | 2,701  | 2,527  |
| Diluted earnings (loss) per share | 304     | 2,701  | 2,527  |
| Number of consolidated entities   | 20      | 18     | 18     |

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

(Unit: In millions of Won)

| Description                           | As of<br>September 30, 2016 | As of<br>December 31, 2015 | As of<br>December 31, 2014 |
|---------------------------------------|-----------------------------|----------------------------|----------------------------|
| Current assets                        | 7,735,363                   | 8,246,330                  | 8,291,088                  |
| Quick assets                          | 5,827,399                   | 6,396,117                  | 6,244,413                  |
| Inventories                           | 1,907,964                   | 1,850,213                  | 2,046,675                  |
| Non-current assets                    | 12,745,976                  | 11,964,363                 | 12,720,749                 |
| Investments                           | 2,678,832                   | 2,543,205                  | 2,301,881                  |
| Property, plant and equipment,<br>net | 8,337,350                   | 7,719,022                  | 8,700,301                  |
| Intangible assets                     | 646,741                     | 607,398                    | 548,078                    |
| Other non-current assets              | 1,083,053                   | 1,094,738                  | 1,170,489                  |
| <b>Total assets</b>                   | <b>20,481,339</b>           | <b>20,210,693</b>          | <b>21,011,837</b>          |
| Current liabilities                   | 6,110,883                   | 6,505,979                  | 7,550,330                  |
| Non-current liabilities               | 3,298,928                   | 2,375,131                  | 2,837,432                  |
| <b>Total liabilities</b>              | <b>9,409,811</b>            | <b>8,881,110</b>           | <b>10,387,762</b>          |
| Share capital                         | 1,789,079                   | 1,789,079                  | 1,789,079                  |
| Share premium                         | 2,251,113                   | 2,251,113                  | 2,251,113                  |
| Retained earnings                     | 7,031,336                   | 7,289,333                  | 6,583,607                  |
| Reserves                              | 0                           | 58                         | 276                        |
| <b>Total equity</b>                   | <b>11,071,528</b>           | <b>11,329,583</b>          | <b>10,624,075</b>          |

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

| Description   | For the year                                    |                            |                            |
|---|---|----------------------------|----------------------------|
|   | For the nine months ended<br>September 30, 2016 | ended<br>December 31, 2015 | ended<br>December 31, 2014 |
| Revenue   | 17,166,281                                      | 25,856,426                 | 25,383,670                 |
| Operating profit (loss)                               | (21,582)  | 770,856                    | 984,790                    |
| Operating profit (loss) from<br>continuing operations | (76,196)  | 968,209                    | 973,118                    |
| Profit (loss) for the period                          | (76,196)  | 968,209                    | 973,118                    |
| Basic earnings (loss) per share                       | (213)   | 2,706                      | 2,720                      |
| Diluted earnings (loss) per<br>share                  | (213)   | 2,706                      | 2,720                      |

## C. Consolidated subsidiaries (as of September 30, 2016)

| Company Interest                        | Primary Business               | Location  | Equity |
|---|--------------------------------|-----------|--------|
| LG Display America, Inc.                | Sales                          | U.S.A.    | 100%   |
| LG Display Japan Co., Ltd.              | Sales                          | Japan     | 100%   |
| LG Display Germany GmbH                 | Sales                          | Germany   | 100%   |
| LG Display Taiwan Co., Ltd.             | Sales                          | Taiwan    | 100%   |
| LG Display Nanjing Co., Ltd.            | Manufacturing                  | China     | 100%   |
| LG Display Shanghai Co., Ltd.           | Sales                          | China     | 100%   |
| LG Display Poland Sp. zo.o.             | Manufacturing                  | Poland    | 100%   |
| LG Display Guangzhou Co., Ltd.          | Manufacturing                  | China     | 100%   |
| LG Display Shenzhen Co., Ltd.           | Sales                          | China     | 100%   |
| LG Display Singapore Pte. Ltd.          | Sales                          | Singapore | 100%   |
| L&T Display Technology (Fujian) Limited | Manufacturing and sales        | China     | 51%    |
| LG Display Yantai Co., Ltd.             | Manufacturing                  | China     | 100%   |
| LG Display (China) Co., Ltd.            | Manufacturing and sales        | China     | 70%    |
| Nanumnuri Co., Ltd.                     | Workplace services             | Korea     | 100%   |
| Unified Innovative Technology, LLC      | Managing intellectual property | U.S.A.    | 100%   |
| Global OLED Technology LLC              | Managing intellectual property | U.S.A.    | 100%   |
| LG Display Guangzhou Trading Co., Ltd.  | Sales                          | China     | 100%   |
| LG Display Vietnam Haiphong Co., Ltd.   | Manufacturing                  | Vietnam   | 100%   |
| Suzhou Lehui Display Co., Ltd.          | Manufacturing and sales        | China     | 100%   |
| MMT (Money Market Trust)                | Money market trust             | Korea     | 100%   |

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## D. Status of equity investments (as of September 30, 2016)

| Company <sup>(1)</sup>  | Investment Amount    | Initial Equity Investment Date | Equity Interest |
|---|----------------------|--------------------------------|-----------------|
| LG Display America, Inc.  | US\$411,000,000      | September 24, 1999             | 100%            |
| LG Display Germany GmbH   | EUR960,000           | November 5, 1999               | 100%            |
| LG Display Japan Co., Ltd.  | ¥95,000,000          | October 12, 1999               | 100%            |
| LG Display Taiwan Co., Ltd.   | NT\$115,500,000      | May 19, 2000                   | 100%            |
| LG Display Nanjing Co., Ltd.  | CNY2,936,759,345     | July 15, 2002                  | 100%            |
| LG Display Shanghai Co., Ltd.                                       | CNY4,138,650         | January 16, 2003               | 100%            |
| LG Display Poland Sp. zo.o.   | PLN511,071,000       | September 6, 2005              | 100%            |
| LG Display Guangzhou Co., Ltd.                                      | CNY1,654,693,079     | August 7, 2006                 | 100%            |
| LG Display Shenzhen Co., Ltd.                                       | CNY3,775,250         | August 28, 2007                | 100%            |
| LG Display Singapore Pte. Ltd.                                      | SGD1,400,000         | January 12, 2009               | 100%            |
| L&T Display Technology (Fujian) Limited                             | CNY59,197,026        | January 5, 2010                | 51%             |
| LG Display Yantai Co., Ltd.   | CNY1,007,720,600     | April 19, 2010                 | 100%            |
| Nanumnuri Co., Ltd.   | ₩800,000,000         | March 19, 2012                 | 100%            |
| LG Display (China) Co., Ltd.  | CNY5,703,466,124     | December 27, 2012              | 70%             |
| Unified Innovative Technology, LLC                                  | US\$9,000,000        | March 21, 2014                 | 100%            |
| Global OLED Technology LLC  | US\$152,767,000      | May 7, 2015                    | 100%            |
| LG Display Guangzhou Trading Co., Ltd.                              | CNY1,223,960         | May 27, 2015                   | 100%            |
| LG Display Vietnam Haiphong Co., Ltd. <sup>(2)</sup>                | VND2,187,870,000,000 | May 13, 2016                   | 100%            |
| Suzhou Lehui Display Co., Ltd. <sup>(3)</sup>                       | CNY636,973,641       | July 1, 2016                   | 100%            |
| MMT (Money Market Trust)  | ₩30,500,000,000      | March 31, 2016                 | 100%            |
| Paju Electric Glass Co., Ltd.                                       | ₩33,648,000,000      | March 25, 2005                 | 40%             |
| TLI Co., Ltd.   | ₩14,073,806,250      | May 16, 2008                   | 10%             |
| New Optics Ltd.   | ₩12,199,600,000      | July 30, 2008                  | 46%             |
| Invenia Co., Ltd. (formerly LIG Invenia Co., Ltd.)                  | ₩6,330,000,000       | February 24, 2009              | 13%             |
| Wooree E&L Co., Ltd. (formerly Wooree LED Co., Ltd.) <sup>(4)</sup> | ₩11,900,000,000      | May 22, 2009                   | 14%             |
| LB Gemini New Growth Fund No. 16 <sup>(5)</sup>                     | ₩2,509,305,437       | December 7, 2009               | 31%             |
| Can Yang Investments Limited  | CNY93,740,124        | January 27, 2010               | 9%              |
| YAS Co., Ltd. <sup>(6)</sup>  | ₩10,000,000,000      | September 16, 2010             | 18%             |
| Narae Nanotech Corporation  | ₩30,000,000,000      | April 22, 2011                 | 23%             |
| Avatec Co., Ltd. <sup>(7)</sup>                                     | ₩10,600,000,000      | December 6, 2011               | 17%             |
| Arctic Sentinel, Inc. (formerly Fuhu, Inc.)                         | US\$26,006,159       | July 27, 2015                  | 10%             |

Changes since December 31, 2015:





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- (1) In March 2016, we completed the liquidation of LG Display U.S.A. Inc. We recovered ₩380 million and recorded ₩152 million, the excess over carrying value, as finance income. During the reporting period, we divested our entire shareholding interest in AVACO Co., Ltd. for ₩16,756 million and recorded finance income of ₩4,290 million representing the difference above book value.
- (2) In May 2016, LG Display Vietnam Haiphong Co., Ltd. was formed in Haiphong, Vietnam for the establishment of our overseas module production infrastructure. Our shareholding in such company as of June 30, 2016 was 100%.
- (3) In July 2016, Suzhou Raken Technology Co., Ltd., which was under the common control of AmTRAN Technology Co., Ltd. and us, spun-off Suzhou Lehui Display Co., Ltd. as a newly-formed entity. We acquired a 100% interest in the newly-formed Suzhou Lehui Display Co., Ltd. through a stock-swap with AmTRAN Technology Co., Ltd. in which AmTRAN Technology Co., Ltd. acquired a 100% interest in Suzhou Raken Technology Co., Ltd.
- (4) During the first half of 2016, Wooree E&L Co., Ltd. conducted a rights offering in which we did not participate. As a result, our shareholding percentage interest in such company decreased from 21% as of December 31, 2015 to 14% as of September 30, 2016. As of March 31, 2016, we determined that the recoverability of such investment was uncertain and we recognized an impairment loss of ₩6,137 million, an amount equal to the difference between the carrying amount and the recoverable amount of such investment, which loss was categorized as finance costs.
- (5) In February and June 2016, we redeemed from LB Gemini New Growth Fund No. 16 our principal investment of ₩2,820 million and ₩2,330 million, respectively. The investment did not affect our shareholding percentage interest.
- (6) During the reporting period, YAS Co., Ltd. conducted a rights offering in which we did not participate. As a result, our shareholding percentage interest in such company decreased from 18.52% as of December 31, 2015 to 18.19% as of September 30, 2016.
- (7) During the reporting period, Avatec Co., Ltd. retired treasury stock. As a result, our shareholding percentage interest in such company increased from 16% as of December 31, 2015 to 17% as of June 30, 2016.

**13. Audit Information**

## A. Audit service

| Description                 | (Unit: In millions of Won, hours) |                              |                              |
|-----------------------------|-----------------------------------|------------------------------|------------------------------|
|                             | 2016 Q1~Q3                        | 2015                         | 2014                         |
| Auditor                     | KPMG Samjong                      | KPMG Samjong                 | KPMG Samjong                 |
| Activity                    | Audit by independent auditor      | Audit by independent auditor | Audit by independent auditor |
| Compensation <sup>(1)</sup> | 1,020 (440) <sup>(2)</sup>        | 990 (400) <sup>(2)</sup>     | 910 (326) <sup>(2)</sup>     |
| Time required               | 10,528                            | 17,530                       | 16,380                       |

- (1) Compensation amount is the contracted amount for the full fiscal year.
- (2) Compensation amount in ( ) is for Form 20-F filing and SOX 404 audit.

## B. Non-audit service

None.

#### **14. Board of Directors**

##### **A. Members of the board of directors**

As of September 30, 2016 our board of directors consisted of two non-outside directors, one non-standing director and four outside directors.

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|                               |  | (As of September 30, 2016)         |
|-------------------------------|--|------------------------------------|
| Name                          | Position   | Primary responsibility             |
| Yu Sig Kang <sup>(1)</sup>    | Director (non-standing)  | Chairman of the board of directors |
| Sang Beom Han                 | Representative Director (non-outside), Chief Executive Officer and President | Overall head of management         |
| Sangdon Kim                   | Director (non-outside), Chief Financial Officer and Senior Vice President    | Overall head of finances           |
| Jin Jang                      | Outside Director   | Related to the overall management  |
| Joon Park <sup>(2)</sup>      | Outside Director   | Related to the overall management  |
| Sung-Sik Hwang <sup>(3)</sup> | Outside Director   | Related to the overall management  |
| Kun Tai Han <sup>(4)</sup>    | Outside Director   | Related to the overall management  |

- (1) Yu Sig Kang is also a registered executive of LG Management Development Institute, a member company of the LG Group.
- (2) Joon Park was reappointed for another term as an outside director at the annual general meeting of shareholders held on March 11, 2016.
- (3) Sung-Sik Hwang is also the president of Samchully Co., Ltd.
- (4) Kun Tai Han was appointed as an outside director at the annual general meeting of shareholders held on March 11, 2016. Mr. Han is also the chief executive officer of Hans Consulting.

**B. Committees of the board of directors**

As of September 30, 2016, we had the following committees that serve under our board of directors: Audit Committee, Outside Director Nomination Committee and Management Committee.

|                                       |   | (As of September 30, 2016)                           |
|---------------------------------------|---|--|
| Committee                             | Composition                                     | Member   |
| Audit Committee                       | 3 outside directors                             | Joon Park <sup>(1)</sup> , Jin Jang, Sung-Sik Hwang  |
| Outside Director Nomination Committee | 1 non-standing director and 2 outside directors | Yu Sig Kang, Jin Jang, Sung-Sik Hwang <sup>(2)</sup> |
| Management Committee                  | 2 non-outside directors                         | Sang Beom Han, Sangdon Kim                           |

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

C. Independence of directors

Directors are appointed in accordance with the procedures of the Commercial Act and other relevant laws and regulations. Our board of directors is independent as four out of the seven directors that comprise the board are outside directors. Outside directors candidates are nominated for appointment at a shareholders meeting after undergoing rigorous review by the Outside Director Nomination Committee.

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

## 15. Information Regarding Shares

A. Total number of shares

- (1) Total number of shares authorized to be issued (as of September 30, 2016): 500,000,000 shares.
- (2) Total shares issued and outstanding (as of September 30, 2016): 357,815,700 shares.

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## B. Shareholder list

## (1) Largest shareholder and related parties as of September 30, 2016:

| Name           | Relationship           | Number of shares<br>of common stock | Equity interest |
|----------------|------------------------|-------------------------------------|-----------------|
| LG Electronics | Largest<br>Shareholder | 135,625,000                         | 37.9%           |
| Sang Beom Han  | Related<br>Party       | 23,014                              | 0.0%            |
| Sangdon Kim    | Related<br>Party       | 2,500                               | 0.0%            |

## (2) Shareholders who are known to us to own 5% or more of our shares as of September 30, 2016:

| Beneficial owner         | Number of shares<br>of common<br>stock | Equity<br>interest |
|--------------------------|--|--------------------|
| LG Electronics           | 135,625,000                            | 37.9%              |
| National Pension Service | 35,742,664                             | 9.99%              |

**16. Directors and Employees**

## A. Directors

## (1) Remuneration for directors in 2016 Q1~Q3

| Classification   | No. of directors <sup>(1)</sup> | Amount paid <sup>(2)</sup> | (Unit: person, in millions of Won)                        |
|--|---------------------------------|----------------------------|---|
|  |                                 |                            | Per capita<br>average<br>remuneration paid <sup>(4)</sup> |
| Non-outside directors                                    | 3                               | 2,268 <sup>(3)</sup>       | 756   |
| Outside directors who are not audit committee<br>members | 1                               | 46                         | 46  |
| Outside directors who are audit committee<br>members     | 3                               | 176                        | 59  |
| Total  | 7                               | 2,490                      |   |

(1) Number of directors as at September 30, 2016.

- (2) Amount paid is calculated on the basis of amount of cash actually paid.
- (3) Among the non-outside directors, Yu Sig Kang does not receive any remuneration.
- (4) Per capita average remuneration paid is calculated by dividing total amount paid by the average number of directors for the nine months ended September 30, 2016.

(2) Remuneration for individual directors and audit committee members  
Not required for quarterly reports.

(3) Stock options  
Not applicable.

#### B. Employees

As of September 30, 2016, we had 32,330 employees (excluding our executive officers). On average, our male employees have served 8.6 years and our female employees have served 6.7 years. The total amount of salary paid to our employees for the nine months ended September 30, 2016 based on income tax statements submitted to the Korean tax authority in accordance with Article 20 of the Income Tax Act was ₩1,382,851 million for our male employees and ₩350,701 million for our female employees. The following table provides details of our employees as of September 30, 2016:

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

|        | Number of employees <sup>(1)</sup> | Total salary in 2016 H1 <sup>(2)(3)(4)</sup> | Total salary per capita <sup>(5)</sup> | Average years of service |
|--------|------------------------------------|--|--|--------------------------|
| Male   | 23,742                             | 1,382,851                                    | 58                                     | 8.6                      |
| Female | 8,588                              | 350,701                                      | 40                                     | 6.7                      |
| Total  | 32,330                             | 1,733,553                                    | 53                                     | 8.1                      |

- (1) Includes part-time employees and contract-base professionals.
- (2) Welfare benefits and retirement expenses have been excluded. Total welfare benefit provided to our employees for the nine months ended September 30, 2016 was ₩278,683 million and the per capita welfare benefit provided was ₩8.5 million.
- (3) Based on income tax statements, which are submitted to the Korean tax authority in accordance with Article 20 of the Income Tax Act.
- (4) Includes incentive payments to employees who have transferred from our affiliated companies.
- (5) Calculated using the average number of employees (male: 23,790, female: 8,737) for the nine months ended September 30, 2016.

**17. Other Matters****A. Legal proceedings**

In August 2016, Innovative Display Technologies LLC filed a new patent infringement action against us, LG Display America, Inc. and others in the U.S. District Court for the Eastern District of Texas. We have not yet been served with process in connection with such action.

In September 2016, a class action civil lawsuit was filed against us, LG Display America, Inc. and others in the U.S. District Court for the Northern District of California, alleging participation in an agreement with other companies not to solicit one another's employees. The timing of any court proceedings in connection with such action has not been determined.

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LG DISPLAY CO., LTD. AND SUBSIDIARIES  
Condensed Consolidated Interim Financial Statements  
(Unaudited)  
**September 30, 2016 and 2015**  
(With Independent Auditors' Review Report Thereon)



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**Independent Auditors' Review Report**

Based on a report originally issued in Korean

To the Board of Directors and Shareholders

LG Display Co., Ltd.:

***Reviewed Financial Statements***

We have reviewed the accompanying condensed consolidated interim financial statements of LG Display Co., Ltd. and subsidiaries (the Group) which comprise the condensed consolidated interim statement of financial position as of September 30, 2016, the condensed consolidated interim statements of comprehensive income (loss) for each of the three-month and nine-month periods ended September 30, 2016 and 2015, and statements of changes in equity and cash flows for the nine-month periods ended September 30, 2016 and 2015, and notes, comprising a summary of significant accounting policies and other explanatory information.

***Management's Responsibility for the Condensed Consolidated Interim Financial Statements***

Management is responsible for the preparation and fair presentation of these condensed consolidated interim financial statements in accordance with Korean International Financial Reporting Standards No. 1034, *Interim Financial Reporting*, and for such internal controls as management determines necessary to enable the preparation of condensed consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

***Auditors' Responsibility***

Our responsibility is to issue a report on these condensed consolidated interim financial statements based on our reviews.

We conducted our reviews in accordance with the Review Standards for Quarterly and Semiannual Financial Statements established by the Security and Futures Commission of the Republic of Korea. A review of interim financial information consists principally of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of Korea and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

***Conclusion***

Based on our reviews, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements referred to above are not presented fairly, in all material respects, in accordance with Korean International Financial Reporting Standards No. 1034, *Interim Financial Reporting*.

***Other Matters***

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

We audited the consolidated statement of financial position as of December 31, 2015 and the related consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, which are not accompanying this review report, in accordance with Korean Standards on Auditing, and our report thereon, dated February 19, 2016, expressed an unqualified opinion. The accompanying condensed consolidated statement of financial position of the Group as of December 31, 2015, presented for comparative purposes, is not different from that audited by us from which it was derived in all material respects.

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/s/ KPMG Samjong Accounting Corp.

Seoul, Korea

November 4, 2016

This report is effective as of November 4, 2016 the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying condensed consolidated interim financial statements and notes thereto. Accordingly, the readers of the review report should understand that the above review report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

**Condensed Consolidated Interim Statements of Financial Position**

(Unaudited)

As of September 30, 2016 and December 31, 2015

| <i>(In millions of won)</i>               | Note    | September 30, 2016  | December 31, 2015 |
|---|---------|---------------------|-------------------|
| <b>Assets</b>                             |         |                     |                   |
| Cash and cash equivalents                 | 9       | ₩ 1,075,937         | 751,662           |
| Deposits in banks                         | 9       | 1,405,323           | 1,772,337         |
| Trade accounts and notes receivable, net  | 9,12,14 | 4,107,087           | 4,097,836         |
| Other accounts receivable, net            | 9       | 134,641             | 105,815           |
| Other current financial assets            | 9       | 23,096              | 4,904             |
| Inventories                               | 4       | 2,491,955           | 2,351,669         |
| Prepaid income taxes                      |         | 4,351               | 3,469             |
| Other current assets                      |         | 576,140             | 443,942           |
| <b>Total current assets</b>               |         | <b>9,818,530</b>    | <b>9,531,634</b>  |
| Deposits in banks                         | 9       | 13                  | 13                |
| Investments in equity accounted investees | 5       | 178,472             | 384,755           |
| Other non-current financial assets        | 9       | 70,454              | 49,732            |
| Property, plant and equipment, net        | 6,15    | 11,386,357          | 10,546,020        |
| Intangible assets, net                    | 7,15    | 851,590             | 838,730           |
| Deferred tax assets                       | 20      | 916,310             | 930,629           |
| Other non-current assets                  |         | 348,585             | 295,647           |
| <b>Total non-current assets</b>           |         | <b>13,751,781</b>   | <b>13,045,526</b> |
| <b>Total assets</b>                       |         | <b>₩ 23,570,311</b> | <b>22,577,160</b> |
| <b>Liabilities</b>                        |         |                     |                   |
| Trade accounts and notes payable          | 9,14    | ₩ 3,069,747         | 2,764,694         |
| Current financial liabilities             | 9,10    | 1,122,956           | 1,416,112         |
| Other accounts payable                    | 9,14    | 2,088,620           | 1,499,722         |
| Accrued expenses                          |         | 556,741             | 633,113           |
| Income tax payable                        |         | 55,689              | 91,726            |
| Provisions                                | 12      | 84,073              | 109,897           |
| Advances received                         |         | 61,777              | 51,127            |
| Other current liabilities                 |         | 35,781              | 40,321            |
| <b>Total current liabilities</b>          |         | <b>7,075,384</b>    | <b>6,606,712</b>  |
| Non-current financial liabilities         | 9,10    | 3,682,745           | 2,808,204         |
| Non-current provisions                    |         | 9,834               | 11,817            |
| Defined benefit liabilities, net          | 11      | 403,607             | 353,798           |

|   |    |                     |                   |
|---|----|---------------------|-------------------|
| Deferred tax liabilities  | 20 | 29,722              | 34,663            |
| Other non-current liabilities   |    | 67,356              | 57,010            |
| <b>Total non-current liabilities</b>                                  |    | <b>4,193,264</b>    | <b>3,265,492</b>  |
| <b>Total liabilities</b>  |    | <b>11,268,648</b>   | <b>9,872,204</b>  |
| <b>Equity</b>   |    |                     |                   |
| Share capital   | 13 | 1,789,079           | 1,789,079         |
| Share premium   |    | 2,251,113           | 2,251,113         |
| Retained earnings   |    | 8,085,604           | 8,158,526         |
| Reserves  | 13 | (283,912)           | (5,766)           |
| <b>Total equity attributable to owners of the Controlling Company</b> |    | <b>11,841,884</b>   | <b>12,192,952</b> |
| <b>Non-controlling interests</b>                                      |    | <b>459,779</b>      | <b>512,004</b>    |
| <b>Total equity</b>   |    | <b>12,301,663</b>   | <b>12,704,956</b> |
| <b>Total liabilities and equity</b>                                   |    | <b>₩ 23,570,311</b> | <b>22,577,160</b> |

*See accompanying notes to the condensed consolidated interim financial statements.*

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## LG DISPLAY CO., LTD. AND SUBSIDIARIES

**Condensed Consolidated Interim Statements of Comprehensive Income (Loss)**

(Unaudited)

For the three-month and nine-month periods ended September 30, 2016 and 2015

| <i>(In millions of won, except earnings per share)</i>               | Note    | For the three-month period ended September 30 |                   | For the nine-month period ended September 30 |                   |
|--|---------|---|-------------------|--|-------------------|
|  |         | 2016  | 2015<br>Note 3(a) | 2016   | 2015<br>Note 3(a) |
| Revenue  | 14,15   | ₩ 6,723,775                                   | 7,158,201         | ₩ 18,568,118                                 | 20,888,135        |
| Cost of sales  | 4,14,16 | (5,784,216)                                   | (6,111,527)       | (16,391,890)                                 | (17,340,386)      |
| <b>Gross profit</b>  |         | 939,559                                       | 1,046,674         | 2,176,228                                    | 3,547,749         |
| Selling expenses   | 17      | (165,580)                                     | (249,726)         | (491,349)                                    | (631,552)         |
| Administrative expenses  | 17      | (152,396)                                     | (153,284)         | (451,529)                                    | (442,216)         |
| Research and development expenses                                    |         | (298,420)                                     | (310,726)         | (826,275)                                    | (909,035)         |
| <b>Operating profit</b>  |         | 323,163                                       | 332,938           | 407,075                                      | 1,564,946         |
| Finance income   | 19      | 92,766  | 40,877            | 165,474                                      | 109,384           |
| Finance costs  | 19      | (60,494)                                      | (126,889)         | (192,080)                                    | (237,092)         |
| Other non-operating income   | 18      | 231,530                                       | 430,917           | 860,948                                      | 937,529           |
| Other non-operating expenses   | 18      | (335,345)                                     | (412,435)         | (995,176)                                    | (978,364)         |
| Equity in income (loss) of equity accounted investees, net           |         | (3,169)                                       | 7,142             | 5,477  | 6,847             |
| <b>Profit before income tax</b>                                      |         | 248,451                                       | 272,550           | 251,718                                      | 1,403,250         |
| Income tax expense   | 20      | (58,897)                                      | (73,918)          | (144,893)                                    | (366,291)         |
| <b>Profit for the period</b>   |         | 189,554                                       | 198,632           | 106,825                                      | 1,036,959         |
| <b>Other comprehensive income (loss)</b>                             |         |   |                   |  |                   |
| <b>Items that will never be reclassified to profit or loss</b>       |         |   |                   |  |                   |
| Remeasurements of net defined benefit liabilities                    | 11      | (1,033)                                       | (684)             | (3,817)                                      | (3,023)           |
| Other comprehensive income (loss) from associates and joint ventures |         | (7)   | (8)               | 203  | (606)             |
| Related income tax   |         | 250   | 166               | 924  | 732               |
|  |         | (790)   | (526)             | (2,690)                                      | (2,897)           |

**Items that are or may be reclassified to profit or loss**

|  |           |         |           |         |
|--|-----------|---------|-----------|---------|
| Net change in fair value of available-for-sale financial assets      | 19        | 15      | (77)      | 45      |
| Foreign currency translation differences for foreign operations      | (237,609) | 173,370 | (315,442) | 260,935 |
| Other comprehensive income (loss) from associates and joint ventures | 4,009     | 13,074  | (2,362)   | 18,933  |
| Related income tax   |           | 170     | 19        | 133     |
|  | (233,600) | 186,629 | (317,862) | 280,046 |

**Other comprehensive income (loss) for the period, net of income tax**

|  |           |         |           |         |
|--|-----------|---------|-----------|---------|
|  | (234,390) | 186,103 | (320,552) | 277,149 |
|--|-----------|---------|-----------|---------|

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

|  |            |         |             |           |
|--|------------|---------|-------------|-----------|
|  | ₩ (44,836) | 384,735 | ₩ (213,727) | 1,314,108 |
|--|------------|---------|-------------|-----------|

**Profit (loss) attributable to:**

|                                   |         |         |         |         |
|-----------------------------------|---------|---------|---------|---------|
| Owners of the Controlling Company | 177,825 | 189,168 | 108,676 | 982,388 |
| Non-controlling interests         | 11,729  | 9,464   | (1,851) | 54,571  |

**Profit for the period**

|  |           |         |           |           |
|--|-----------|---------|-----------|-----------|
|  | ₩ 189,554 | 198,632 | ₩ 106,825 | 1,036,959 |
|--|-----------|---------|-----------|-----------|

**Total comprehensive income (loss) attributable to:**

|                                   |          |         |           |           |
|-----------------------------------|----------|---------|-----------|-----------|
| Owners of the Controlling Company | (27,145) | 354,882 | (172,160) | 1,225,393 |
| Non-controlling interests         | (17,691) | 29,853  | (41,567)  | 88,715    |

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

|  |            |         |             |           |
|--|------------|---------|-------------|-----------|
|  | ₩ (44,836) | 384,735 | ₩ (213,727) | 1,314,108 |
|--|------------|---------|-------------|-----------|

**Earnings per share (In Won)**

|                            |    |       |     |       |       |
|----------------------------|----|-------|-----|-------|-------|
| Basic earnings per share   | 21 | ₩ 497 | 529 | ₩ 304 | 2,746 |
| Diluted earnings per share | 21 | ₩ 497 | 529 | ₩ 304 | 2,746 |

See accompanying notes to the condensed consolidated interim financial statements.



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LG DISPLAY CO., LTD. AND SUBSIDIARIES

**Condensed Consolidated Interim Statements of Changes in Equity**

(Unaudited)

For the nine-month periods ended September 30, 2016 and 2015

| <i>(In millions of won)</i>   | Attributable to owners of the Controlling Company |               |                   |          |            | Non-controlling interests | Total equity |
|---|---|---------------|-------------------|----------|------------|---------------------------|--------------|
|   | Share capital                                     | Share premium | Retained earnings | Reserves | Sub-total  |                           |              |
| <b>Balances at January 1, 2015</b>  | ₩ 1,789,079                                       | 2,251,113     | 7,455,063         | (63,843) | 11,431,412 | 351,998                   | 11,783,410   |
| <b>Total comprehensive income (loss) for the period</b>                     |   |               |                   |          |            |                           |              |
| Profit for the period   |   |               | 982,388           |          | 982,388    | 54,571                    | 1,036,959    |
| <b>Other comprehensive income (loss) (note 3(a))</b>                        |   |               |                   |          |            |                           |              |
| Net change in fair value of available-for-sale financial assets, net of tax |   |               |                   | 2,049    | 2,049      |                           | 2,049        |
| Remeasurements of net defined benefit liabilities, net of tax               |   |               | (2,291)           |          | (2,291)    |                           | (2,291)      |
| Foreign currency translation differences for foreign operations, net of tax |   |               |                   | 244,206  | 244,206    | 34,144                    | 278,350      |
| Other comprehensive income (loss) from associates and joint ventures        |   |               | (606)             | (353)    | (959)      |                           | (959)        |
| <b>Total other comprehensive income (loss)</b>                              |   |               | (2,897)           | 245,902  | 243,005    | 34,144                    | 277,149      |

|   |   |           |           |           |           |            |          |            |
|---|---|-----------|-----------|-----------|-----------|------------|----------|------------|
| Total comprehensive income for the period                                   | ₩ |           |           | 979,491   | 245,902   | 1,225,393  | 88,715   | 1,314,108  |
| <b>Transaction with owners, recognized directly in equity</b>               |   |           |           |           |           |            |          |            |
| Dividends to equity holders   |   |           | (178,908) |           |           | (178,908)  |          | (178,908)  |
| Capital contribution from non-controlling interests                         |   |           |           |           |           |            | 102,908  | 102,908    |
| <b>Balances at September 30, 2015</b>                                       | ₩ | 1,789,079 | 2,251,113 | 8,255,646 | 182,059   | 12,477,897 | 543,621  | 13,021,518 |
| <b>Balances at January 1, 2016</b>  | ₩ | 1,789,079 | 2,251,113 | 8,158,526 | (5,766)   | 12,192,952 | 512,004  | 12,704,956 |
| <b>Total comprehensive income (loss) for the period</b>                     |   |           |           |           |           |            |          |            |
| Profit (loss) for the period  |   |           |           | 108,676   |           | 108,676    | (1,851)  | 106,825    |
| <b>Other comprehensive income (loss)</b>                                    |   |           |           |           |           |            |          |            |
| Net change in fair value of available-for-sale financial assets, net of tax |   |           |           |           | (58)      | (58)       |          | (58)       |
| Remeasurements of net defined benefit liabilities, net of tax               |   |           |           | (2,893)   |           | (2,893)    |          | (2,893)    |
| Foreign currency translation differences for foreign operations, net of tax |   |           |           |           | (275,726) | (275,726)  | (39,716) | (315,442)  |
| Other comprehensive income (loss) from associates and joint ventures        |   |           |           | 203       | (2,362)   | (2,159)    |          | (2,159)    |
| <b>Total other comprehensive loss</b>                                       |   |           |           | (2,690)   | (278,146) | (280,836)  | (39,716) | (320,552)  |
|   | ₩ |           |           | 105,986   | (278,146) | (172,160)  | (41,567) | (213,727)  |

Total comprehensive  
income (loss) for the  
period

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

|  |           |  |           |  |           |  |          |
|--|-----------|--|-----------|--|-----------|--|----------|
| Dividends to equity<br>holders   | (178,908) |  | (178,908) |  | (178,908) |  |          |
| Subsidiaries<br>dividends distributed<br>to non-controlling<br>interests |           |  |           |  | (10,658)  |  | (10,658) |

**Balances at**

**September 30, 2016** ₩ 1,789,079 2,251,113 8,085,604 (283,912) 11,841,884 459,779 12,301,663

*See accompanying notes to the condensed consolidated interim financial statements.*

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## LG DISPLAY CO., LTD. AND SUBSIDIARIES

**Condensed Consolidated Interim Statements of Cash Flows**

(Unaudited)

For the nine-month periods ended September 30, 2016 and 2015

| <i>(In millions of won)</i>                                | Note | 2016      | 2015        |
|--|------|-----------|-------------|
| <b>Cash flows from operating activities:</b>               |      |           |             |
| Profit for the period                                      |      | ₩ 106,825 | 1,036,959   |
| <b>Adjustments for:</b>                                    |      |           |             |
| Income tax expense   | 20   | 144,893   | 366,291     |
| Depreciation   | 16   | 2,035,720 | 2,251,289   |
| Amortization of intangible assets                          | 16   | 265,905   | 303,270     |
| Gain on foreign currency translation                       |      | (67,054)  | (84,168)    |
| Loss on foreign currency translation                       |      | 97,423    | 85,054      |
| Expenses related to defined benefit plans                  | 11   | 165,833   | 149,275     |
| Gain on disposal of property, plant and equipment          |      | (7,662)   | (10,242)    |
| Loss on disposal of property, plant and equipment          |      | 3,122     | 146         |
| Loss on disposal of intangible assets                      |      | 20        | 26          |
| Impairment loss on intangible assets                       |      | 125       | 239         |
| Reversal of impairment loss on intangible assets           |      |           | (80)        |
| Finance income   |      | (124,025) | (66,540)    |
| Finance costs  |      | 128,488   | 180,806     |
| Equity in income of equity method accounted investees, net |      | (5,477)   | (6,847)     |
| Other income   |      | (15,546)  | (12,510)    |
| Other expenses   |      | 133,661   | 220,458     |
|  |      | 2,755,426 | 3,376,467   |
| Change in trade accounts and notes receivable              |      | (9,725)   | (1,287,375) |
| Change in other accounts receivable                        |      | 46,085    | 43,028      |
| Change in other current assets                             |      | (110,854) | (23,216)    |
| Change in inventories                                      |      | (98,484)  | (122,364)   |
| Change in other non-current assets                         |      | (97,887)  | (68,610)    |
| Change in trade accounts and notes payable                 |      | 256,237   | (55,190)    |
| Change in other accounts payable                           |      | (40,616)  | (463,436)   |
| Change in accrued expenses                                 |      | (78,084)  | 95,254      |
| Change in other current liabilities                        |      | 4,557     | 30,335      |
| Change in other non-current liabilities                    |      | 14,004    | 435         |
| Change in provisions                                       |      | (107,083) | (92,976)    |
| Change in defined benefit liabilities, net                 |      | (119,841) | (146,161)   |
|  |      | (341,691) | (2,090,276) |
| Cash generated from operating activities                   |      | 2,520,560 | 2,323,150   |
| Income taxes paid  |      | (169,412) | (392,017)   |

|  |                    |                  |
|--|--------------------|------------------|
| Interests received                               | 36,290             | 44,932           |
| Interests paid                                   | (95,367)           | (102,608)        |
| <b>Net cash provided by operating activities</b> | <b>₩ 2,292,071</b> | <b>1,873,457</b> |

*See accompanying notes to the condensed consolidated interim financial statements.*

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

**Condensed Consolidated Interim Statements of Cash Flows, Continued**

(Unaudited)

For the nine-month periods ended September 30, 2016 and 2015

| <i>(In millions of won)</i>  | Note | 2016               | 2015               |
|--|------|--------------------|--------------------|
| <b>Cash flows from investing activities:</b>                         |      |                    |                    |
| Dividends received   |      | ₩ 59,023           | 25,577             |
| Proceeds from withdrawal of deposits in banks                        |      | 2,247,561          | 1,725,172          |
| Increase in deposits in banks  |      | (1,880,547)        | (2,227,928)        |
| Acquisition of investments in equity accounted investees             |      |                    | (30,647)           |
| Proceeds from disposal of investments in equity accounted investees  |      | 21,907             | 6,765              |
| Acquisition of property, plant and equipment                         |      | (2,558,563)        | (1,653,728)        |
| Proceeds from disposal of property, plant and equipment              |      | 32,885             | 214,966            |
| Acquisition of intangible assets                                     |      | (318,087)          | (207,383)          |
| Proceeds from disposal of intangible assets                          |      | 151                |                    |
| Government grants received   |      | 2,699              | 3,200              |
| Proceeds from settlement of derivatives                              |      | (36)               |                    |
| Increase in short-term loans   |      | (2,132)            |                    |
| Proceeds from collection of short-term loans                         |      | 4,650              |                    |
| Increase in long-term loans  |      | (23,817)           | (16,516)           |
| Decrease in deposits   |      | 472                |                    |
| Increase in deposits   |      | (6,899)            | (1,385)            |
| Acquisition of available-for-sale financial assets                   |      | (747)              | (716)              |
| Proceeds from disposal of available-for-sale financial assets        |      | 419                | 92                 |
| Acquisition of financial assets at fair value through profit or loss |      | (1,500)            |                    |
| Acquisition of businesses, net of cash acquired                      |      |                    | (110,093)          |
| <b>Net cash used in investing activities</b>                         |      | <b>(2,422,561)</b> | <b>(2,272,624)</b> |
| <b>Cash flows from financing activities:</b>                         |      |                    |                    |
| Proceeds from short-term borrowings                                  |      | 107,345            |                    |
| Repayments of short-term borrowings                                  |      |                    | (223,626)          |
| Proceeds from issuance of debentures                                 |      | 298,784            | 298,778            |
| Proceeds from long-term debt   |      | 1,483,343          | 253,869            |
| Repayments of long-term debt   |      | (347,693)          |                    |
| Repayments of current portion of long-term debt and debentures       |      | (832,939)          | (334,360)          |
| Decrease in non-controlling interests                                |      | (10,658)           |                    |
| Increase in non-controlling interests                                |      |                    | 102,908            |
| Dividends paid   |      | (178,908)          | (178,908)          |
| <b>Net cash provided by (used in) financing activities</b>           |      | <b>519,274</b>     | <b>(81,339)</b>    |

|   |                    |                |
|---|--------------------|----------------|
| <b>Net increase (decrease) in cash and cash equivalents</b> | 388,784            | (480,506)      |
| Cash and cash equivalents at January 1                      | 751,662            | 889,839        |
| Effect of exchange rate fluctuations on cash held           | (64,509)           | 147,488        |
| <b>Cash and cash equivalents at September 30</b>            | <b>₩ 1,075,937</b> | <b>556,821</b> |

*See accompanying notes to the condensed consolidated interim financial statements.*

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1. Reporting Entity

(a) Description of the Controlling Company

LG Display Co., Ltd. (the Controlling Company ) was incorporated in February 1985 and the Controlling Company is a public corporation listed in Korea Exchange since 2004. The main business of the Controlling Company and its subsidiaries (the Group ) is to manufacture and sell displays and its related products. As of September 30, 2016, the Group is operating TFT-LCD and OLED panel manufacturing plants in Gumi, Paju and China and TFT-LCD and OLED module manufacturing plants in Gumi, Paju, China and Poland. The Controlling Company is domiciled in the Republic of Korea with its address at 128 Yeouidae-ro, Yeongdeungpo-gu, Seoul, the Republic of Korea. As of September 30, 2016, LG Electronics Inc., a major shareholder of the Controlling Company, owns 37.9% (135,625,000 shares) of the Controlling Company s common stock.

The Controlling Company s common stock is listed on the Korea Exchange under the identifying code 034220. As of September 30, 2016, 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 September 30, 2016, there are 28,464,390 ADSs outstanding.



**Table of Contents**1. Reporting Entity, Continued(b) Consolidated Subsidiaries as of September 30, 2016*(In millions)*

| <b>Subsidiaries</b>                     | <b>Location</b>   | <b>Percentage of ownership</b> | <b>Fiscal year end</b> | <b>Date of incorporation</b> | <b>Business</b>                                      | <b>Capital stocks</b> |
|---|-------------------|--------------------------------|------------------------|------------------------------|--|-----------------------|
| LG Display America, Inc.                | San Jose, U.S.A.  | 100%                           | December 31            | September 24, 1999           | Sell Display products                                | USD 411               |
| LG Display Japan Co., Ltd.              | Tokyo, Japan      | 100%                           | December 31            | October 12, 1999             | Sell Display products                                | JPY 95                |
| LG Display Germany GmbH                 | Ratingen, Germany | 100%                           | December 31            | November 5, 1999             | Sell Display products                                | EUR 1                 |
| LG Display Taiwan Co., Ltd.             | Taipei, Taiwan    | 100%                           | December 31            | April 12, 1999               | Sell Display products                                | NTD 116               |
| LG Display Nanjing Co., Ltd.            | Nanjing, China    | 100%                           | December 31            | July 15, 2002                | Manufacture Display products                         | CNY 2,937             |
| LG Display Shanghai Co., Ltd.           | Shanghai, China   | 100%                           | December 31            | January 16, 2003             | Sell Display products                                | CNY 4                 |
| LG Display Poland Sp. z o.o.            | Wroclaw, Poland   | 100%                           | December 31            | September 6, 2005            | Manufacture Display products                         | PLN 511               |
| LG Display Guangzhou Co., Ltd.          | Guangzhou, China  | 100%                           | December 31            | June 30, 2006                | Manufacture Display products                         | CNY 1,655             |
| LG Display Shenzhen Co., Ltd.           | Shenzhen, China   | 100%                           | December 31            | August 28, 2007              | Sell Display products                                | CNY 4                 |
| LG Display Singapore Pte. Ltd.          | Singapore         | 100%                           | December 31            | January 12, 2009             | Sell Display products                                | SGD 1.4               |
| L&T Display Technology (Fujian) Limited | Fujian, China     | 51%                            | December 31            | January 5, 2010              | Manufacture and sell LCD module and LCD monitor sets | CNY 116               |
| LG Display Yantai Co., Ltd.             | Yantai, China     | 100%                           | December 31            | April 19, 2010               | Manufacture Display products                         | CNY 1,008             |
| Nanumnuri Co., Ltd.                     | Gumi,             | 100%                           | December 31            | March 21, 2012               | Janitorial services                                  | KRW 800               |

| South Korea                               |                    |      |             |                   |  |               |
|---|--------------------|------|-------------|-------------------|--|---------------|
| LG Display (China) Co., Ltd.              | Guangzhou, China   | 70%  | December 31 | December 10, 2012 | Manufacture and sell Display products                | CNY 8,147     |
| Unified Innovative Technology, LLC        | Wilmington, U.S.A. | 100% | December 31 | March 12, 2014    | Manage intellectual property                         | USD 9         |
| LG Display Guangzhou Trading Co., Ltd.    | Guangzhou, China   | 100% | December 31 | April 28, 2015    | Sell Display products                                | CNY 1.2       |
| Global OLED Technology, LLC               | Herndon, U.S.A.    | 100% | December 31 | December 18, 2009 | Manage OLED intellectual property                    | USD 138       |
| LG Display Vietnam Haiphong Co., Ltd.(*1) | Haiphong, Vietnam  | 100% | December 31 | May 5, 2016       | Manufacture Display products                         | VND 2,187,870 |
| Suzhou Lehui Display Co., Ltd.(*2)        | Suzhou, China      | 100% | December 31 | July 1, 2016      | Manufacture and sell LCD module and LCD monitor sets | CNY 637       |
| Money Market Trust(*3)                    | Seoul, South Korea | 100% | December 31 |                   | Money market trust                                   | KRW 30,500    |

(\*1) In May 2016, the Controlling Company established LG Display Vietnam Haiphong Co., Ltd. to manufacture Display products. As of September 30, 2016, the Controlling Company has a 100% equity interest of this subsidiary and its capital stock amounts to ₩117,378 million.

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1. **Reporting Entity, Continued**

(\*2) In July 2016, Suzhou Raken Technology Co., Ltd., a joint venture of the Controlling Company and AmTRAN Technology Co., Ltd. ( AmTRAN ), split into Suzhou Raken Technology Co., Ltd. and Suzhou Lehui Display Co., Ltd. The Controlling Company acquired 100% equity interest in Suzhou Lehui Display Co., Ltd. and AmTRAN acquired 100% equity interest in Suzhou Raken Technology Co., Ltd., respectively, by exchanging equity interests.

(\*3) During the nine-month period ended September 30, 2016, the Controlling Company acquired and disposed ₩171,400 million and ₩140,900 million of Money Market Trust, respectively.

As of September 30, 2016, LG Display U.S.A., Inc., a subsidiary of the Controlling Company, completed its voluntary liquidation.

2. **Basis of Presenting Financial Statements**

(a) **Statement of Compliance**

The condensed consolidated interim financial statements have been prepared in accordance with Korean International Financial Reporting Standards ( K-IFRSs ) No.1034, *Interim Financial Reporting*. They do not include all of the information required for full annual consolidated financial statements and should be read in conjunction with the consolidated financial statements of the Group as of and for the year ended December 31, 2015.

(b) **Basis of Measurement**

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

Derivative instruments, financial assets at fair value through profit or loss and available-for-sale financial assets measured at fair value, and

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

(c) **Functional and Presentation Currency**

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

(d) Use of Estimates and Judgments

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

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied in its consolidated financial statements as of and for the year ended December 31, 2015.

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**Table of Contents****3. Summary of Significant Accounting Policies**

The significant accounting policies followed by the Group in the preparation of its condensed consolidated interim financial statements are the same as those followed by the Group in its preparation of the consolidated financial statements as of and for the year ended December 31, 2015, except for the application of K-IFRS No. 1034, *Interim Financial Reporting*, and the amended accounting standards explained below:

**(a) Change in Accounting Policies****(i) K-IFRS No. 1001, *Presentation of Financial Statements***

The Group has applied the amendment to K-IFRS No. 1001, *Presentation of Financial Statements*, effective January 1, 2016. The amendment clarifies that the disclosed line items can be omitted, added, or aggregated based on materiality. In addition, the amendment clarifies that the share in the other comprehensive income of associates and joint ventures should be presented separately in the financial statements based on whether they will or will not subsequently be reclassified to profit or loss. Also, additional requirements for disclosures in the notes and others are provided.

The Group has applied the amendment to K-IFRS No. 1001 and separated the share of other comprehensive income of associates and joint ventures into the share of items that (i) will be reclassified subsequently to profit or loss or (ii) will not be reclassified subsequently to profit or loss.

The Group restated the comparative condensed consolidated interim statements of comprehensive income (loss) for each of the three-month and nine-month periods ended September 30, 2015 and changes in equity for the nine-month period ended September 30, 2015.

**(b) New Standards and Amendments Not Yet Adopted****(i) K-IFRS No. 1109, *Financial Instruments***

K-IFRS No. 1109, *Financial Instruments*, provides revised guidance on the classification and measurement of financial instruments and replaces incurred loss model with expected credit losses model for calculating impairment on financial assets. K-IFRS No. 1109 also includes new general hedge accounting requirements including hedged items, hedging instruments and risk being hedged in order to expand applicable risk management strategies being utilized. K-IFRS No. 1109 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. K-IFRS No. 1109 has not been early adopted in preparing this condensed consolidated interim financial statements.

**(ii) K-IFRS No. 1115, *Revenue from Contracts with Customers***

K-IFRS No. 1115, *Revenue from Contracts with Customers*, establishes a single new revenue recognition standard for contracts with customers and introduces a five-step model for determining whether, how much and when revenue is recognized. K-IFRS No. 1115 replaces risk-and-reward based model with control-based model. K-IFRS No. 1115 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. K-IFRS No. 1115

has not been early adopted in preparing this condensed consolidated interim financial statements.

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

**Table of Contents**4. Inventories

Inventories as of September 30, 2016 and December 31, 2015 are as follows:

| <i>(In millions of won)</i> | <b>September 30, 2016</b> | <b>December 31, 2015</b> |
|-----------------------------|---------------------------|--------------------------|
| Finished goods              | ₩ 1,021,975               | 910,844                  |
| Work-in-process             | 728,592                   | 720,221                  |
| Raw materials               | 439,779                   | 389,442                  |
| Supplies                    | 301,609                   | 331,162                  |
|                             | ₩ 2,491,955               | 2,351,669                |

For the nine-month periods ended September 30, 2016 and 2015, the amount of inventories recognized as cost of sales, inventory write-downs and reversal and usage of inventory write-downs included in cost of sales is as follows:

| <i>(In millions of won)</i>                            | <b>2016</b>  | <b>2015</b> |
|--|--------------|-------------|
| Inventories recognized as cost of sales                | ₩ 16,391,890 | 17,340,386  |
| Including: inventory write-downs                       | 330,705      | 369,174     |
| Including: reversal and usage of inventory write-downs | (363,755)    | (332,699)   |

**Table of Contents****5. Investments in Equity Accounted Investees**

Associates and Joint Ventures (Equity Method Investees) as of September 30, 2016 are as follows:

(In millions of won)

**Associates**

| <b>and joint ventures</b>  | <b>Location</b>          | <b>Percentage of ownership</b> | <b>Fiscal year end</b> | <b>Date of incorporation</b> | <b>Business</b>  | <b>Carrying amount</b> |
|--|--------------------------|--------------------------------|------------------------|------------------------------|--|------------------------|
| Paju Electric Glass Co., Ltd.                                    | Paju,<br>South Korea     | 40%                            | December 31            | January<br>2005              | Manufacture electric<br>glass for FPDs   | ₩ 52,785               |
| TLI Inc.(*1)(*2)   | Seongnam,<br>South Korea |                                | December 31            | October<br>1998              | Manufacture and sell<br>semiconductor parts<br>for FPDs                                | 4,995                  |
| New Optics Ltd.  | Yangju,<br>South Korea   | 10%<br>46%                     | December 31            | August<br>2005               | Manufacture back light<br>parts for TFT-LCDs   | 39,512                 |
| INVENIA Co., Ltd.<br>(Formerly, LIG<br>INVENIA Co.,<br>Ltd.)(*1) | Seongnam,<br>South Korea | 13%                            | December 31            | January<br>2001              | Develop and manufacture<br>equipment for FPDs  | 1,811                  |
| WooRee E&L Co.,<br>Ltd. (*1)(*3)                                 | Ansan,<br>South Korea    | 14%                            | December 31            | June<br>2008                 | Manufacture LED back<br>light unit packages  | 8,714                  |
| LB Gemini New<br>Growth Fund<br>No. 16 (*4)                      | Seoul,<br>South Korea    | 31%                            | December 31            | December<br>2009             | Invest in small and<br>middle sized companies<br>and benefit from M&A<br>opportunities | 9,783                  |
| Can Yang<br>Investments<br>Limited(*1)                           | Hong Kong                | 9%                             | December 31            | January<br>2010              | Develop, manufacture<br>and sell LED parts   | 5,760                  |
| YAS Co.,<br>Ltd.(*1)(*5)   | Paju,<br>South Korea     |                                | December 31            | April<br>2002                | Develop and<br>manufacture deposition<br>equipment for OLEDs                           | 10,835                 |
| Narenanotech<br>Corporation                                      | Yongin,<br>South Korea   | 18%<br>23%                     | December 31            | December<br>1995             | Manufacture and sell<br>FPD<br>manufacturing equipment                                 | 23,700                 |
| AVATEC Co.,<br>Ltd.(*1)(*6)                                      | Daegu,<br>South Korea    | 17%                            | December 31            | August<br>2000               | Process and sell<br>glass for FPDs   | 20,577                 |
| Arctic Sentinel,<br>Inc. (Formerly,<br>U.S.A.                    | Los Angeles<br>U.S.A.    | 10%                            | March                  | June                         | Develop and manufacture  |                        |



|                 |    |      |                 |
|-----------------|----|------|-----------------|
| Fuhu, Inc.)(*1) | 31 | 2008 | tablet for kids |
|-----------------|----|------|-----------------|

₩ 178,472

- (\*1) Although the Controlling Company's share interests in TLI Inc., INVENIA Co., Ltd., WooRee E&L Co., Ltd., Can Yang Investments Limited, YAS Co., Ltd., AVATEC Co., Ltd. and Arctic Sentinel, Inc. are below 20%, the Controlling Company is able to exercise significant influence through its right to appoint a director to the board of directors of each investee and the transactions between the Controlling Company and the investees are significant. Accordingly, the investments in these investees have been accounted for using the equity method.
- (\*2) In 2016, the Controlling Company's ownership percentage in TLI Inc. decreased from 10.26% to 10.22% due to the shares issued in relation to the exercise of warrants.
- (\*3) In 2016, the Controlling Company's ownership percentage in WooRee E&L Co., Ltd. ( WooRee E&L ) decreased from 21% to 14% as the Controlling Company did not participate in the capital increase of WooRee E&L. The Controlling Company recognized an impairment loss of ₩6,137 million as finance cost for the difference between the carrying amount and the recoverable amount of investments in WooRee E&L.

**Table of Contents****5. Investments in Equity Accounted Investees, Continued**

(\*4) The Controlling Company is a member of a limited partnership in the LB Gemini New Growth Fund No.16 ( the Fund ). In February and June 2016, the Controlling Company received ₩2,820 million and ₩2,330 million, respectively, from the Fund as capital distribution. There were no changes in the Controlling Company's ownership percentage in the Fund and the Controlling Company is committed to making future investments of up to an aggregate of ₩30,000 million.

(\*5) The Controlling Company's ownership percentage in YAS Co., Ltd. decreased from 19% to 18% as the Controlling Company did not participate in the capital increase of YAS Co., Ltd.

(\*6) In 2016, AVATEC Co., Ltd. retired its treasury stock and the Controlling Company's ownership percentage in AVATEC Co., Ltd. increased from 16% to 17% as a result.

In 2016, the Controlling Company disposed of the entire investments in AVACO Co., Ltd. for ₩16,756 million and recognized ₩4,290 million for the difference between the disposal amount and the carrying amount as finance income.

**6. Property, Plant and Equipment**

For the nine-month periods ended September 30, 2016 and 2015, the Group purchased property, plant and equipment of ₩3,203,954 million and ₩1,824,781 million, respectively. The capitalized borrowing costs and the annualized capitalization rate were ₩8,025 million and 2.17%, and ₩10,277 million and 3.80% for the nine-month periods ended September 30, 2016 and 2015, respectively. Also, for the nine-month periods ended September 30, 2016 and 2015, the Group disposed of property, plant and equipment with carrying amounts of ₩28,345 million and ₩228,139 million, respectively, and recognized ₩7,662 million and ₩3,122 million as gain and loss, respectively, on disposal of property, plant and equipment for the nine-month period ended September 30, 2016 (gain and loss for the nine-month period ended September 30, 2015: ₩10,242 million and ₩146 million, respectively).

**7. Intangible Assets**

The Group capitalizes expenditures related to development activities, such as expenditures incurred on designing, manufacturing and testing of products that are ultimately selected for production. The balances of capitalized development costs as of September 30, 2016 and December 31, 2015 are ₩260,159 million and ₩187,230 million, respectively.

**8. Financial Risk Management**

The objectives and policies on financial risk management followed by the Group are consistent with those disclosed in the consolidated financial statements as of and for the year ended December 31, 2015.



**Table of Contents**9. 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 as of September 30, 2016 and December 31, 2015 is as follows:

*(In millions of won)*

|  | <b>September 30, 2016</b> | <b>December 31, 2015</b> |
|--|---------------------------|--------------------------|
| Cash and cash equivalents                                | ₩ 1,075,937               | 751,662                  |
| Deposits in banks(*)                                     | 1,405,336                 | 1,772,350                |
| Trade accounts and notes receivable, net                 | 4,107,087                 | 4,097,836                |
| Other accounts receivable, net                           | 134,641                   | 105,815                  |
| Available-for-sale financial assets                      | 233                       | 709                      |
| Financial assets at fair value through<br>profit or loss | 1,500                     |                          |
| Deposits   | 41,024                    | 22,234                   |
| Loans  | 37,815                    | 15,856                   |
| Long-term non-trade receivable                           | 1,681                     | 5,148                    |
|  | <b>₩ 6,805,254</b>        | <b>6,771,610</b>         |

(\*) As of September 30, 2016, the amount of deposits in banks restricted in use is ₩70,513 million (as of December 31, 2015: ₩70,513 million).

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 primarily from the sales and investing activities. Trade accounts and notes receivables are insured in order to manage credit risk and uninsured trade accounts and notes receivables are managed in accordance with the Group's management policy.

**Table of Contents**9. Financial Instruments, Continued

## (ii) Impairment loss

The aging of trade accounts and notes receivable, other accounts receivable and other non-current financial assets as of September 30, 2016 and December 31, 2015 are as follows:

(In millions of won)

|                            | September 30, 2016                  |                              |                                    | September 30, 2016                  |                              |                                    |
|----------------------------|-------------------------------------|------------------------------|------------------------------------|-------------------------------------|------------------------------|------------------------------------|
|                            | Book value                          |                              | Other non-current financial assets | Impairment loss                     |                              |                                    |
|                            | Trade accounts and notes receivable | Other accounts receivable(*) |                                    | Trade accounts and notes receivable | Other accounts receivable(*) | Other non-current financial assets |
| Not past due               | ₩ 4,102,136                         | 132,394                      | 1,698                              | (1,221)                             | (430)                        | (17)                               |
| Past due 1-15 days         | 4,564                               | 864                          |                                    | (2)                                 | (8)                          |                                    |
| Past due 16-30 days        | 95                                  | 314                          |                                    |                                     | (1)                          |                                    |
| Past due 31-60 days        | 1,515                               | 1,003                        |                                    |                                     |                              |                                    |
| Past due more than 60 days |                                     | 903                          |                                    |                                     | (398)                        |                                    |
|                            | ₩ 4,108,310                         | 135,478                      | 1,698                              | (1,223)                             | (837)                        | (17)                               |

**Table of Contents**9. Financial Instruments, Continued*(In millions of won)*

|                            | December 31, 2015                         |                                    |   |   |                                    |   |
|----------------------------|---|------------------------------------|---|---|------------------------------------|---|
|                            | Book value                                |                                    |   | Impairment loss                                 |                                    |   |
|                            | Trade accounts<br>and notes<br>receivable | Other<br>accounts<br>receivable(*) | Other<br>non-current<br>financial<br>assets | Trade<br>accounts<br>and<br>notes<br>receivable | Other<br>accounts<br>receivable(*) | Other<br>non-current<br>financial<br>assets |
| Not past due               | ₩ 4,076,022                               | 102,431                            | 5,200                                       | (1,339)   | (535)                              | (52)  |
| Past due 1-15 days         | 6,555                                     | 1,280                              |   | (2)   | (13)                               |   |
| Past due 16-30 days        | 201                                       | 1,775                              |   |   | (12)                               |   |
| Past due 31-60 days        |   | 45                                 |   |   |                                    |   |
| Past due more than 60 days | 16,565                                    | 850                                |   | (166)   | (6)                                |   |
|                            | ₩ 4,099,343                               | 106,381                            | 5,200                                       | (1,507)   | (566)                              | (52)  |

(\*) Other accounts receivable includes non-trade receivable and accrued income.

The movement in the allowance for impairment in respect of trade accounts and notes receivable, other accounts receivable and other non-current financial assets during the nine-month period ended September 30, 2016 and the year ended December 31, 2015 are as follows:

*(In millions of won)*

|  | September 30, 2016                           |                                 |  | December 31, 2015                            |                                 |  |
|--|--|---------------------------------|--|--|---------------------------------|--|
|  | Trade accounts<br>and<br>notes<br>receivable | Other<br>accounts<br>receivable | Other non-<br>current<br>financial<br>assets | Trade accounts<br>and<br>notes<br>receivable | Other<br>accounts<br>receivable | Other non-<br>current<br>financial<br>assets |
| Balance at the beginning of the period | ₩ 1,507                                      | 566                             | 52   | 825  | 794                             | 79   |
| (Reversal of) bad debt expense         | (284)  | 271                             | (35)   | 682  | (228)                           | (27)   |
| Balance at the reporting date          | ₩ 1,223                                      | 837                             | 17   | 1,507  | 566                             | 52   |

**Table of Contents**9. Financial Instruments, Continued

## (b) Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments, as of September 30, 2016.

(In millions of won)

|   | Carrying amount | Total      | 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 loans                            | ₩ 650,491       | 695,421    | 11,325                 | 11,388      | 299,766   | 372,942   |                   |
| Unsecured bank loans                          | 2,265,975       | 2,360,070  | 297,866                | 387,438     | 364,385   | 1,310,381 |                   |
| Unsecured bond issues                         | 1,876,520       | 1,983,294  | 319,267                | 200,063     | 609,431   | 772,890   | 81,643            |
| Trade accounts and notes payables             | 3,069,747       | 3,069,747  | 3,069,747              |             |           |           |                   |
| Other accounts payable                        | 2,088,620       | 2,089,040  | 2,086,380              | 2,660       |           |           |                   |
| Other non-current liabilities                 | 4,741           | 5,320      |                        |             | 5,320     |           |                   |
| <b>Derivative financial liabilities</b>       |                 |            |                        |             |           |           |                   |
| Derivatives                                   | 12,715          | 12,750     | 10,695                 | 574         | 1,293     | 188       |                   |
|   | ₩ 9,968,809     | 10,215,642 | 5,795,280              | 602,123     | 1,280,195 | 2,456,401 | 81,643            |

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

**Table of Contents**9. Financial Instruments, Continued

## (c) Currency risk

## (i) Exposure to currency risk

The Group's exposure to foreign currency risk based on notional amounts as of September 30, 2016 and December 31, 2015 is as follows:

*(In millions)*

|  | <b>September 30, 2016</b> |            |            |            |            |            |            |
|--|---------------------------|------------|------------|------------|------------|------------|------------|
|  | <b>USD</b>                | <b>JPY</b> | <b>CNY</b> | <b>TWD</b> | <b>EUR</b> | <b>PLN</b> | <b>VND</b> |
| Cash and cash equivalents                      | 443                       | 593        | 2,981      | 28         | 1          | 63         | 746,099    |
| Deposits in banks                              |                           |            | 1,900      |            |            |            | 400,000    |
| Trade accounts and notes receivable            | 3,195                     | 3          | 1,220      | 3          |            |            |            |
| Non-trade receivable                           | 5                         | 1          | 480        | 13         |            |            |            |
| Long-term non-trade receivable                 | 2                         |            |            |            |            |            |            |
| Other assets denominated in foreign currencies | 1                         | 259        | 178        | 6          |            |            | 428        |
| Trade accounts and notes payable               | (1,404)                   | (15,486)   | (2,454)    |            |            |            |            |
| Other accounts payable                         | (222)                     | (5,650)    | (2,031)    | (6)        | (4)        | (4)        | (472,016)  |
| Debt   | (1,531)                   |            | (3,264)    |            |            |            |            |
| Gross statement of financial position exposure | 489                       | (20,280)   | (990)      | 44         | (3)        | 59         | 674,511    |
| Forward exchange contracts                     | (200)                     |            |            |            |            |            |            |
| Net exposure                                   | 289                       | (20,280)   | (990)      | 44         | (3)        | 59         | 674,511    |

*(In millions)*

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



**Table of Contents****9. Financial Instruments, Continued**

Average exchange rates applied for the nine-month periods ended September 30, 2016 and 2015 and the exchange rates at September 30, 2016 and December 31, 2015 are as follows:

| <i>(In won)</i> | Average rate |          | Reporting date spot rate |                   |
|-----------------|--------------|----------|--------------------------|-------------------|
|                 | 2016         | 2015     | September 30, 2016       | December 31, 2015 |
| USD             | ₩ 1,161.32   | 1,122.29 | 1,096.30                 | 1,172.00          |
| JPY             | 10.70        | 9.28     | 10.84                    | 9.72              |
| CNY             | 176.22       | 179.20   | 163.97                   | 178.48            |
| TWD             | 35.83        | 35.69    | 34.92                    | 35.51             |
| EUR             | 1,296.67     | 1,251.92 | 1,230.32                 | 1,280.53          |
| PLN             | 297.66       | 301.16   | 285.89                   | 300.79            |
| VND             | 0.0520       | 0.0516   | 0.0492                   | 0.0522            |

**(ii) Sensitivity analysis**

A weaker won, as indicated below, against the following currencies which comprise the Group's assets or liabilities denominated in foreign currency as of September 30, 2016 and December 31, 2015, would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considers to be reasonably possible as of the end of reporting period. The analysis assumes that all other variables, in particular interest rates, would remain constant. The changes in equity and profit or loss would have been as follows:

| <i>(In millions of won)</i> | September 30, 2016 |                | December 31, 2015 |                |
|-----------------------------|--------------------|----------------|-------------------|----------------|
|                             | Equity             | Profit or loss | Equity            | Profit or loss |
| USD (5 percent weakening)   | ₩ 10,585           | 16,424         | 24,838            | 33,152         |
| JPY (5 percent weakening)   | (8,558)            | (7,614)        | (11,340)          | (9,486)        |
| CNY (5 percent weakening)   | (7,684)            | (1,337)        | (8,582)           | 1,069          |
| TWD (5 percent weakening)   | 77                 | 4              | 42                |                |
| EUR (5 percent weakening)   | (402)              | 744            | (214)             | 270            |
| PLN (5 percent weakening)   | 930                | (242)          | 575               | (208)          |
| VND (5 percent weakening)   | 1,659              |                |                   |                |

A stronger won against the above currencies as of September 30, 2016 and December 31, 2015 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

**Table of Contents**9. Financial Instruments, Continued

## (d) Interest rate risk

## (i) Profile

The interest rate profile of the Group's interest-bearing financial instruments as of September 30, 2016 and December 31, 2015 is as follows:

*(In millions of won)*

|                                  | <b>September 30, 2016</b> | <b>December 31, 2015</b> |
|----------------------------------|---------------------------|--------------------------|
| <b>Fixed rate instruments</b>    |                           |                          |
| Financial assets                 | ₩ 2,481,493               | 2,524,708                |
| Financial liabilities            | (2,079,242)               | (2,289,336)              |
|                                  | ₩ 402,251                 | 235,372                  |
| <b>Variable rate instruments</b> |                           |                          |
| Financial liabilities            | ₩ (2,713,744)             | (1,934,895)              |

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

As of September 30, 2016 and December 31, 2015, a change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below for each 12-month period following the reporting dates. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

*(In millions of won)*

|                              | <b>Equity</b>           |                         | <b>Profit or loss</b>   |                         |
|------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
|                              | <b>1%p<br/>increase</b> | <b>1%p<br/>decrease</b> | <b>1%p<br/>increase</b> | <b>1%p<br/>decrease</b> |
| <b>September 30, 2016</b>    |                         |                         |                         |                         |
| Variable rate instruments(*) | ₩ (17,917)              | 17,917                  | (17,917)                | 17,917                  |
| <b>December 31, 2015</b>     |                         |                         |                         |                         |
| Variable rate instruments(*) | ₩ (14,667)              | 14,667                  | (14,667)                | 14,667                  |

(\*) Financial instruments subject to interest rate swap not qualified for hedging are excluded.

**Table of Contents**9. Financial Instruments, Continued

## (e) Fair values

## (i) Fair values versus carrying amounts

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

(In millions of won)

|   | September 30, 2016  |                | December 31, 2015   |                |
|---|---------------------|----------------|---------------------|----------------|
|   | Carrying<br>amounts | Fair<br>values | Carrying<br>amounts | Fair<br>values |
| <b>Assets carried at fair value</b>                   |                     |                |                     |                |
| Available-for-sale financial assets                   | ₩ 233               | 233            | 709                 | 709            |
| Financial assets at fair value through profit or loss | 1,500               | 1,500          |                     |                |
| <b>Assets carried at amortized cost</b>               |                     |                |                     |                |
| Cash and cash equivalents                             | ₩ 1,075,937         | (*)            | 751,662             | (*)            |
| Deposits in banks                                     | 1,405,336           | (*)            | 1,772,350           | (*)            |
| Trade accounts and notes receivable                   | 4,107,087           | (*)            | 4,097,836           | (*)            |
| Other accounts receivable                             | 134,641             | (*)            | 105,815             | (*)            |
| Deposits  | 41,024              | (*)            | 22,234              | (*)            |
| Loans   | 37,815              | (*)            | 15,856              | (*)            |
| Other non-current financial assets                    | 1,681               | (*)            | 5,148               | (*)            |
| <b>Liabilities carried at fair value</b>              |                     |                |                     |                |
| Derivatives   | ₩ 12,715            | 12,715         | 85                  | 85             |
| <b>Liabilities carried at amortized cost</b>          |                     |                |                     |                |
| Secured bank loans                                    | ₩ 650,491           | 650,491        | 698,192             | 698,192        |
| Unsecured bank loans                                  | 2,265,975           | 2,270,119      | 1,239,914           | 1,239,969      |
| Unsecured bond issues                                 | 1,876,520           | 1,922,710      | 2,286,125           | 2,337,835      |
| Trade accounts and notes payable                      | 3,069,747           | (*)            | 2,764,694           | (*)            |
| Other accounts payable                                | 2,088,620           | 2,089,004      | 1,499,722           | 1,499,963      |
| Other non-current liabilities                         | 4,741               | 5,218          | 8,402               | 9,005          |

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

The basis for determining fair values above by the Group are consistent with those disclosed in the financial statements as of and for the year ended December 31, 2015.

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## 9. Financial Instruments, Continued

## (ii) Financial Instruments measured at cost

Available-for-sale financial assets measured at cost as of September 30, 2016 and December 31, 2015 are as follows:

(In millions of won)

|                                  | <b>September 30, 2016</b> | <b>December 31, 2015</b> |
|----------------------------------|---------------------------|--------------------------|
| Intellectual Discovery Co., Ltd. | ₩ 2,673                   | 2,673                    |
| ARCH Venture Fund VIII, L.P.     | 1,986                     | 1,378                    |
| Henghao Technology Co., Ltd.     | 3,372                     | 3,372                    |
| Kyulux, Inc.                     | 3,266                     | 3,266                    |
|                                  | ₩ 11,297                  | 10,689                   |

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

## i) Fair value hierarchy

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

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

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

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

## ii) Financial instruments measured at fair value

Fair value hierarchy classifications of the financial instruments that are measured at fair value as of September 30, 2016 and December 31, 2015 are as follows:

(In millions of won)

|                           | <b>Level<br/>1</b> | <b>Level 2</b> | <b>Level<br/>3</b> | <b>Total</b> |
|---------------------------|--------------------|----------------|--------------------|--------------|
| <b>September 30, 2016</b> |                    |                |                    |              |

**Assets**

|   |       |  |       |       |
|---|-------|--|-------|-------|
| Available-for-sale financial assets                   | ₩ 233 |  |       | 233   |
| Financial assets at fair value through profit or loss |       |  | 1,500 | 1,500 |

**Liabilities**

|             |  |        |       |        |
|-------------|--|--------|-------|--------|
| Derivatives |  | 10,261 | 2,454 | 12,715 |
|-------------|--|--------|-------|--------|

*(In millions of won)*

|                                     | <b>Level<br/>1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b> |
|-------------------------------------|--------------------|----------------|----------------|--------------|
| <b>December 31, 2015</b>            |                    |                |                |              |
| <b>Assets</b>                       |                    |                |                |              |
| Available-for-sale financial assets | ₩ 709              |                |                | 709          |
| <b>Liabilities</b>                  |                    |                |                |              |
| Derivatives                         |                    |                | 85             | 85           |

**Table of Contents**9. Financial Instruments, Continued

iii) Financial instruments not measured at fair value but for which the fair value is disclosed  
Fair value hierarchy classifications, valuation technique and inputs for fair value measurements of the financial instruments not measured at fair value but for which the fair value is disclosed as of September 30, 2016 and December 31, 2015 are as follows:

| <i>(In millions of won)</i>   | September 30, 2016 |         |           | Valuation            |               |
|-------------------------------|--------------------|---------|-----------|----------------------|---------------|
|                               | Level 1            | Level 2 | Level 3   | technique            | Input         |
| <b>Classification</b>         |                    |         |           |                      |               |
| <b>Liabilities</b>            |                    |         |           |                      |               |
| Secured bank loans            | ₩                  |         | 863,653   | Discounted cash flow | Discount rate |
| Unsecured bank loans          |                    |         | 2,056,958 | Discounted cash flow | Discount rate |
| Unsecured bond issues         |                    |         | 1,922,710 | Discounted cash flow | Discount rate |
| Other accounts payable        |                    |         | 2,089,004 | Discounted cash flow | Discount rate |
| Other non-current liabilities |                    |         | 5,218     | Discounted cash flow | Discount rate |

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

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

|                              | September 30, 2016 | December 31, 2015 |
|------------------------------|--------------------|-------------------|
| Debentures, loans and others | 1.01~1.85%         | 1.52~2.48%        |

**Table of Contents**9. Financial Instruments, Continued

## (f) Capital management

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

*(In millions of won)*

|                                     | <b>September 30, 2016</b> | <b>December 31, 2015</b> |
|-------------------------------------|---------------------------|--------------------------|
| Total liabilities                   | ₩ 11,268,648              | 9,872,204                |
| Total equity                        | 12,301,663                | 12,704,956               |
| Cash and deposits in banks (*1)     | 2,481,260                 | 2,523,999                |
| Borrowings (including bonds)        | 4,792,986                 | 4,224,231                |
| Total liabilities to equity ratio   | 92%                       | 78%                      |
| Net borrowings to equity ratio (*2) | 19%                       | 13%                      |

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

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

**Table of Contents**10. Financial Liabilities

(a) Financial liabilities as of September 30, 2016 and December 31, 2015 are as follows:

| <i>(In millions of won)</i>             | <b>September<br/>30,<br/>2016</b> | <b>December 31,<br/>2015</b> |
|---|-----------------------------------|------------------------------|
| <b>Current</b>                          |                                   |                              |
| Short-term borrowings                   | ₩ 102,698                         |                              |
| Current portion of long-term debt       | 1,009,997                         | 1,416,112                    |
| Derivatives(*)                          | 10,261                            |                              |
|   | <b>₩ 1,122,956</b>                | <b>1,416,112</b>             |
| <b>Non-current</b>                      |                                   |                              |
| Won denominated borrowings              | ₩ 702,092                         | 202,992                      |
| Foreign currency denominated borrowings | 1,576,522                         | 1,323,454                    |
| Bonds                                   | 1,401,677                         | 1,281,673                    |
| Derivatives(*)                          | 2,454                             | 85                           |
|   | <b>₩ 3,682,745</b>                | <b>2,808,204</b>             |

(\*) Represents forward contracts and interest rate swap contracts

(b) Short-term borrowings as of September 30, 2016 and December 31, 2015 are as follows:

*(In millions of won and USD)*

| <b>Lender</b>                         | <b>Annual interest rate<br/>as of<br/>September 30, 2016 (%)</b> (*) | <b>September 30,<br/>2016</b> | <b>December 31,<br/>2015</b> |
|---------------------------------------|--|-------------------------------|------------------------------|
| Standard Chartered Bank Korea Limited | 6ML + 0.62   | ₩ 102,698                     |                              |
| Foreign currency equivalent           |  | USD 94                        |                              |

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

(c) Won denominated long-term debt as of September 30, 2016 and December 31, 2015 is as follows:



*(In millions of won)*

| <b>Lender</b>                             | <b>Annual interest rate<br/>as of<br/>September 30, 2016 (%)</b>   | <b>September 30,<br/>2016</b> | <b>December 31,<br/>2015</b> |
|---|--|-------------------------------|------------------------------|
|   | 3-year Korean Treasury Bond  |                               |                              |
| Woori Bank and others                     | rate less 1.25, 2.75   | ₩ 3,356                       | 4,452                        |
| Shinhan Bank                              | CD rate (91days) + 0.30  | 200,000                       | 200,000                      |
| Korea Development Bank<br>and others      | 3-year Industrial Financial<br>Debenture rate + 0.55,<br>CD rate (91days) + 0.74,<br>CD rate (91days) + 0.64 | 500,000                       |                              |
| Less current portion of<br>long-term debt |  | (1,264)                       | (1,460)                      |
|   |  | ₩ 702,092                     | 202,992                      |

**Table of Contents**10. Financial Liabilities, Continued

- (d) Long-term debt denominated in currencies other than won as of September 30, 2016 and December 31, 2015 is as follows:

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

| Lender                                     | Annual interest rate<br>as of | September 30, | December 31, |
|--|-------------------------------|---------------|--------------|
|  | September 30, 2016 (%)        | 2016          | 2015         |
|  | USD : 3ML+1.30, 2.00          |               |              |
| China Construction Bank and others         | CNY : 4.28                    | ₩ 1,011,473   | 854,654      |
| The Export-Import Bank of Korea and others | 3ML+0.55~1.78                 | 1,091,257     | 879,000      |
| Standard Chartered Bank Korea Limited      | 6ML+0.62                      | 7,682         |              |
|  |                               | USD 1,437     | USD 1,185    |
| Foreign currency equivalent                |                               | CNY 3,264     | CNY 1,964    |
| Less current portion of long-term debt     |                               | (533,890)     | (410,200)    |
|  |                               | ₩ 1,576,522   | 1,323,454    |

- (e) Details of bonds issued and outstanding as of September 30, 2016 and December 31, 2015 are as follows:

*(In millions of won)*

| Maturity                        | Annual interest rate<br>as of | September 30, | December 31, |
|---------------------------------|-------------------------------|---------------|--------------|
|                                 | September 30, 2016 (%)        | 2016          | 2015         |
| <b>Won denominated bonds(*)</b> |                               |               |              |
| Publicly issued bonds           | October 2016~                 | 1.73~4.51     | ₩ 1,880,000  |
|                                 | May 2022                      |               | 2,290,000    |
| Less discount on bonds          |                               | (3,480)       | (3,875)      |
| Less current portion            |                               | (474,843)     | (1,004,452)  |
|                                 |                               | ₩ 1,401,677   | 1,281,673    |

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

**Table of Contents****11. Employee Benefits**

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

- (a) Recognized liabilities for defined benefit plans as of September 30, 2016 and December 31, 2015 are as follows:

| <i>(In millions of won)</i>                                   | <b>September<br/>30,<br/>2016</b> | <b>December 31,<br/>2015</b> |
|---|-----------------------------------|------------------------------|
| Present value of partially funded defined benefit obligations | ₩ 1,517,936                       | 1,381,648                    |
| Fair value of plan assets                                     | (1,114,329)                       | (1,027,850)                  |
|   | <b>₩ 403,607</b>                  | <b>353,798</b>               |

- (b) Expenses recognized in profit or loss for the three-month and nine-month periods ended September 30, 2016 and 2015 are as follows:

| <i>(In millions of won)</i> | <b>For the three-month<br/>periods ended September 30</b> |               | <b>For the nine-month<br/>periods ended September 30</b> |                |
|-----------------------------|---|---------------|--|----------------|
|                             | <b>2016</b>   | <b>2015</b>   | <b>2016</b>  | <b>2015</b>    |
| Current service cost        | ₩ 52,705  | 46,941        | 158,124  | 140,826        |
| Net interest cost           | 2,569   | 2,816         | 7,709  | 8,449          |
|                             | <b>₩ 55,274</b>   | <b>49,757</b> | <b>165,833</b>   | <b>149,275</b> |

- (c) Plan assets as of September 30, 2016 and December 31, 2015 are as follows:

| <i>(In millions of won)</i>  | <b>September 30, 2016</b> | <b>December 31, 2015</b> |
|------------------------------|---------------------------|--------------------------|
| Guaranteed deposits in banks | ₩ 1,114,329               | 1,027,850                |

As of September 30, 2016, the Group maintains the plan assets with Mirae Asset Securities Co., Ltd., Shinhan Bank and others.

- (d) Remeasurements of net defined benefit liabilities included in other comprehensive income (loss) for the three-month and nine-month periods ended September 30, 2016 and 2015 are as follows:

| <i>(In millions of won)</i>  | <b>For the three-month</b>        |             | <b>For the nine-month</b>         |             |
|--|-----------------------------------|-------------|-----------------------------------|-------------|
|  | <b>periods ended September 30</b> |             | <b>periods ended September 30</b> |             |
|  | <b>2016</b>                       | <b>2015</b> | <b>2016</b>                       | <b>2015</b> |
| Remeasurements of net defined benefit liabilities                    | ₩ (1,033)                         | (684)       | (3,817)                           | (3,023)     |
| Tax effect   | 250                               | 166         | 924                               | 732         |
| Remeasurements of net defined benefit liabilities, net of income tax | ₩ (783)                           | (518)       | (2,893)                           | (2,291)     |

**Table of Contents**12. Contingent Liabilities and Commitments

## (1) Litigations and Others

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

In December 2013, Delaware Display Group LLC and Innovative Display Technologies LLC filed a patent infringement case ( First Case ) against the Controlling Company and LG Display America, Inc. in the United States District Court for the District of Delaware. The Controlling Company does not have a present obligation for this matter and has not recognized any provision at September 30, 2016. It is not possible to reasonably estimate an amount of potential loss, if any, because the information plaintiffs have provided regarding damages are unreliable and may substantially change as litigation proceeds.

In December 2015, DDG and IDT filed a new patent infringement case against the Controlling Company and LG Display America, Inc. over the three patents that were dismissed without prejudice from the First Case. In May 2016, the case has been stayed by the United States District Court for the District of Delaware pending Inter Partes Review. The Controlling Company does not have a present obligation for this matter and has not recognized any provision at September 30, 2016. It is not possible to reasonably estimate an amount of potential loss, if any, because the plaintiffs have not provided any information regarding damages.

In August 2016, Innovative Display Technologies LLC filed a new patent infringement case against the Controlling Company and LG Display America, Inc. in the United States District Court for the Eastern District of Texas with respect to two new patents. The Controlling Company does not have a present obligation for this matter and has not recognized any provision at September 30, 2016. It is not possible to reasonably estimate an amount of potential loss, if any, because the plaintiffs have not provided any information regarding damages.

Surpass Tech Innovation LLC

In March 2014, Surpass Tech Innovation LLC filed a complaint in the United States District Court for the District of Delaware against the Controlling Company and LG Display America, Inc. for alleged patent infringement. In November 2014, the case has been stayed by the United States District Court for the District of Delaware pending Inter Partes Review. The Controlling Company does not have a present obligation for this matter and has not recognized any provision at September 30, 2016. It is not possible to reasonably estimate an amount of potential loss, if any, because the plaintiffs have not provided any information regarding damages.

Anti-trust litigations

The Controlling Company reached agreements on individual lawsuit and class actions in the United States and Canada, respectively, in connection with alleged violation of the antitrust laws after the nine-month period ended September 30, 2016.

During the nine-month period ended September 30, 2016, the Group updated its estimates on the amount of potential outflow of resources for pending antitrust litigations which resulted in a decrease of provision in the amount of ₩39,365 million upon payment for the settlement. The Group also recognized additional provision of ₩24,231 million and reversed ₩14,887 million. While the Group continues its vigorous defense of the various pending proceedings described above, management's assessment of the facts and circumstances could change based upon new information, intervening events and the final outcome of the cases. Consequently, the actual results could be materially different from management's current estimates.



**Table of Contents**12. Contingent Liabilities and Commitments, Continued

## (2) Commitments

Factoring and securitization of accounts receivable

The Controlling Company has agreements with Korea Development Bank and several other banks for accounts receivable sales negotiating facilities of up to an aggregate of USD 2,063 million (₩2,262,193 million) in connection with the Controlling Company's export sales transactions with its subsidiaries. As of September 30, 2016, no short-term borrowings were outstanding in connection with these agreements. In connection with all of the contracts in this paragraph, the Controlling Company has sold its accounts receivable with recourse.

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

(In millions of USD and KRW)

| Classification                 | Financial institutions              | Maximum            |                | Not yet due        |                |
|--------------------------------|-------------------------------------|--------------------|----------------|--------------------|----------------|
|                                |                                     | Contractual amount | KRW equivalent | Contractual amount | KRW equivalent |
| <b>Controlling Company</b>     | Shinhan Bank                        | KRW 90,000         | 90,000         |                    |                |
|                                | Bank of Tokyo-Mitsubishi UFJ        | USD 70             | 76,741         |                    |                |
|                                | Sumitomo Mitsui Banking Corporation | USD 20             | 21,926         |                    |                |
|                                |                                     |                    |                |                    |                |
| <b>Subsidiaries</b>            |                                     |                    |                |                    |                |
| LG Display Singapore Pte. Ltd. | Standard Chartered Bank             | USD 300            | 328,890        | USD 132            | 144,258        |
| LG Display Taiwan Co., Ltd.    | BNP Paribas                         | USD 82             | 89,897         |                    |                |
|                                | Hongkong & Shanghai Banking Corp.   | USD 150            | 164,445        |                    |                |
|                                | Taishin International Bank          | USD 320            | 350,816        |                    |                |
|                                | Sumitomo Mitsui Banking Corporation | USD 100            | 109,630        |                    |                |
| LG Display Shanghai Co., Ltd.  | BNP Paribas                         | USD 125            | 137,038        | USD 14             | 15,230         |
| LG Display Germany GmbH        | Citibank                            | USD 160            | 175,408        | USD 20             | 21,926         |
|                                | BNP Paribas                         | USD 107            | 117,304        | USD 20             | 21,926         |
| LG Display America, Inc.       | Hongkong & Shanghai Banking Corp.   | USD 600            | 657,780        | USD 416            | 455,733        |
|                                | Sumitomo Mitsui Banking Corporation | USD 250            | 274,075        |                    |                |
| LG Display Japan Co., Ltd.     | Sumitomo Mitsui Banking Corporation | USD 90             | 98,667         |                    |                |



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LG Display Guangzhou  
Trading Co., Ltd.

Industrial and  
Commercial Bank of  
China

USD 64 70,163

USD 2,348 2,574,113 USD 602 659,073

USD 2,438 2,762,780 USD 602 659,073

KRW 90,000

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**Table of Contents****12. Contingent Liabilities and Commitments, Continued**

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

**Letters of credit**

As of September 30, 2016, the Controlling Company has agreements in relation to the opening of letters of credit up to USD 40 million (~~₩~~43,852 million) with KEB Hana Bank, USD 80 million (~~₩~~87,704 million) with Bank of China and USD 50 million (~~₩~~54,815 million) with Sumitomo Mitsui Banking Corporation.

**Payment guarantees**

The Controlling Company obtained payment guarantees for borrowings amounting to USD 200 million (~~₩~~219,260 million) from KEB Hana Bank, USD 8.5 million (~~₩~~9,319 million) from Shinhan bank for value added tax payments in Poland and USD 75 million (~~₩~~82,223 million) from Westchester Fire Insurance Company for ongoing legal proceeding.

LG Display Japan Co., Ltd. and other subsidiaries are provided with payment guarantees from the Bank of Tokyo-Mitsubishi UFJ and other various banks amounting to JPY 700 million (~~₩~~7,586 million), CNY 3,614 million (~~₩~~592,588 million), USD 0.5 million (~~₩~~548 million), EUR 2.5 million (~~₩~~3,076 million) and PLN 0.2 million (~~₩~~57 million), respectively, for their local tax payments.

**Credit facility**

LG Display Japan Co., Ltd. and other subsidiaries have entered into short-term credit facility agreements of up to USD 23 million (~~₩~~25,215 million) and JPY 8,000 million (~~₩~~86,694 million) in total, with Mizuho Corporate Bank and other various banks.

**License agreements**

As of September 30, 2016, in relation to its LCD business, the Group has technical license agreements with Hitachi Display, Ltd. and others and has a trademark license agreement with LG Corp.

**Pledged Assets**

Regarding the secured bank loan amounting to USD 300 million (~~₩~~328,488 million) and CNY 1,964 million (~~₩~~322,004 million) from China Construction Bank, as of September 30, 2016, the Group provided its property, plant and equipment and others with carrying amount of ~~₩~~1,030,432 million as pledged assets.

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13. Capital and Reserves

(a) Share capital

The Controlling Company is authorized to issue 500,000,000 shares of capital stock (par value ₩5,000), and as of September 30, 2016 and December 31, 2015, the number of issued common shares is 357,815,700. There have been no changes in the capital stock from January 1, 2015 to September 30, 2016.

(b) Reserves

Reserves consist mainly of the following:

*Translation reserve*

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

*Fair value reserve*

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

**Table of Contents**14. Related Parties

## (a) Related parties

Related parties as of September 30, 2016 are as follows:

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

(\*) Details of associates are described in note 5.

Related parties other than associates and joint ventures that have transactions such as sales or balance of trade accounts and notes receivable and payable with the Group as of September 30, 2016 and December 31, 2015 are as follows:

| <b>Classification</b>  | <b>September 30, 2016</b>   | <b>December 31, 2015</b>   |
|--|---|--|
| Subsidiaries of Associates   | ADP System Co., Ltd.<br>Shinbo Electric Co., Ltd.   | ADP System Co., Ltd.<br>Shinbo Electric Co., Ltd.<br>AVATEC Electronics Yantai Co., Ltd.   |
| Entity that has significant influence over the Controlling Company                     | New Optics USA, Inc.<br>NEWOPTIX RS. SA DE CV   | New Optics USA, Inc.   |
| Subsidiaries of the entity that has significant influence over the Controlling Company | LG Electronics Inc.<br>Hiplaza Co., Ltd.<br>HiEntech Co., Ltd.  | LG Electronics Inc.<br>Hi Business Logistics Co., Ltd.<br>Hiplaza Co., Ltd.<br>HiEntech Co., Ltd.<br>LG Hitachi Water Solutions Co., Ltd.                  |
|  | LG Hitachi Water Solutions Co., Ltd.<br>LG Innotek Co., Ltd.<br>Hanuri Co., Ltd.<br>Qingdao LG Inspur Digital Communication Co., Ltd. | LG Innotek Co., Ltd.<br>Hanuri Co., Ltd.<br>Qingdao LG Inspur Digital Communication Co., Ltd.<br>LG Innotek USA, Inc.<br>LG Electronics Wroclaw Sp. z o.o. |
|  | LG Electronics Wroclaw Sp. z o.o.<br>LG Electronics Reynosa, S.A. DE C.V.<br>LG Electronics Thailand Co., Ltd.                        | o.o.<br>LG Electronics Reynosa, S.A. DE C.V.<br>LG Electronics Thailand Co., Ltd.  |

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|  |  |
|--|--|
| LG Electronics Taiwan Taipei Co., Ltd.         | LG Electronics Taiwan Taipei Co., Ltd.         |
| LG Electronics Shenyang Inc.                   | LG Electronics Shenyang Inc.                   |
| LG Electronics RUS, LLC                        | LG Electronics RUS, LLC                        |
| LG Electronics Nanjing New Technology Co., LTD | LG Electronics Nanjing New Technology Co., LTD |

**Table of Contents**14. Related Parties, Continued

| <b>Classification</b> | <b>September 30, 2016</b>                               | <b>December 31, 2015</b>                                |
|-----------------------|---|---|
|                       | LG Electronics Mlawa Sp. z o.o.                         | LG Electronics Mlawa Sp. z o.o.                         |
|                       | LG Electronics Mexicali, S.A. DE C.V.                   | LG Electronics Mexicali, S.A. DE C.V.                   |
|                       | LG Electronics India Pvt. Ltd.                          | LG Electronics India Pvt. Ltd.                          |
|                       | LG Electronics do Brasil Ltda.                          | LG Electronics do Brasil Ltda.                          |
|                       | LG Electronics Air-Conditioning<br>(Shandong) Co., Ltd. | LG Electronics Air-Conditioning<br>(Shandong) Co., Ltd. |
|                       | LG Electronics Almaty Kazakhstan                        | LG Electronics Almaty Kazakhstan                        |
|                       | LG Electronics S.A. (Pty) Ltd                           | LG Electronics S.A. (Pty) Ltd                           |
|                       | LG Electronics Singapore PTE LTD.                       | LG Electronics Singapore PTE LTD.                       |
|                       | Inspur LG Digital Mobile Communications<br>Co., Ltd.    | Inspur LG Digital Mobile Communications<br>Co., Ltd.    |
|                       |   | Hi Logistics Europe B.V.                                |
|                       |   | Hi Logistics (China) Co., Ltd.                          |
|                       | LG Electronics Japan, Inc.                              | LG Electronics Japan, Inc.                              |
|                       | LG Electronics U.S.A., Inc.                             | LG Electronics U.S.A., Inc.                             |
|                       | LG Electronics Vietnam Haiphong Co., Ltd.               | LG Electronics Vietnam Haiphong Co., Ltd.               |
|                       | P.T. LG Electronics Indonesia                           | P.T. LG Electronics Indonesia                           |
|                       | Hientech (Tianjin) Co., Ltd.                            | Hientech (Tianjin) Co., Ltd.                            |
|                       | Hi M Solutek  | Hi M Solutek  |
|                       | LG Electronics Deutschland GmbH                         | LG Electronics Deutschland GmbH                         |
|                       | LG Electronics Alabama Inc.                             |   |
|                       | LG Innotek Yantai Co., Ltd.                             |   |

## (b) Key management personnel compensation

Compensation costs of key management for the three-month and nine-month periods ended September 30, 2016 and 2015 are as follows:

| <i>(In millions of won)</i>                     | <b>For the three-month<br/>periods ended September 30,</b> |             | <b>For the nine-month<br/>periods ended September 30,</b> |             |
|---|--|-------------|---|-------------|
|   | <b>2016</b>  | <b>2015</b> | <b>2016</b>   | <b>2015</b> |
| Short-term benefits                             | ₩ 534  | 731         | 2,066   | 2,228       |
| Expenses related to the defined<br>benefit plan | 93   | 73          | 804   | 305         |
|   | ₩ 627  | 804         | 2,870   | 2,533       |

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



**Table of Contents**14. Related Parties, Continued

- (c) Significant transactions such as sales of goods and purchases of raw material and outsourcing service and others, which occurred in the normal course of business with related parties for the three-month and nine-month periods ended September 30, 2016 and 2015 are as follows:

*(In millions of won)***For the three-month period ended September 30, 2016**

|   | <b>Purchase and others</b>                 |                        |  |            |                         |                    |
|---|--|------------------------|--|------------|-------------------------|--------------------|
|   | <b>Purchase of raw material and others</b> |                        | <b>Acquisition of material property, plant and equipment</b> |            | <b>Outsourcing fees</b> | <b>Other costs</b> |
|   | <b>Sales and others</b>                    | <b>Dividend income</b> | <b>and others</b>  | <b>and</b> | <b>fees</b>             | <b>Other costs</b> |
| <b>Joint Venture</b>                      |  |                        |  |            |                         |                    |
| Suzhou Raken Technology Co., Ltd.(*1)     | ₩ 2  | 1,378                  |  |            |                         |                    |
| <b>Associates and their subsidiaries</b>  |  |                        |  |            |                         |                    |
| New Optics Ltd.                           | ₩ 287                                      |                        | 11,441   |            | 1,795                   | 80                 |
| New Optics USA, Inc.                      |  |                        |  |            | 7                       |                    |
| NEWOPTIX RS. SA DE CV                     | 6  |                        |  |            |                         |                    |
| INVENIA Co., Ltd. (LIG INVENIA Co., Ltd.) |  |                        | 1,011  | 5,497      |                         | 316                |
| TLI Inc.                                  |  |                        | 17,358   |            |                         | 547                |
| AVACO Co., Ltd.(*2)                       | 423  |                        | 20   | 38         |                         | 6                  |
| AVATEC Co., Ltd.                          |  |                        |  |            | 17,187                  | 309                |
| Paju Electric Glass Co., Ltd.             |  |                        | 123,396  |            |                         | 1,015              |
| LB Gemini New Growth Fund No. 16          |  |                        |  |            |                         |                    |
| Shinbo Electric Co., Ltd.                 | 7,181                                      |                        | 86,221   |            | 792                     | 125                |
| Narenanotech Corporation                  |  |                        | 132  | 2,217      |                         | 155                |
| ADP System Co., Ltd.                      |  |                        |  | 3          |                         |                    |
| YAS Co., Ltd.                             |  |                        | 491  | 43,486     |                         | 645                |
| WooRee E&L Co., Ltd.                      |  |                        |  |            |                         |                    |
|   | ₩ 7,897                                    |                        | 240,070  | 51,241     | 19,781                  | 3,198              |



**Table of Contents**14. Related Parties, Continued*(In millions of won)***For the three-month period ended September 30, 2016**

|   | <b>Purchase and others</b>        |                 |               |                  |                    |
|---|-----------------------------------|-----------------|---------------|------------------|--------------------|
|   | <b>Purchase of acquisition of</b> |                 |               |                  |                    |
|   | <b>material property, plant</b>   |                 |               |                  |                    |
|   | <b>Sales</b>                      | <b>Dividend</b> | <b>and</b>    | <b>and</b>       | <b>Outsourcing</b> |
|   | <b>and others</b>                 | <b>income</b>   | <b>others</b> | <b>equipment</b> | <b>fees</b>        |
| <b>Entity that has significant influence over the Company</b>                                 |                                   |                 |               |                  | <b>Other costs</b> |
| LG Electronics Inc.   | ₩ 371,184                         |                 | 5,378         | 182,006          | 11,791             |
| <b>Subsidiaries of the entity that has significant influence over the Controlling Company</b> |                                   |                 |               |                  |                    |
| LG Electronics India Pvt. Ltd.  | ₩ 23,570                          |                 |               |                  | 13                 |
| LG Electronics Vietnam Haiphong Co., Ltd.   | 40,332                            |                 |               |                  | 44                 |
| LG Electronics Nanjing New Technology Co., LTD.   | 67,600                            |                 |               |                  | 380                |
| LG Electronics RUS, LLC   | 30,986                            |                 |               |                  | 403                |
| LG Electronics do Brasil Ltda.  | 35,789                            |                 |               |                  | 164                |
| LG Innotek Co., Ltd.  | 3,913                             |                 | 41,905        |                  | 6,456              |
| Qingdao LG Inspur Digital Communication Co., Ltd.   | 7,494                             |                 |               |                  |                    |
| Inspur LG Digital Mobile Communications Co., Ltd.   | 90,083                            |                 |               |                  |                    |
| LG Electronics Mexicalli, S.A. DE C.V   | 65,696                            |                 |               |                  | 45                 |
| LG Electronics Mlawa Sp. z o.o.   | 165,932                           |                 |               |                  | 172                |
| LG Electronics Taiwan Taipei Co., Ltd.  | 2,896                             |                 |               |                  | 14                 |
| LG Electronics Wroclaw Sp. Z o.o  | 17,002                            |                 |               |                  | 7                  |
| LG Hitachi Water Solutions Co., Ltd.  | 301                               |                 |               | 66,610           |                    |

**Table of Contents**14. Related Parties, Continued*(In millions of won)***For the three-month period ended September 30, 2016**

|   | <b>Sales<br/>and others</b> | <b>Dividend<br/>income</b> | <b>and<br/>others</b> | <b>Purchase of raw<br/>material property, plant<br/>and equipment</b> | <b>Acquisition of<br/>and Outsourcing<br/>fees</b> | <b>Other costs</b> |
|---|-----------------------------|----------------------------|-----------------------|---|--|--------------------|
| LG Electronics Reynosa, S.A. DE C.V.                    | ₩ 304,238                   |                            |                       |   |  | 547                |
| HiEntech Co., Ltd.                                      |                             |                            |                       |   |  | 6,402              |
| Hientech (Tianjin) Co., LTD                             |                             |                            |                       |   |  | 9,756              |
| LG Electronics Air-Conditioning<br>(Shandong) Co., Ltd. | 3                           |                            |                       |   |  |                    |
| LG Electronics Almaty Kazakhstan                        | 5,124                       |                            |                       |   |  | 7                  |
| LG Electronics S.A. (Pty) Ltd.                          | 7,372                       |                            |                       |   |  | 8                  |
| Others  |                             |                            |                       |   |  | 746                |
|   | ₩ 868,331                   |                            | 41,905                | 66,610  |  | 25,164             |
|   | ₩ 1,247,414                 | 1,378                      | 287,353               | 299,857   | 19,781   | 40,153             |

(\*1) Represents transactions occurred prior to exchange of equity interests. Details of its transactions are described in note 1(b).

(\*2) Represents transactions occurred prior to disposal of the entire investments in AVACO Co., Ltd. (Note 5)

**Table of Contents**14. Related Parties, Continued*(In millions of won)***For the nine-month period ended September 30, 2016**

|   | <b>Purchase and others</b>       |                        |  |            |                         |                    |
|---|----------------------------------|------------------------|--|------------|-------------------------|--------------------|
|   | <b>Purchase of raw materials</b> |                        | <b>Acquisition of material property, plant and equipment</b> |            | <b>Outsourcing fees</b> | <b>Other costs</b> |
|   | <b>Sales and others</b>          | <b>Dividend income</b> | <b>and others</b>  | <b>and</b> | <b>and</b>              | <b>Other costs</b> |
| <b>Joint Venture</b>                      |                                  |                        |  |            |                         |                    |
| Suzhou Raken Technology Co., Ltd.(*1)     | ₩ 59,388                         | 31,280                 |  |            |                         | 543                |
| <b>Associates and their subsidiaries</b>  |                                  |                        |  |            |                         |                    |
| New Optics Ltd.                           | ₩ 287                            |                        | 39,463   |            | 5,650                   | 167                |
| New Optics USA, Inc.                      |                                  |                        |  |            | 509                     |                    |
| NEWOPTIX RS. SA DE CV                     | 17                               |                        |  |            |                         |                    |
| INVENIA Co., Ltd. (LIG INVENIA Co., Ltd.) | 44                               |                        | 1,317  | 39,931     |                         | 965                |
| TLI Inc.                                  |                                  | 101                    | 51,565   |            |                         | 2,138              |
| AVACO Co., Ltd.(*2)                       |                                  | 128                    | 703  | 31,575     |                         | 1,357              |
| AVATEC Co., Ltd.                          |                                  | 265                    |  |            | 50,410                  | 948                |
| Paju Electric Glass Co., Ltd.             |                                  | 21,030                 | 345,034  |            |                         | 2,466              |
| LB Gemini New Growth Fund No. 16          |                                  | 7,598                  |  |            |                         |                    |
| Shinbo Electric Co., Ltd.                 | 33,256                           |                        | 265,089  |            | 2,059                   | 166                |
| Narenanotech Corporation                  | 17                               |                        | 369  | 18,211     |                         | 692                |
| ADP System Co., Ltd.                      |                                  |                        |  | 17         |                         |                    |
| YAS Co., Ltd.                             | 44                               |                        | 1,316  | 68,492     |                         | 1,184              |
| WooRee E&L Co., Ltd.                      |                                  |                        |  |            |                         | 32                 |
|   | ₩ 33,665                         | 29,122                 | 704,856  | 158,226    | 58,628                  | 10,115             |

**Table of Contents**14. Related Parties, Continued*(In millions of won)***For the nine-month period ended September 30, 2016**

|   | <b>Purchase and others</b>                          |                        |                   |                             |                    |
|---|---|------------------------|-------------------|-----------------------------|--------------------|
|   | <b>Purchase of raw materials and acquisition of</b> |                        |                   |                             |                    |
|   | <b>material property, plant and equipment</b>       |                        |                   |                             |                    |
|   | <b>Sales and others</b>                             | <b>Dividend income</b> | <b>and others</b> | <b>and Outsourcing fees</b> | <b>Other costs</b> |
| <b>Entity that has significant influence over the Company</b>                                 |   |                        |                   |                             |                    |
| LG Electronics Inc.   | ₩ 1,235,505   |                        | 15,629            | 423,975                     | 46,978             |
| <b>Subsidiaries of the entity that has significant influence over the Controlling Company</b> |   |                        |                   |                             |                    |
| LG Electronics India Pvt. Ltd.  | ₩ 64,132  |                        |                   |                             | 26                 |
| LG Electronics Vietnam Haiphong Co., Ltd.   | 107,118   |                        |                   |                             | 77                 |
| LG Electronics Nanjing New Technology Co., LTD.   | 158,492   |                        |                   |                             | 1,450              |
| LG Electronics RUS, LLC   | 70,930  |                        |                   |                             | 2,714              |
| LG Electronics do Brasil Ltda.  | 96,660  |                        |                   |                             | 3,185              |
| LG Innotek Co., Ltd.  | 8,484   |                        | 149,914           |                             | 22,408             |
| Qingdao LG Inspur Digital Communication Co., Ltd.   | 39,215  |                        |                   |                             |                    |
| Inspur LG Digital Mobile Communications Co., Ltd.   | 302,225   |                        |                   |                             |                    |
| LG Electronics Mexicali, S.A. DE C.V  | 160,996   |                        |                   |                             | 45                 |
| LG Electronics Mlawa Sp. z o.o.   | 381,700   |                        |                   |                             | 431                |
| LG Electronics Taiwan Taipei Co., Ltd.  | 7,154   |                        |                   |                             | 20                 |
| LG Electronics Wroclaw Sp. Z o.o  | 249,846   |                        |                   |                             | 32                 |
| LG Hitachi Water Solutions Co., Ltd.  |   |                        |                   | 92,939                      | 3,677              |
| LG Electronics Reynosa, S.A. DE C.V.  | 776,157   |                        |                   |                             | 1,295              |

**Table of Contents**14. Related Parties, Continued*(In millions of won)***For the nine-month period ended September 30, 2016**

|  | <b>Purchase and others</b>   |                        |                   |                      |                         |                    |
|--|--|------------------------|-------------------|----------------------|-------------------------|--------------------|
|  | <b>Purchase of raw materials and acquisition of material property, plant and equipment</b> |                        |                   |                      |                         |                    |
|  | <b>Sales and others</b>  | <b>Dividend income</b> | <b>and others</b> | <b>and equipment</b> | <b>Outsourcing fees</b> | <b>Other costs</b> |
| HiEntech Co., Ltd.                                   | ₩  |                        |                   |                      |                         | 18,954             |
| Hientech (Tianjin) Co., LTD                          |  |                        |                   |                      |                         | 24,639             |
| LG Electronics Air-Conditioning (Shandong) Co., Ltd. |  |                        |                   |                      |                         | 4,107              |
| LG Electronics Almaty Kazakhstan                     | 11,438   |                        |                   |                      |                         | 7                  |
| LG Electronics S.A. (Pty) Ltd.                       | 15,142   |                        |                   |                      |                         | 24                 |
| Others   | 2,312  |                        |                   |                      |                         | 2,408              |
|  | ₩ 2,452,001  |                        | 149,914           | 92,939               |                         | 85,499             |
|  | ₩ 3,780,559  | 60,402                 | 870,399           | 675,140              | 58,628                  | 143,135            |

(\*1) Represents transactions occurred prior to exchange of equity interests. Details of its transactions are described in note 1(b).

(\*2) Represents transactions occurred prior to disposal of the entire investments in AVACO Co., Ltd. (Note 5)

**Table of Contents**14. Related Parties, Continued*(In millions of won)***For the three-month period ended September 30, 2015**

|  | <b>Sales<br/>and<br/>others</b> | <b>Dividend<br/>income</b> | <b>Purchase of raw<br/>material and<br/>others</b> | <b>Acquisition of<br/>property, plant<br/>and<br/>equipment</b> | <b>Purchase and others<br/>Outsourcing<br/>fees</b> | <b>Other costs</b> |
|--|---------------------------------|----------------------------|--|---|---|--------------------|
| <b>Joint Venture</b>                         |                                 |                            |  |   |   |                    |
| Suzhou Raken Technology Co., Ltd.            | ₩27,077                         |                            |  |   |   |                    |
| <b>Associates and their subsidiaries</b>     |                                 |                            |  |   |   |                    |
| New Optics Ltd.                              | ₩                               |                            | 14,788   |   | 1,578   | 73                 |
| New Optics USA, Inc.                         |                                 |                            |  |   | 5,678   |                    |
| LIG INVENIA Co., Ltd. (LIG ADP Co.,<br>Ltd.) | 2                               |                            | 8  | 11,611  |   | 54                 |
| TLI Inc.                                     |                                 |                            | 23,730   |   |   | 271                |
| AVACO Co., Ltd.                              |                                 |                            | 252  | 15,729  |   | 1,578              |
| AVATEC Co., Ltd.                             |                                 |                            |  |   | 17,953  | 595                |
| AVATEC Electronics Yantai Co., Ltd.          |                                 |                            |  |   |   | 11                 |
| Paju Electric Glass Co., Ltd.                |                                 |                            | 110,605  |   |   | 916                |
| Shinbo Electric Co., Ltd.                    | 62,962                          |                            | 124,368  |   | 27,748  | 15                 |
| Narenanotech Corporation                     | 1                               |                            | 215  | 5,748   |   | 119                |
| Glonix Co., Ltd.                             | 2                               |                            |  |   |   | 63                 |
| ADP System Co., Ltd.                         |                                 |                            | 259  | 612   |   | 178                |
| YAS Co., Ltd.                                | 2                               |                            | 226  | 4,749   |   | 166                |
| LB Gemini New Growth Fund No. 16             |                                 | 760                        |  |   |   |                    |
|  | ₩62,969                         | 760                        | 274,451  | 38,449  | 52,957  | 4,039              |

**Table of Contents**14. Related Parties, Continued*(In millions of won)*

|   | For the three-month period ended September 30, 2015 |                 |                                 |   |                                  |
|---|---|-----------------|---------------------------------|---|----------------------------------|
|   | Sales and others                                    | Dividend income | Purchase of material and others | Purchase and acquisition of property, plant and equipment | Outsourcing fees and Other costs |
| <b>Entity that has significant influence over the Company</b>                                 |   |                 |                                 |   |                                  |
| LG Electronics Inc.   | ₩ 415,888   |                 | 4,437                           | 63,956  | 30,399                           |
| <b>Subsidiaries of the entity that has significant influence over the Controlling Company</b> |   |                 |                                 |   |                                  |
| LG Electronics India Pvt. Ltd.  | ₩ 51,447  |                 |                                 |   | 47                               |
| LG Electronics Vietnam Haiphong Co Ltd.   | 21,778  |                 |                                 |   |                                  |
| LG Electronics Thailand Co., Ltd.   |   |                 |                                 |   | 22                               |
| LG Electronics Nanjing Display Co., Ltd.  | 43,324  |                 |                                 |   | 1,387                            |
| LG Electronics RUS, LLC   | 50,971  |                 |                                 |   |                                  |
| LG Electronics do Brasil Ltda.  | 39,302  |                 |                                 |   | 212                              |
| LG Innotek Co., Ltd.  | 1,613   |                 | 68,786                          |   | 23,553                           |
| Qingdao LG Inspur Digital Communication Co., Ltd.   | 48,619  |                 |                                 |   |                                  |
| Inspur LG Digital Mobile Communications Co., Ltd.   | 78,298  |                 |                                 |   |                                  |
| LG Electronics Mexicali, S.A. DE C.V  | 39,505  |                 |                                 |   |                                  |
| LG Electronics Mlawa Sp. z o.o.   | 88,433  |                 |                                 |   | 136                              |
| LG Electronics Shenyang Inc.  | 28,913  |                 |                                 |   |                                  |
| LG Electronics Taiwan Taipei Co., Ltd   | 2,326   |                 |                                 |   |                                  |
| LG Electronics Wroclaw Sp. z o.o  | 101,597   |                 |                                 |   | 9                                |

**Table of Contents**14. Related Parties, Continued*(In millions of won)***For the three-month period ended September 30, 2015**

|                                      | <b>Purchase and others</b>                                 |                        |                   |  |             |                    |
|--------------------------------------|--|------------------------|-------------------|--|-------------|--------------------|
|                                      | <b>Purchase of raw material property, plant and others</b> |                        |                   | <b>Acquisition of equipment and Outsourcing fees</b> |             | <b>Other costs</b> |
|                                      | <b>Sales and others</b>                                    | <b>Dividend income</b> | <b>and others</b> | <b>and equipment</b>                                 | <b>fees</b> | <b>Other costs</b> |
| LG Hitachi Water Solutions Co., Ltd. | ₩  |                        |                   | 19,530   |             | 1,222              |
| LG Electronics Reynosa, S.A. DE C.V. | 344,212  |                        |                   |  |             |                    |
| HiEntech Co., Ltd.                   |  |                        |                   |  |             | 6,164              |
| Hi Business Logistics Co., Ltd.      | 11   |                        |                   |  |             | 7,089              |
| Hi Logistics (China) Co., Ltd.       |  |                        |                   |  |             | 4,255              |
| Hientech (Tianjin) Co., LTD          |  |                        |                   |  |             | 6,681              |
| Others                               | 3,086  |                        |                   |  |             | 1,374              |
|                                      | ₩ 943,435  |                        | 68,786            | 19,530   |             | 52,151             |
|                                      | ₩ 1,449,369  | 760                    | 347,674           | 121,935  | 52,957      | 86,589             |



**Table of Contents**14. Related Parties, Continued*(In millions of won)*

For the nine-month period ended September 30, 2015

|   | Purchase and others       |                 |   |         |                  |             |
|---|---------------------------|-----------------|---|---------|------------------|-------------|
|   | Purchase of raw materials |                 | Acquisition of material property, plant and equipment |         | Outsourcing fees | Other costs |
|   | Sales and others          | Dividend income | and others  | and     |                  |             |
| <b>Joint Venture</b>  |                           |                 |   |         |                  |             |
| Suzhou Raken Technology Co., Ltd.                             | ₩ 123,291                 |                 |   |         |                  |             |
| <b>Associates and their subsidiaries</b>                      |                           |                 |   |         |                  |             |
| New Optics Ltd.   | ₩ 1                       |                 | 35,996  |         | 4,557            | 376         |
| New Optics USA, Inc.  |                           |                 |   |         | 26,583           |             |
| LIG INVENIA Co., Ltd. (LIG ADP Co., Ltd.)                     | 2                         |                 | 33  | 35,288  |                  | 54          |
| TLI Inc.  |                           | 101             | 61,984  |         |                  | 530         |
| AVACO Co., Ltd.   |                           | 128             | 1,040   | 58,906  |                  | 3,994       |
| AVATEC Co., Ltd.  |                           | 530             | 278   |         | 32,693           | 1,282       |
| AVATEC Electronics Yantai Co., Ltd.                           |                           |                 |   |         |                  | 759         |
| Paju Electric Glass Co., Ltd.                                 |                           | 24,058          | 326,290   |         |                  | 1,987       |
| Shinbo Electric Co., Ltd.                                     | 243,778                   |                 | 371,007   |         | 73,197           | 68          |
| Narenanotech Corporation                                      | 1                         |                 | 419   | 12,188  |                  | 526         |
| Glonix Co., Ltd.  | 2                         |                 | 4,192   |         |                  | 98          |
| ADP System Co., Ltd.  |                           |                 | 1,935   | 2,561   |                  | 438         |
| YAS Co., Ltd.   | 2                         |                 | 411   | 15,882  |                  | 529         |
| LB Gemini New Growth Fund No. 16                              |                           | 760             |   |         |                  |             |
|   | ₩ 243,786                 | 25,577          | 803,585   | 124,825 | 137,030          | 10,641      |
| <b>Entity that has significant influence over the Company</b> |                           |                 |   |         |                  |             |
| LG Electronics Inc.   | ₩ 1,367,500               |                 | 36,386  | 206,611 |                  | 115,098     |

**Table of Contents**14. Related Parties, Continued*(In millions of won)***For the nine-month period ended September 30, 2015**

|   | <b>Purchase and others</b>                 |                        |   |            |                         |
|---|--|------------------------|---|------------|-------------------------|
|   | <b>Purchase of raw material and others</b> |                        | <b>acquisition of property, plant and equipment</b> |            | <b>Outsourcing fees</b> |
|   | <b>Sales and others</b>                    | <b>Dividend income</b> | <b>and others</b>                                   | <b>and</b> | <b>Other costs</b>      |
| <b>Subsidiaries of the entity that has significant influence over the Controlling Company</b> |  |                        |   |            |                         |
| LG Electronics India Pvt. Ltd.  | ₩ 130,491                                  |                        |   |            | 86                      |
| LG Electronics Vietnam Haiphong Co Ltd.   | 70,241                                     |                        |   |            |                         |
| LG Electronics Thailand Co., Ltd.   | 12,902                                     |                        |   |            | 182                     |
| LG Electronics Nanjing Display Co., Ltd.  | 145,830                                    |                        |   |            | 1,992                   |
| LG Electronics RUS, LLC   | 140,284                                    |                        |   |            | 92                      |
| LG Electronics do Brasil Ltda.  | 282,185                                    |                        |   |            | 511                     |
| LG Electronics (Kunshan) Computer Co., Ltd  | 9,282                                      |                        |   |            |                         |
| LG Innotek Co., Ltd.  | 4,017                                      |                        | 228,695   |            | 34,828                  |
| Qingdao LG Inspur Digital Communication Co., Ltd.   | 210,756                                    |                        |   |            |                         |
| Inspur LG Digital Mobile Communications Co., Ltd.   | 181,569                                    |                        |   |            |                         |
| LG Electronics Mexicali, S.A. DE C.V.   | 134,208                                    |                        |   |            |                         |
| LG Electronics Mlawa Sp. z o.o.   | 356,125                                    |                        |   |            | 426                     |
| LG Electronics Shenyang Inc.  | 90,922                                     |                        |   |            | 4                       |
| LG Electronics Taiwan Taipei Co., Ltd   | 10,936                                     |                        |   |            |                         |
| LG Electronics Wroclaw Sp. z o.o  | 355,716                                    |                        |   |            | 38                      |
| LG Hitachi Water Solutions Co., Ltd.  |  |                        |   | 36,947     | 1,603                   |
| LG Electronics Reynosa, S.A. DE C.V.  | 740,707                                    |                        |   |            | 8                       |
| HiEntech Co., Ltd.  |  |                        |   |            | 18,989                  |

**Table of Contents**14. Related Parties, Continued*(In millions of won)***For the nine-month period ended September 30, 2015**

|                                    | <b>Purchase and others<br/>Acquisition</b>             |                            |   |         |                             |                    |
|------------------------------------|--|----------------------------|---|---------|-----------------------------|--------------------|
|                                    | <b>Purchase of raw<br/>material<br/>and<br/>others</b> |                            | <b>of<br/>property, plant<br/>and<br/>equipment</b> |         | <b>Outsourcing<br/>fees</b> | <b>Other costs</b> |
|                                    | <b>Sales<br/>and others</b>                            | <b>Dividend<br/>income</b> |   |         |                             |                    |
| Hi Business Logistics Co.,<br>Ltd. | ₩ 31   |                            |   |         |                             | 22,302             |
| Hi Logistics (China) Co., Ltd.     |  |                            |   |         |                             | 6,271              |
| Hientech (Tianjin) Co., LTD        |  |                            |   |         |                             | 10,427             |
| Others                             | 3,099  |                            | 1   |         |                             | 3,810              |
|                                    | ₩ 2,879,301  |                            | 228,696   | 36,947  |                             | 101,569            |
|                                    | ₩ 4,613,878  | 25,577                     | 1,068,667   | 368,383 | 137,030                     | 227,308            |

**Table of Contents**14. Related Parties, Continued

- (d) Trade accounts and notes receivable and payable as of September 30, 2016 and December 31, 2015 are as follows:

(In millions of won)

|   | Trade accounts and notes receivable<br>and others |                      | Trade accounts and notes payable<br>and others |                      |
|---|---|----------------------|--|----------------------|
|   | September 30,<br>2016                             | December 31,<br>2015 | September 30,<br>2016                          | December 31,<br>2015 |
| <b>Joint Venture</b>  |   |                      |  |                      |
| Suzhou Raken Technology Co., Ltd.                             | ₩   | 14,657               |  | 182                  |
| <b>Associates and their subsidiaries</b>                      |   |                      |  |                      |
| New Optics Ltd.   | ₩   | 1,000                | 9,639  | 8,584                |
| New Optics USA, Inc.  |   |                      | 27   | 5,313                |
| INVENIA Co., Ltd. (LIG INVENIA Co., Ltd.)                     | 1,000   | 956                  | 6,157  | 6,349                |
| TLI Inc.  |   |                      | 12,063   | 15,232               |
| AVACO Co., Ltd.   |   |                      |  | 20,064               |
| AVATEC Co., Ltd.  |   |                      | 7,587  | 5,493                |
| Paju Electric Glass Co., Ltd.                                 |   |                      | 81,278   | 68,066               |
| Shinbo Electric Co., Ltd.                                     | 9,470   | 73,549               | 65,523   | 71,231               |
| Narenanotech Corporation                                      | 300   | 283                  | 1,701  | 2,242                |
| ADP System Co., Ltd.  |   |                      |  | 615                  |
| YAS Co., Ltd.   | 1,000   | 956                  | 11,495   | 5,248                |
| WooRee E&L Co., Ltd.  |   |                      |  |                      |
|   | ₩   | 12,770               | 75,744   | 195,470              |
|   |   |                      |  | 208,437              |
| <b>Entity that has significant influence over the Company</b> |   |                      |  |                      |
| LG Electronics Inc.   | ₩   | 380,063              | 407,498  | 246,658              |
|   |   |                      |  | 118,073              |

**Table of Contents**14. Related Parties, Continued*(In millions of won)*

|   | Trade accounts and notes receivable<br>and others |                      | Trade accounts and notes payable<br>and others |                      |
|---|---|----------------------|--|----------------------|
|   | September<br>30,<br>2016                          | December 31,<br>2015 | September 30,<br>2016                          | December 31,<br>2015 |
| <b>Subsidiaries of the entity that has significant influence over the Controlling Company</b> |   |                      |  |                      |
| LG Electronics India Pvt. Ltd.  | ₩ 18,127  | 12,736               | 3  |                      |
| LG Electronics do Brasil Ltda.  | 21,804  | 5,835                | 33   |                      |
| LG Electronics RUS, LLC   | 27,955  | 43,342               | 41   |                      |
| LG Innotek Co., Ltd.  | 1,480   | 311                  | 52,024   | 76,240               |
| Qingdao LG Inspur Digital Communication Co., Ltd.   | 6,839   | 30,038               |  |                      |
| Inspur LG Digital Mobile Communications Co., Ltd.   | 89,634  | 107,450              |  |                      |
| LG Electronics Mexicalli, S.A. DE C.V.  | 41,834  | 14,626               |  |                      |
| LG Electronics Mlawa Sp. z o.o.   | 90,268  | 69,879               | 70   |                      |
| LG Electronics Nanjing New Technology Co., LTD  | 1,252   | 847                  | 9  |                      |
| LG Electronics Taiwan Taipei Co., Ltd.  | 50,328  | 25,195               | 126  | 87                   |
| LG Electronics Reynosa, S.A. DE C.V.  | 204,092   | 120,940              | 72   |                      |
| LG Electronics Wroclaw Sp. z o.o.   | 18,102  | 126,898              | 3  | 4                    |
| LG Hitachi Water Solutions Co., Ltd.  |   |                      | 81,802   | 13,811               |
| HiEntech Co., Ltd.  |   |                      | 4,014  | 3,695                |
| LG Electronics Vietnam Haiphong Co., Ltd.   | 27,751  | 20,296               |  |                      |
| LG Electronics Almaty Kazakhstan  | 4,912   | 1,532                |  |                      |
| LG Electronics S.A (Pty) Ltd.   | 7,443   | 1,406                |  |                      |
| LG Electronics Air-Conditioning (Shandong) Co., Ltd.  |   |                      | 703  | 2,245                |
| Hientech (Tianjin) Co., LTD   |   |                      | 6,897  | 966                  |
| Others  | 548   | 15,692               | 623  | 484                  |
|   | ₩ 612,369   | 597,023              | 146,420  | 97,532               |
|   | ₩ 1,005,202                                       | 1,094,922            | 588,548  | 424,224              |

**Table of Contents**14. Related Parties, Continued

- (e) Details of significant cash transactions such as loans and collection of loans, which occurred in the normal course of business with related parties for the nine-month periods ended September 30, 2016 and 2015 are as follows:

| <i>(In millions of won)</i>               | <b>For the nine-month periods ended September 30,</b> |                                    |                 |                                    |
|---|---|------------------------------------|-----------------|------------------------------------|
|   | <b>2016</b>   |                                    | <b>2015</b>     |                                    |
| <b>Associates</b>                         | <b>Loans(*)</b>                                       | <b>Collection<br/>of<br/>loans</b> | <b>Loans(*)</b> | <b>Collection<br/>of<br/>loans</b> |
| New Optics Ltd.                           | ₩ 1,000   |                                    |                 |                                    |
| INVENIA Co., Ltd. (LIG INVENIA Co., Ltd.) |   |                                    | 1,000           |                                    |
| Narenanotech Corporation                  |   |                                    | 300             |                                    |
| Glonix Co., Ltd.                          |   |                                    | 1,000           |                                    |
| YAS Co., Ltd.                             |   |                                    | 1,000           |                                    |
|   | ₩ 1,000   |                                    | 3,300           |                                    |

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

**Table of Contents**15. Geographic and Other Information

The following is a summary of sales by region based on the location of the customers for the three-month and nine-month periods ended September 30, 2016 and 2015.

## (a) Revenue by geography

*(In millions of won)*

| Region                    | For the three-month<br>periods ended September<br>30, |           | For the nine-month<br>periods ended September<br>30, |            |
|---------------------------|---|-----------|--|------------|
|                           | 2016  | 2015      | 2016   | 2015       |
| Domestic                  | ₩ 435,018   | 514,612   | 1,425,064  | 1,757,953  |
| Foreign                   |   |           |  |            |
| China                     | 4,717,986   | 4,894,882 | 12,733,440   | 13,933,006 |
| Asia (excluding China)    | 477,990   | 656,840   | 1,558,662  | 2,059,438  |
| United States             | 606,738   | 551,295   | 1,485,808  | 1,527,661  |
| Europe (excluding Poland) | 281,774   | 302,341   | 648,331  | 796,570    |
| Poland                    | 204,269   | 238,231   | 716,813  | 813,507    |
| Sub total                 | ₩ 6,288,757   | 6,643,589 | 17,143,054   | 19,130,182 |
| Total                     | ₩ 6,723,775   | 7,158,201 | 18,568,118   | 20,888,135 |

Sales to Company A and Company B amount to ₩6,114,130 million and ₩4,247,605 million, respectively, for the nine-month period ended September 30, 2016 (nine-month period ended September 30, 2015: ₩6,751,793 million and ₩5,116,345 million). The Group's top ten end-brand customers together accounted for 81% of sales for the nine-month period ended September 30, 2016 (nine-month period ended September 30, 2015: 81%).

## (b) Non-current assets by geography

*(In millions of won)*

| Region    | September 30, 2016                  |                      | December 31, 2015                   |                      |
|-----------|-------------------------------------|----------------------|-------------------------------------|----------------------|
|           | Property,<br>plant<br>and equipment | Intangible<br>assets | Property, plant<br>and<br>equipment | Intangible<br>assets |
| Domestic  | ₩ 8,337,569                         | 646,742              | 7,719,079                           | 607,402              |
| Foreign   |                                     |                      |                                     |                      |
| China     | 2,925,417                           | 20,996               | 2,728,047                           | 19,946               |
| Others    | 123,371                             | 183,852              | 98,894                              | 211,382              |
| Sub total | ₩ 3,048,788                         | 204,848              | 2,826,941                           | 231,328              |

|       |                         |         |            |         |
|-------|-------------------------|---------|------------|---------|
| Total | <del>₩</del> 11,386,357 | 851,590 | 10,546,020 | 838,730 |
|-------|-------------------------|---------|------------|---------|



**Table of Contents**15. Geographic and Other Information, Continued

## (c) Revenue by product

*(In millions of won)*

| Product            | For the three-month<br>periods ended September<br>30, |           | For the nine-month<br>periods ended September<br>30, |            |
|--------------------|---|-----------|--|------------|
|                    | 2016  | 2015      | 2016   | 2015       |
| Panels for:        |   |           |  |            |
| Televisions        | ₩ 2,595,755   | 2,785,586 | 7,111,441  | 8,353,567  |
| Desktop monitors   | 1,080,550   | 1,146,060 | 2,925,806  | 3,410,606  |
| Tablet products    | 611,282   | 735,632   | 2,022,838  | 1,734,954  |
| Notebook computers | 623,805   | 602,042   | 1,687,761  | 1,851,683  |
| Mobile and others  | 1,812,383   | 1,888,881 | 4,820,272  | 5,537,325  |
|                    | ₩ 6,723,775   | 7,158,201 | 18,568,118   | 20,888,135 |

16. The Nature of Expenses and Others

The classification of expenses by nature for the three-month and nine-month periods ended September 30, 2016 and 2015 are as follows:

*(In millions of won)*

|  | For the three-month<br>periods ended September<br>30, |           | For the nine-month<br>periods ended September<br>30, |            |
|--|---|-----------|--|------------|
|  | 2016  | 2015      | 2016   | 2015       |
| Changes in inventories                             | ₩ (38,877)  | (297,695) | (140,286)  | (122,365)  |
| Purchases of raw materials, merchandise and others | 3,780,682   | 4,077,443 | 10,205,881   | 10,680,494 |
| Depreciation and amortization                      | 700,345   | 845,028   | 2,301,625  | 2,554,559  |
| Outsourcing fees                                   | 195,384   | 303,434   | 596,196  | 820,867    |
| Labor costs  | 762,574   | 781,331   | 2,298,548  | 2,279,630  |
| Supplies and others                                | 247,733   | 279,562   | 733,883  | 782,738    |
| Utility  | 221,814   | 220,062   | 629,540  | 627,375    |
| Fees and commissions                               | 159,999   | 151,982   | 467,642  | 426,125    |
| Shipping costs                                     | 56,264  | 61,260    | 159,282  | 171,185    |
| Advertising  | 16,683  | 93,893    | 44,519   | 191,280    |
| Warranty expenses                                  | 34,065  | 36,465    | 109,258  | 96,740     |
| Taxes and dues                                     | 18,674  | 18,391    | 56,422   | 60,986     |
| Travel   | 17,623  | 19,034    | 54,061   | 52,213     |
| Others   | 253,055   | 238,940   | 691,021  | 836,592    |
|  | ₩ 6,426,018   | 6,829,130 | 18,207,592   | 19,458,419 |

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

**Table of Contents****17. Selling and Administrative Expenses**

Details of selling and administrative expenses for the three-month and nine-month periods ended September 30, 2016 and 2015 are as follows:

*(In millions of won)*

|   | <b>For the three-month<br/>periods ended September 30,</b> |             | <b>For the nine-month<br/>periods ended September 30,</b> |             |
|---|--|-------------|---|-------------|
|   | <b>2016</b>  | <b>2015</b> | <b>2016</b>   | <b>2015</b> |
| Salaries                                  | ₩ 72,692   | 68,259      | 212,791   | 200,235     |
| Expenses related to defined benefit plans | 7,504  | 6,715       | 22,432  | 20,364      |
| Other employee benefits                   | 23,307   | 26,829      | 64,290  | 63,252      |
| Shipping costs                            | 47,761   | 53,452      | 134,231   | 148,149     |
| Fees and commissions                      | 45,467   | 46,249      | 141,029   | 144,346     |
| Depreciation                              | 31,253   | 30,793      | 98,236  | 85,976      |
| Taxes and dues                            | 7,881  | 7,268       | 22,469  | 26,057      |
| Advertising                               | 16,683   | 93,893      | 44,519  | 191,280     |
| Warranty expenses                         | 34,065   | 36,465      | 109,258   | 96,740      |
| Rent                                      | 6,294  | 6,326       | 19,043  | 17,848      |
| Insurance                                 | 3,362  | 3,029       | 8,234   | 7,960       |
| Travel                                    | 5,230  | 6,232       | 17,171  | 17,799      |
| Training                                  | 3,296  | 4,083       | 11,762  | 11,469      |
| Others                                    | 13,181   | 13,417      | 37,413  | 42,293      |
|   | ₩ 317,976  | 403,010     | 942,878   | 1,073,768   |

**Table of Contents**18. Other Non-operating Income and Other Non-operating Expenses

- (a) Details of other non-operating income for the three-month and nine-month periods ended September 30, 2016 and 2015 are as follows:

*(In millions of won)*

|   | For the three-month<br>periods ended September 30, |         | For the nine-month<br>periods ended September 30, |         |
|---|--|---------|---|---------|
|   | 2016   | 2015    | 2016  | 2015    |
| Foreign currency gain                             | ₩ 211,730  | 412,216 | 826,063   | 900,471 |
| Gain on disposal of property, plant and equipment | 711  | 1,445   | 7,662   | 10,242  |
| Reversal of impairment loss on intangible assets  |  | 105     |   | 80      |
| Rental income                                     | 1,023  | 1,099   | 3,711   | 3,336   |
| Others  | 18,066   | 16,052  | 23,512  | 23,400  |
|   | ₩ 231,530  | 430,917 | 860,948   | 937,529 |

- (b) Details of other non-operating expenses for the three-month and nine-month periods ended September 30, 2016 and 2015 are as follows:

*(In millions of won)*

|  | For the three-month<br>periods ended September 30, |         | For the nine-month<br>periods ended September 30, |         |
|--|--|---------|---|---------|
|  | 2016   | 2015    | 2016  | 2015    |
| Foreign currency loss                                      | ₩ 309,939  | 408,568 | 948,627   | 843,134 |
| Loss on disposal of property, plant and equipment          | 634  | 9       | 3,122   | 146     |
| Loss on disposal of intangible assets                      |  | 15      | 20  | 26      |
| Impairment loss on intangible assets                       | 40   |         | 125   | 239     |
| Donations  | 12,550   | 1,371   | 17,387  | 8,162   |
| Expenses related to legal proceedings or claims and others | 12,182   | 2,472   | 25,895  | 126,657 |
|  | ₩ 335,345  | 412,435 | 995,176   | 978,364 |

**Table of Contents**19. Finance Income and Finance Costs

- (a) Finance income and costs recognized in profit and loss for the three-month and nine-month periods ended September 30, 2016 and 2015 are as follows:

(In millions of won)

|  | For the three-month<br>periods ended September 30, |         | For the nine-month<br>periods ended September 30, |         |
|--|--|---------|---|---------|
|  | 2016   | 2015    | 2016  | 2015    |
| <b>Finance income</b>  |  |         |   |         |
| Interest income  | ₩ 10,188   | 15,304  | 30,650  | 43,759  |
| Foreign currency gain  | 73,004   | 25,128  | 122,710   | 42,844  |
| Gain on disposal of investments in equity<br>accounted investees   | 8,303  | 445     | 8,303   | 22,781  |
| Gain on transaction of derivatives                                 | 1,271  |         | 3,811   |         |
|  | ₩ 92,766   | 40,877  | 165,474   | 109,384 |
| <b>Finance costs</b>   |  |         |   |         |
| Interest expense   | ₩ 28,367   | 32,983  | 89,151  | 96,342  |
| Foreign currency loss  | 16,428   | 92,350  | 71,976  | 136,070 |
| Loss on disposal of investments in equity<br>accounted investees   | 260  |         | 5,622   | 481     |
| Loss on impairment of investments in equity<br>accounted investees |  |         | 6,137   |         |
| Loss on sale of trade accounts and notes<br>receivable             | 719  | 1,556   | 2,717   | 4,199   |
| Loss on transaction of derivatives                                 | 1,382  |         | 3,762   |         |
| Loss on valuation of derivatives                                   | 13,338   |         | 12,715  |         |
|  | ₩ 60,494   | 126,889 | 192,080   | 237,092 |

- (b) Finance income and costs recognized in other comprehensive income or loss for the three-month and nine-month periods ended September 30, 2016 and 2015 are as follows:

(In millions of won)

|  | For the three-month<br>periods ended September 30, |      | For the nine-month<br>periods ended September 30, |      |
|--|--|------|---|------|
|  | 2016   | 2015 | 2016  | 2015 |
| Net change in fair value of available-for-sale<br>financial assets                   | ₩  | 15   | (77)  | 45   |
| Tax effect   |  | (4)  | 19  | (11) |
| Finance income (costs) recognized in other<br>comprehensive income or loss after tax | ₩  | 11   | (58)  | 34   |



**Table of Contents**20. Income Taxes

- (a) Details of income tax expense for the three-month and nine-month periods ended September 30, 2016 and 2015 are as follows:

(In millions of won)

|                                | For the three-month<br>periods ended September 30, |               | For the nine-month<br>periods ended September 30, |                |
|--------------------------------|--|---------------|---|----------------|
|                                | 2016   | 2015          | 2016  | 2015           |
| Current tax expense            | ₩ 51,205   | 108,370       | 134,572   | 277,132        |
| Deferred tax expense (benefit) | 7,692  | (34,452)      | 10,321  | 89,159         |
| <b>Income tax expense</b>      | <b>₩ 58,897</b>                                    | <b>73,918</b> | <b>144,893</b>                                    | <b>366,291</b> |

- (b) Deferred Tax Assets and Liabilities

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the deferred tax assets at the reporting date will be realized with the Group's estimated future taxable income.

Deferred tax assets and liabilities as of September 30, 2016 and December 31, 2015 are attributable to the following:

(In millions of won)

|  | Assets                |                      | Liabilities           |                      | Total                 |                      |
|--|-----------------------|----------------------|-----------------------|----------------------|-----------------------|----------------------|
|  | September 30,<br>2016 | December 31,<br>2015 | September 30,<br>2016 | December 31,<br>2015 | September 30,<br>2016 | December 31,<br>2015 |
| Other accounts receivable, net                                   | ₩                     |                      | (1,312)               | (2,388)              | (1,312)               | (2,388)              |
| Inventories, net   | 36,918                | 46,449               |                       |                      | 36,918                | 46,449               |
| Available-for-sale financial<br>assets                           |                       |                      |                       | (19)                 |                       | (19)                 |
| Defined benefit liabilities, net                                 | 72,217                | 58,962               |                       |                      | 72,217                | 58,962               |
| Investments in equity<br>accounted investees and<br>subsidiaries | 24,807                | 9,121                |                       |                      | 24,807                | 9,121                |
| Accrued expenses   | 111,808               | 122,002              |                       |                      | 111,808               | 122,002              |
| Property, plant and equipment                                    | 295,470               | 271,252              |                       |                      | 295,470               | 271,252              |
| Intangible assets  | 592                   | 817                  | (29,722)              | (34,663)             | (29,130)              | (33,846)             |
| Provisions   | 14,211                | 14,152               |                       |                      | 14,211                | 14,152               |
| Gain or loss on foreign<br>currency translation, net             | 11                    | 11                   |                       |                      | 11                    | 11                   |
| Others   | 15,929                | 25,253               |                       |                      | 15,929                | 25,253               |
| Tax credit carryforwards   | 328,441               | 385,017              |                       |                      | 328,441               | 385,017              |
| Tax losses carryforwards   | 17,218                |                      |                       |                      | 17,218                |                      |
| <b>Deferred tax assets (liabilities)</b>                         | <b>₩ 917,622</b>      | <b>933,036</b>       | <b>(31,034)</b>       | <b>(37,070)</b>      | <b>886,588</b>        | <b>895,966</b>       |

Statutory tax rate applicable to the Controlling Company is 24.2% for the nine-month period ended September 30, 2016. Meanwhile, effective tax rate for the nine-month period ended September 30, 2016 differs from statutory tax rate primarily due to change of the probability of realizing deferred tax assets including Tax credit carryforwards.



**Table of Contents**21. Earnings Per Share

- (a) Basic earnings per share for the three-month and nine-month periods ended September 30, 2016 and 2015 are as follows:

| <i>(In won and number of shares)</i>                 | <b>For the three-month periods ended September 30,</b> |                 | <b>For the nine-month periods ended September 30,</b> |                 |
|--|--|-----------------|---|-----------------|
|  | <b>2016</b>  | <b>2015</b>     | <b>2016</b>   | <b>2015</b>     |
| <b>Profit for the period</b>                         | ₩ 177,824,586,727                                      | 189,167,502,128 | 108,675,894,795                                       | 982,387,546,657 |
| Weighted-average number of common stocks outstanding | 357,815,700  | 357,815,700     | 357,815,700   | 357,815,700     |
| <b>Earnings per share</b>                            | ₩ 497  | 529             | 304   | 2,746           |

For the three-month and nine-month periods ended September 30, 2016 and 2015, there were no events or transactions that resulted in changes in the number of common stocks used for calculating earnings per share.

- (b) Diluted earnings per share for the nine-month periods ended September 30, 2016 and 2015 are not calculated since there was no potential common stock.

22. Business Combinations

In July 2016, Suzhou Raken Technology Co., Ltd., a joint venture of the Controlling Company and AmTRAN Technology Co., Ltd. ( AmTRAN ), split into Suzhou Raken Technology Co., Ltd. and Suzhou Lehui Display Co., Ltd. The Controlling Company acquired 100% equity interest in Suzhou Lehui Display Co., Ltd. and AmTRAN acquired 100% equity interest in Suzhou Raken Technology Co., Ltd., respectively, by exchanging equity interests.

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

| <i>(In millions of won)</i>                               | <b>Amount</b> |
|---|---------------|
| Consideration transferred                                 | ₩ 123,838     |
| Identifiable assets acquired and the liabilities assumed: |               |
| Trade accounts and notes receivable                       | 73,653        |
| Inventories   | 41,804        |
| Other current assets                                      | 77,950        |
| Property, plant and equipment                             | 17,789        |
| Other non-current assets                                  | 4,969         |
| Trade accounts and notes payable                          | (89,493)      |
| Non-current liabilities                                   | (7,457)       |
| Identifiable net asset                                    | 119,215       |
| Goodwill (*1)   | 4,623         |

(\*1) Goodwill amounting to ₩4,623 million arose from specialized knowledge and experience.

**Table of Contents****22. Business Combinations, Continued**

The Controlling Company recognized ₩4,013 million for the difference between the carrying amount and the fair value as finance income in the consolidated statements of comprehensive income for the nine-month period ended September 30, 2016 regarding the previously held 51% ownership in Suzhou Raken Technology Co., Ltd.

The revenue and profit or loss of the Group for the current reporting period, as though the acquisition date for the business combination occurred during the nine-month period ended September 30, 2016 had been as of the beginning of the annual reporting period, were not disclosed as they are not estimated reliably since the revenue and profit or loss of Suzhou Lehui Display Co., Ltd. from the beginning of the annual reporting period to acquisition date are not reported separately.

The fair value of property, plant and equipment and others transferred have been provisionally recorded and subject to change since the independent valuation process of the property, plant and equipment and others have not been completed as of September 30, 2016.

**23. Subsequent Event**

The Controlling Company issued the following public debentures on October 12, 2016:

*(In millions of won)*

| <b>Issue date</b> | <b>Maturity date</b> | <b>Interest rate</b> | <b>Face amount</b> |
|-------------------|----------------------|----------------------|--------------------|
| October 12, 2016  | October 14, 2019     | 1.802%               | ₩ 100,000          |
| October 12, 2016  | October 12, 2021     | 1.949%               | 200,000            |
|                   |                      |                      | ₩ 300,000          |

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LG DISPLAY CO., LTD.

Condensed Separate Interim Financial Statements

(Unaudited)

**September 30, 2016 and 2015**

(With Independent Auditors' Review Report Thereon)

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**Independent Auditors' Review Report**

Based on a report originally issued in Korean

To the Board of Directors and Shareholders

LG Display Co., Ltd.:

***Reviewed Financial Statements***

We have reviewed the accompanying condensed separate interim financial statements of LG Display Co., Ltd. (the Company ) which comprise the condensed separate interim statement of financial position as of September 30, 2016, the condensed separate interim statements of comprehensive income (loss) for each of the three-month and nine-month periods ended September 30, 2016 and 2015, and statements of changes in equity and cash flows for the nine-month periods ended September 30, 2016 and 2015, and notes, comprising a summary of significant accounting policies and other explanatory information.

***Management's Responsibility for the Condensed Separate Interim Financial Statements***

Management is responsible for the preparation and fair presentation of these condensed separate interim financial statements in accordance with Korean International Financial Reporting Standards No. 1034, *Interim Financial Reporting*, and for such internal controls as management determines necessary to enable the preparation of condensed separate interim financial statements that are free from material misstatement, whether due to fraud or error.

***Auditors' Responsibility***

Our responsibility is to issue a report on these condensed separate interim financial statements based on our reviews.

We conducted our reviews in accordance with the Review Standards for Quarterly and Semiannual Financial Statements established by the Security and Futures Commission of the Republic of Korea. A review of interim financial information consists principally of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of Korea and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

***Conclusion***

Based on our reviews, nothing has come to our attention that causes us to believe that the condensed separate interim financial statements referred to above are not presented fairly, in all material respects, in accordance with Korean International Financial Reporting Standards No. 1034, *Interim Financial Reporting*.

***Other Matters***

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

We audited the separate statement of financial position as of December 31, 2015, and the related separate statements of comprehensive income, changes in equity and cash flows for the year then ended, which are not accompanying this review report, in accordance with Korean Standards on Auditing, and our report thereon, dated February 19, 2016, expressed an unqualified opinion. The accompanying condensed separate statement of financial position of the Company as of December 31, 2015, presented for comparative purposes, is not different from that audited by us from which it was derived in all material respects.

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/s/ KPMG Samjong Accounting Corp.

Seoul, Korea

November 4, 2016

This report is effective as of November 4, 2016, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying condensed separate interim financial statements and notes thereto. Accordingly, the readers of the review report should understand that the above review report has not been updated to reflect the impact of such subsequent events or circumstances, if any.



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LG DISPLAY CO., LTD.

**Condensed Separate Interim Statements of Financial Position**

(Unaudited)

As of September 30, 2016 and December 31, 2015

| <i>(In millions of won)</i>              | Note      | September 30, 2016  | December 31, 2015 |
|--|-----------|---------------------|-------------------|
| <b>Assets</b>                            |           |                     |                   |
| Cash and cash equivalents                | 9         | ₩ 156,844           | 108,044           |
| Deposits in banks                        | 9         | 1,073,500           | 1,432,102         |
| Trade accounts and notes receivable, net | 9, 12, 14 | 4,322,774           | 4,219,941         |
| Other accounts receivable, net           | 9         | 64,147              | 499,882           |
| Other current financial assets           | 9         | 7,364               | 3,609             |
| Inventories                              | 4         | 1,907,964           | 1,850,213         |
| Prepaid income taxes                     |           | 4,028               |                   |
| Other current assets                     |           | 198,742             | 132,539           |
| <b>Total current assets</b>              |           | <b>7,735,363</b>    | <b>8,246,330</b>  |
| Deposits in banks                        | 9         | 13                  | 13                |
| Investments                              | 5         | 2,678,832           | 2,543,205         |
| Other non-current financial assets       | 9         | 51,685              | 41,518            |
| Property, plant and equipment, net       | 6         | 8,337,350           | 7,719,022         |
| Intangible assets, net                   | 7         | 646,741             | 607,398           |
| Deferred tax assets                      | 19        | 730,214             | 771,506           |
| Other non-current assets                 |           | 301,141             | 281,701           |
| <b>Total non-current assets</b>          |           | <b>12,745,976</b>   | <b>11,964,363</b> |
| <b>Total assets</b>                      |           | <b>₩ 20,481,339</b> | <b>20,210,693</b> |
| <b>Liabilities</b>                       |           |                     |                   |
| Trade accounts and notes payable         | 9, 14     | ₩ 2,839,494         | 3,149,383         |
| Current financial liabilities            | 9, 10     | 974,972             | 1,416,112         |
| Other accounts payable                   | 9, 14     | 1,655,365           | 1,179,010         |
| Accrued expenses                         |           | 511,411             | 603,003           |
| Income tax payable                       |           |                     | 1,013             |
| Provisions                               | 12        | 82,326              | 108,545           |
| Advances received                        |           | 16,660              | 11,143            |
| Other current liabilities                |           | 30,655              | 37,770            |
| <b>Total current liabilities</b>         |           | <b>6,110,883</b>    | <b>6,505,979</b>  |
| Non-current financial liabilities        | 9, 10     | 2,819,256           | 1,953,549         |
| Non-current provisions                   |           | 9,834               | 11,817            |
| Defined benefit liabilities, net         | 11        | 402,840             | 353,223           |

|                                      |    |                   |                   |
|--------------------------------------|----|-------------------|-------------------|
| Other non-current liabilities        |    | 66,998            | 56,542            |
| <b>Total non-current liabilities</b> |    | <b>3,298,928</b>  | <b>2,375,131</b>  |
| <b>Total liabilities</b>             |    | <b>9,409,811</b>  | <b>8,881,110</b>  |
| <b>Equity</b>                        |    |                   |                   |
| Share capital                        | 13 | 1,789,079         | 1,789,079         |
| Share premium                        |    | 2,251,113         | 2,251,113         |
| Retained earnings                    |    | 7,031,336         | 7,289,333         |
| Reserves                             | 13 |                   | 58                |
| <b>Total equity</b>                  |    | <b>11,071,528</b> | <b>11,329,583</b> |
| <b>Total liabilities and equity</b>  | ₩  | 20,481,339        | 20,210,693        |

*See accompanying notes to the condensed separate interim financial statements.*

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LG DISPLAY CO., LTD.

**Condensed Separate Interim Statements of Comprehensive Income**

(Unaudited)

For the three-month and nine-month periods ended September 30, 2016 and 2015

| <i>(In millions of won, except earnings per share)</i>          | Note    | For the three-month period |                         | For the nine-month period |                         |
|---|---------|----------------------------|-------------------------|---------------------------|-------------------------|
|   |         | ended September 30 2016    | ended September 30 2015 | ended September 30 2016   | ended September 30 2015 |
| Revenue   | 14      | ₩ 6,222,819                | 6,623,614               | ₩ 17,166,281              | 19,028,734              |
| Cost of sales   | 4,14,15 | (5,545,288)                | (5,877,487)             | (15,768,670)              | (16,473,609)            |
| <b>Gross profit</b>   |         | 677,531                    | 746,127                 | 1,397,611                 | 2,555,125               |
| Selling expenses  | 16      | (93,563)                   | (178,005)               | (281,412)                 | (434,556)               |
| Administrative expenses   | 16      | (104,597)                  | (107,923)               | (321,334)                 | (322,963)               |
| Research and development expenses                               |         | (293,216)                  | (308,305)               | (816,447)                 | (902,532)               |
| <b>Operating profit (loss)</b>                                  |         | 186,155                    | 151,894                 | (21,582)                  | 895,074                 |
| Finance income  | 18      | 90,112                     | 13,932                  | 197,943                   | 84,168                  |
| Finance costs   | 18      | (46,057)                   | (71,716)                | (108,714)                 | (141,184)               |
| Other non-operating income                                      | 17      | 195,130                    | 297,627                 | 691,458                   | 678,550                 |
| Other non-operating expenses                                    | 17      | (285,545)                  | (270,970)               | (781,117)                 | (727,331)               |
| <b>Profit (loss) before income tax</b>                          |         | 139,795                    | 120,767                 | (22,012)                  | 789,277                 |
| Income tax expense  | 19      | 23,295                     | 36,215                  | 54,184                    | 201,448                 |
| <b>Profit (loss) for the period</b>                             |         | 116,500                    | 84,552                  | (76,196)                  | 587,829                 |
| <b>Other comprehensive loss</b>                                 |         |                            |                         |                           |                         |
| <b>Items that will never be reclassified to profit or loss</b>  |         |                            |                         |                           |                         |
| Remeasurements of net defined benefit liabilities               | 11      | (1,033)                    | (684)                   | (3,817)                   | (3,023)                 |
| Related income tax  |         | 250                        | 166                     | 924                       | 732                     |
|   |         | (783)                      | (518)                   | (2,893)                   | (2,291)                 |
| <b>Items that are or may be reclassified to profit or loss</b>  |         |                            |                         |                           |                         |
| Net change in fair value of available-for-sale financial assets | 18      |                            | 15                      | (77)                      | 45                      |
| Related income tax  |         |                            | (4)                     | 19                        | (11)                    |

|   |    |                  |               |                   |                |    |
|---|----|------------------|---------------|-------------------|----------------|----|
|   |    |                  |               | 11                | (58)           | 34 |
| <b>Other comprehensive loss for the period, net of income tax</b> |    | (783)            | (507)         | (2,951)           | (2,257)        |    |
| <b>Total comprehensive income (loss) for the period</b>           |    | <b>₩ 115,717</b> | <b>84,045</b> | <b>₩ (79,147)</b> | <b>585,572</b> |    |
| <b>Earnings (loss) per share (In Won)</b>                         |    |                  |               |                   |                |    |
| Basic earnings (loss) per share                                   | 20 | ₩ 326            | 236           | ₩ (213)           | 1,643          |    |
| Diluted earnings (loss) per share                                 | 20 | ₩ 326            | 236           | ₩ (213)           | 1,643          |    |

*See accompanying notes to the condensed separate interim financial statements.*

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LG DISPLAY CO., LTD.

**Condensed Separate Interim Statements of Changes in Equity**

(Unaudited)

For the nine-month periods ended September 30, 2016 and 2015

| <i>(In millions of won)</i>   | <b>Share<br/>capital</b> | <b>Share<br/>premium</b> | <b>Retained<br/>earnings</b> | <b>Reserves</b> | <b>Total<br/>equity</b> |
|---|--------------------------|--------------------------|------------------------------|-----------------|-------------------------|
| <b>Balances at January 1, 2015</b>  | ₩ 1,789,079              | 2,251,113                | 6,583,607                    | 276             | 10,624,075              |
| <b>Total comprehensive income for the period</b>                            |                          |                          |                              |                 |                         |
| Profit for the period   |                          |                          | 587,829                      |                 | 587,829                 |
| <b>Other comprehensive income (loss)</b>                                    |                          |                          |                              |                 |                         |
| Net change in fair value of available-for-sale financial assets, net of tax |                          |                          |                              | 34              | 34                      |
| Remeasurements of net defined benefit liabilities, net of tax               |                          |                          | (2,291)                      |                 | (2,291)                 |
| Total other comprehensive income (loss)                                     |                          |                          | (2,291)                      | 34              | (2,257)                 |
| Total comprehensive income for the period                                   | ₩                        |                          | 585,538                      | 34              | 585,572                 |
| <b>Transaction with owners, recognized directly in equity</b>               |                          |                          |                              |                 |                         |
| Dividends to equity holders   |                          |                          | (178,908)                    |                 | (178,908)               |
| <b>Balances at September 30, 2015</b>                                       | ₩ 1,789,079              | 2,251,113                | 6,990,237                    | 310             | 11,030,739              |
| <b>Balances at January 1, 2016</b>  | ₩ 1,789,079              | 2,251,113                | 7,289,333                    | 58              | 11,329,583              |
| <b>Total comprehensive income for the period</b>                            |                          |                          |                              |                 |                         |
| Loss for the period   |                          |                          | (76,196)                     |                 | (76,196)                |
| <b>Other comprehensive loss</b>   |                          |                          |                              |                 |                         |
| Net change in fair value of available-for-sale financial assets, net of tax |                          |                          |                              | (58)            | (58)                    |
| Remeasurements of net defined benefit liabilities, net of tax               |                          |                          | (2,893)                      |                 | (2,893)                 |
| Total other comprehensive loss  |                          |                          | (2,893)                      | (58)            | (2,951)                 |
| Total comprehensive loss for the period                                     | ₩                        |                          | (79,089)                     | (58)            | (79,147)                |
| <b>Transaction with owners, recognized directly in equity</b>               |                          |                          |                              |                 |                         |

|                                       |                    |                  |                  |                   |
|---------------------------------------|--------------------|------------------|------------------|-------------------|
| Dividends to equity holders           |                    |                  | (178,908)        | (178,908)         |
| <b>Balances at September 30, 2016</b> | <b>₩ 1,789,079</b> | <b>2,251,113</b> | <b>7,031,336</b> | <b>11,071,528</b> |

*See accompanying notes to the condensed separate interim financial statements.*

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LG DISPLAY CO., LTD.

**Condensed Separate Interim Statements of Cash Flows**

(Unaudited)

For the nine-month periods ended September 30, 2016 and 2015

| <i>(In millions of won)</i>                       | Note | 2016       | 2015        |
|---|------|------------|-------------|
| <b>Cash flows from operating activities:</b>      |      |            |             |
| Profit (loss) for the period                      |      | ₩ (76,196) | 587,829     |
| <b>Adjustments for:</b>                           |      |            |             |
| Income tax expense                                | 19   | 54,184     | 201,448     |
| Depreciation                                      | 15   | 1,470,545  | 1,792,776   |
| Amortization of intangible assets                 | 15   | 244,291    | 288,893     |
| Gain on foreign currency translation              |      | (52,217)   | (59,510)    |
| Loss on foreign currency translation              |      | 75,324     | 56,417      |
| Expenses related to defined benefit plans         | 11   | 165,587    | 149,074     |
| Gain on disposal of property, plant and equipment |      | (39,146)   | (25,116)    |
| Loss on disposal of property, plant and equipment |      | 2,394      | 133         |
| Gain on disposal of intangible assets             |      | (900)      |             |
| Loss on disposal of intangible assets             |      | 20         | 15          |
| Impairment loss on intangible assets              |      | 125        | 239         |
| Reversal of impairment loss on intangible assets  |      |            | (80)        |
| Finance income                                    |      | (196,769)  | (77,930)    |
| Finance costs                                     |      | 85,507     | 131,787     |
| Other income                                      |      | (15,546)   | (45)        |
| Other expenses                                    |      | 104,735    | 192,249     |
|   |      | 1,898,134  | 2,650,350   |
| Change in trade accounts and notes receivable     |      | (173,445)  | (843,210)   |
| Change in other accounts receivable               |      | 2,400      | 22,147      |
| Change in other current assets                    |      | (33,370)   | 10,917      |
| Change in inventories                             |      | (57,751)   | (228,151)   |
| Change in other non-current assets                |      | (68,993)   | (63,925)    |
| Change in trade accounts and notes payable        |      | (268,163)  | (227,147)   |
| Change in other accounts payable                  |      | (41,517)   | (369,652)   |
| Change in accrued expenses                        |      | (92,516)   | 90,792      |
| Change in other current liabilities               |      | (1,459)    | 18,872      |
| Change in other non-current liabilities           |      | 14,115     | 368         |
| Change in provisions                              |      | (77,769)   | (77,917)    |
| Change in defined benefit liabilities, net        |      | (119,789)  | (146,048)   |
|   |      | (918,257)  | (1,812,954) |
| Cash generated from operating activities          |      | 903,681    | 1,425,225   |
| Income taxes paid                                 |      | (38,725)   | (187,637)   |

|  |                  |                  |
|--|------------------|------------------|
| Interests received                               | 26,047           | 32,626           |
| Interests paid                                   | (73,675)         | (85,294)         |
| <b>Net cash provided by operating activities</b> | <b>₩ 817,328</b> | <b>1,184,920</b> |

*See accompanying notes to the condensed separate interim financial statements.*



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LG DISPLAY CO., LTD.

**Condensed Separate Interim Statements of Cash Flows, Continued**

(Unaudited)

For the nine-month periods ended September 30, 2016 and 2015

| <i>(In millions of won)</i>  | <b>2016</b>        | <b>2015</b>      |
|--|--------------------|------------------|
| <b>Cash flows from investing activities:</b>                         |                    |                  |
| Dividends received   | ₩ 514,109          | 330,006          |
| Proceeds from withdrawal of deposits in banks                        | 2,080,602          | 1,725,172        |
| Increase in deposits in banks  | (1,722,000)        | (1,603,252)      |
| Acquisition of investments   | (147,878)          | (287,024)        |
| Proceeds from disposal of investments                                | 22,286             | 24,865           |
| Acquisition of property, plant and equipment                         | (1,578,478)        | (1,151,380)      |
| Proceeds from disposal of property, plant and equipment              | 72,686             | 237,502          |
| Acquisition of intangible assets                                     | (308,664)          | (203,479)        |
| Proceeds from disposal of intangible assets                          | 1,056              |                  |
| Government grants received   | 730                | 2,511            |
| Proceeds from settlement of derivatives                              | (36)               |                  |
| Proceeds from collection of short-term loans                         | 4,650              |                  |
| Increase in long-term loans  | (21,030)           | (16,516)         |
| Increase in deposits   | (180)              | (826)            |
| Decrease in deposits   | 913                | 535              |
| Acquisition of available-for-sale financial assets                   |                    | (17)             |
| Proceeds from disposal of available-for-sale financial assets        | 419                | 92               |
| Acquisition of financial assets at fair value through profit or loss | (1,500)            |                  |
| <b>Net cash used in investing activities</b>                         | <b>(1,082,315)</b> | <b>(941,811)</b> |
| <b>Cash flows from financing activities:</b>                         |                    |                  |
| Proceeds from short-term borrowings                                  | 107,345            |                  |
| Repayments of short-term borrowings                                  |                    | (219,839)        |
| Proceeds from issuance of debentures                                 | 298,784            | 298,778          |
| Proceeds from long-term debt   | 919,505            | 253,869          |
| Repayments of current portion of long-term debt and debentures       | (832,939)          | (334,360)        |
| Dividends paid   | (178,908)          | (178,908)        |
| <b>Net cash provided by (used in) financing activities</b>           | <b>313,787</b>     | <b>(180,460)</b> |
| <b>Net increase in cash and cash equivalents</b>                     | <b>48,800</b>      | <b>62,649</b>    |
| Cash and cash equivalents at January 1                               | 108,044            | 100,558          |
| <b>Cash and cash equivalents at September 30</b>                     | <b>₩ 156,844</b>   | <b>163,207</b>   |

*See accompanying notes to the condensed separate interim financial statements.*

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1. **Organization and Description of Business**

LG Display Co., Ltd. (the Company) was incorporated in February 1985 and the Company is a public corporation listed in Korea Exchange since 2004. The main business of the Company is to manufacture and sell displays and its related products. As of September 30, 2016, the Company is operating TFT-LCD and OLED panel manufacturing plants in Gumi, Paju and China and TFT-LCD and OLED module manufacturing plants in Gumi, Paju, China and Poland. The Company is domiciled in the Republic of Korea with its address at 128 Yeouidae-ro, Yeongdeungpo-gu, Seoul, the Republic of Korea. As of September 30, 2016, LG Electronics Inc., a major shareholder of the Company, owns 37.9% (135,625,000 shares) of the Company's common stock.

The Company's common stock is listed on the Korea Exchange under the identifying code 034220. As of September 30, 2016, there are 357,815,700 shares of common stock outstanding. The Company's common stock is also listed on the New York Stock Exchange in the form of American Depositary Shares (ADSs) under the symbol LPL. One ADS represents one-half of one share of common stock. As of September 30, 2016, there are 28,464,390 ADSs outstanding.

2. **Basis of Presenting Financial Statements**

(a) **Statement of Compliance**

The condensed separate interim financial statements have been prepared in accordance with Korean International Financial Reporting Standards (K-IFRSs) No.1034, *Interim Financial Reporting*. They do not include all of the information required for full annual financial statements and should be read in conjunction with the financial statements of the Company as of and for the year ended December 31, 2015.

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

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

(b) **Basis of Measurement**

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

Derivative instruments, financial assets at fair value through profit or loss and available-for-sale financial assets measured at fair value, and

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

(c) **Functional and Presentation Currency**

The condensed separate interim financial statements are presented in Korean won, which is the Company's functional currency.

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

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

In preparing these condensed separate interim financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied in its financial statements as of and for the year ended December 31, 2015.

3. **Summary of Significant Accounting Policies**

The significant accounting policies followed by the Company in the preparation of its condensed separate interim financial statements are the same as those followed by the Company in its preparation of the financial statements as of and for the year ended December 31, 2015, except for the application of K-IFRS No. 1034, *Interim Financial Reporting*, and the amended accounting standards explained below:

(a) **Changes in Accounting Policies**

(i) **K-IFRS No. 1027, *Separate Financial Statements***

From January 1, 2016, the company adopts the amendment to K-IFRS No. 1027, *Separate Financial Statements*. Amendment to K-IFRS No. 1027, *Separate Financial Statements*, introduces equity accounting as a third option in the

entity's separate financial statements, in addition to the existing cost and fair value options. There is no impact of applying this amendment on the condensed separate interim financial statements.

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**Table of Contents**3. Summary of Significant Accounting Policies, Continued(a) Changes in Accounting Policies, Continued(ii) K-IFRS No. 1001, *Presentation of Financial Statements*

The Company has applied the amendment to K-IFRS No. 1001, *Presentation of Financial Statements*, effective January 1, 2016. The amendment clarifies that the disclosed line items can be omitted, added,

or aggregated based on materiality. In addition, the amendment clarifies that the share in the other comprehensive income of associates and joint ventures should be presented separately in the financial statements based on whether they will or will not subsequently be reclassified to profit or loss. Also, additional requirements for disclosures in the notes and others are provided. There is no significant impact of applying this amendment on the condensed separate interim financial statements.

(b) New Standards and Amendments Not Yet Adopted(i) K-IFRS No. 1109, *Financial Instruments*

K-IFRS No. 1109, *Financial Instruments*, provides revised guidance on the classification and measurement of financial instruments and replaces incurred loss model with expected credit losses model for calculating impairment on financial assets. K-IFRS No. 1109 also includes new general hedge accounting requirements including hedged items, hedging instruments and risk being hedged in order to expand applicable risk management strategies being utilized. K-IFRS No. 1109 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. K-IFRS No. 1109 has not been early adopted in preparing this condensed separate interim financial statements.

(ii) K-IFRS No. 1115, *Revenue from Contracts with Customers*

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

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

**Table of Contents**4. Inventories

Inventories as of September 30, 2016 and December 31, 2015 are as follows:

| <i>(In millions of won)</i> | <b>September 30, 2016</b> | <b>December 31, 2015</b> |
|-----------------------------|---------------------------|--------------------------|
| Finished goods              | ₩ 605,983                 | 542,404                  |
| Work-in-process             | 673,173                   | 685,024                  |
| Raw materials               | 388,980                   | 358,937                  |
| Supplies                    | 239,828                   | 263,848                  |
|                             | ₩ 1,907,964               | 1,850,213                |

For the nine-month periods ended September 30, 2016 and 2015, the amount of inventories recognized as cost of sales, inventory write-downs and reversal and usage of inventory write-downs included in cost of sales is as follows:

| <i>(In millions of won)</i>                            | <b>2016</b>  | <b>2015</b> |
|--|--------------|-------------|
| Inventories recognized as cost of sales                | ₩ 15,768,670 | 16,473,609  |
| Including: inventory write-downs                       | 312,229      | 353,398     |
| Including: reversal and usage of inventory write-downs | (342,623)    | (299,948)   |

**Table of Contents**5. Investments

(a) Investments in subsidiaries consist of the following:

| <i>(In millions of won)</i> |  | Subsidiaries                            | Location          | Business   | September 30, |          | December 31, 2015       |            |
|-----------------------------|--|---|-------------------|--|---------------|----------|-------------------------|------------|
|                             |  |   |                   |  | 2016          | 2015     | Percentage of ownership | Book value |
|                             |  | LG Display America, Inc.                | San Jose, U.S.A.  | Sell Display products                                | 100%          | ₩ 36,815 | 100%                    | ₩ 36,815   |
|                             |  | LG Display Germany GmbH                 | Ratingen, Germany | Sell Display products                                | 100%          | 19,373   | 100%                    | 19,373     |
|                             |  | LG Display Japan Co., Ltd.              | Tokyo, Japan      | Sell Display products                                | 100%          | 15,686   | 100%                    | 15,686     |
|                             |  | LG Display Taiwan Co., Ltd.             | Taipei, Taiwan    | Sell Display products                                | 100%          | 35,230   | 100%                    | 35,230     |
|                             |  | LG Display Nanjing Co., Ltd.            | Nanjing, China    | Manufacture Display products                         | 100%          | 579,747  | 100%                    | 579,747    |
|                             |  | LG Display Shanghai Co., Ltd.           | Shanghai, China   | Sell Display products                                | 100%          | 9,093    | 100%                    | 9,093      |
|                             |  | LG Display Poland Sp. z o.o.            | Wroclaw, Poland   | Manufacture Display products                         | 100%          | 194,992  | 100%                    | 194,992    |
|                             |  | LG Display Guangzhou Co., Ltd.          | Guangzhou, China  | Manufacture Display products                         | 100%          | 293,557  | 100%                    | 293,557    |
|                             |  | LG Display Shenzhen Co., Ltd.           | Shenzhen, China   | Sell Display products                                | 100%          | 3,467    | 100%                    | 3,467      |
|                             |  | LG Display Singapore Pte. Ltd.          | Singapore         | Sell Display products                                | 100%          | 1,250    | 100%                    | 1,250      |
|                             |  | L&T Display Technology (Fujian) Limited | Fujian, China     | Manufacture and sell LCD module and LCD monitor sets | 51%           | 10,123   | 51%                     | 10,123     |
|                             |  | LG Display Yantai Co., Ltd.             | Yantai, China     | Manufacture Display products                         | 100%          | 169,195  | 100%                    | 169,195    |
|                             |  | LG Display U.S.A., Inc.(*1)             | McAllen, U.S.A.   | Manufacture and sell Display products                |               |          | 100%                    | 228        |



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|                              |                   |                                       |      |         |      |         |
|------------------------------|-------------------|---------------------------------------|------|---------|------|---------|
| Nanumnuri Co., Ltd.          | Gumi, South Korea | Janitorial services                   | 100% | 800     | 100% | 800     |
| LG Display (China) Co., Ltd. | Guangzhou, China  | Manufacture and sell Display products | 52%  | 723,086 | 52%  | 723,086 |

**Table of Contents**5. Investments, Continued*(In millions of won)*

| Subsidiaries                              | Location           | Business   | September 30, 2016      |             | December 31, 2015       |             |
|---|--------------------|--|-------------------------|-------------|-------------------------|-------------|
|   |                    |  | Percentage of ownership | Book value  | Percentage of ownership | Book value  |
| Unified Innovative Technology LLC         | Wilmington, U.S.A. | Manage intellectual property                         | 100%                    | ₩ 9,489     | 100%                    | ₩ 9,489     |
| LG Display Guangzhou Trading Co., Ltd.    | Guangzhou, China   | Sell Display products                                | 100%                    | 218         | 100%                    | 218         |
| Global OLED Technology LLC                | Herndon, U.S.A.    | Manage OLED intellectual property                    | 100%                    | 164,322     | 100%                    | 164,322     |
| LG Display Vietnam Haiphong Co., Ltd.(*2) | Haiphong Vietnam   | Manufacture Display Products                         | 100%                    | 117,378     |                         |             |
| Suzhou Lehui Display Co., Ltd(*3)         | Suzhou, China      | Manufacture and sell LCD module and LCD monitor sets | 100%                    | 120,964     |                         |             |
| Money Market Trust(*4)                    | Seoul, South Korea | Money market trust                                   | 100%                    | 30,500      |                         |             |
|   |                    |  |                         | ₩ 2,535,285 |                         | ₩ 2,266,671 |

(\*1) In 2015, LG Display U.S.A., Inc. ( LGDUH ) initiated voluntary liquidation and as of September 30, 2016, LGDUH completed liquidation. In March 2016, the Company received ₩380 million and recognized ₩152 million for the difference between the collection amount and the carrying amount as finance income.

(\*2) In May 2016, the Company established LG Display Vietnam Haiphong Co. Ltd. to manufacture Display products.

(\*3) In July 2016, Suzhou Raken Technology Co., Ltd., a joint venture of the Company and AmTRAN Technology Co., Ltd. ( AmTRAN ), split into Suzhou Raken Technology Co., Ltd. and Suzhou Lehui Display Co., Ltd. The Company acquired 100% equity interest in Suzhou Lehui Display Co., Ltd. and AmTRAN acquired 100% equity interest in Suzhou Raken Technology Co., Ltd., respectively, by exchanging equity interests.

(\*4) During the nine-month period ended September 30, 2016, the Company acquired and disposed ₩171,400 million and ₩140,900 million of Money Market Trust, respectively.

**Table of Contents**5. Investments, Continued

(b) Investments in joint ventures and associates consist of the following:

*(In millions of won)*

|  |                          |   | September 30,<br>2016      | December 31,<br>2015 |                            |               |
|--|--------------------------|---|----------------------------|----------------------|----------------------------|---------------|
| Associates and<br>Joint Ventures                       | Location                 | Business  | Percentage<br>of ownership | Book<br>Value        | Percentage<br>of ownership | Book<br>value |
| Suzhou Raken Technology Co., Ltd.(*1)                  | Suzhou,<br>China         | Manufacture and sell LCD modules and LCD TV sets                              |                            | ₩                    | 51%                        | ₩ 120,184     |
| Paju Electric Glass Co., Ltd.                          | Paju,<br>South Korea     | Manufacture electric glass for FPDs   | 40%                        | 45,089               | 40%                        | 45,089        |
| TLI Inc.(*2)   | Seongnam,<br>South Korea | Manufacture and sell semiconductor parts for FPDs                             | 10%                        | 6,961                | 10%                        | 6,961         |
| AVACO Co., Ltd.(*3)                                    | Daegu,<br>South Korea    | Manufacture and sell equipment for FPDs                                       |                            |                      | 16%                        | 6,021         |
| New Optics Ltd.  | Yangju,<br>South Korea   | Manufacture back light parts for TFT-LCDs                                     | 46%                        | 14,221               | 46%                        | 14,221        |
| INVENIA Co., Ltd.<br>(Formerly, LIG INVENIA Co., Ltd.) | Seongnam,<br>South Korea | Develop and manufacture equipment for FPDs                                    | 13%                        | 6,330                | 13%                        | 6,330         |
| WooRee E&L Co., Ltd. (*4)                              | Ansan,<br>South Korea    | Manufacture LED back light unit packages                                      | 14%                        | 10,268               | 21%                        | 11,900        |
| LB Gemini New Growth Fund No.16 (*5)                   | Seoul,<br>South Korea    | Invest in small and middle sized companies and benefit from M&A opportunities | 31%                        | 2,510                | 31%                        | 7,660         |
| Can Yang Investments Limited                           | Hong Kong                | Develop, manufacture and sell LED parts                                       | 9%                         | 7,568                | 9%                         | 7,568         |
| YAS Co., Ltd.(*6)                                      | Paju,<br>South Korea     | Develop and manufacture deposition equipment for OLEDs                        | 18%                        | 10,000               | 19%                        | 10,000        |
| Narenanotech Corporation                               | Yongin,<br>South Korea   | Manufacture and sell FPD  | 23%                        | 30,000               | 23%                        | 30,000        |

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|  |                    |   |     |           |     |           |
|--|--------------------|---|-----|-----------|-----|-----------|
|  | South Korea        | manufacturing equipment                 |     |           |     |           |
| AVATEC Co., Ltd. (*7)                        | Daegu,             |   |     |           |     |           |
|  | South Korea        | Process and sell glass for FPDs         | 17% | 10,600    | 16% | 10,600    |
| Arctic Sentinel, Inc. (Formerly, Fuhu, Inc.) | Los Angeles U.S.A. | Develop and manufacture tablet for kids |     |           |     |           |
|  |                    |   | 10% |           | 10% |           |
|  |                    |   |     | ₩ 143,547 |     | ₩ 276,534 |

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**Table of Contents****5. Investments, Continued**

- (\*1) In July 2016, Suzhou Raken Technology Co., Ltd., a joint venture of the Company and AmTRAN Technology Co., Ltd. ( AmTRAN ), split into Suzhou Raken Technology Co., Ltd. and Suzhou Lehui Display Co., Ltd. As a result of exchange of equity interest, the Company currently do not hold interests in Suzhou Raken Technology Co., Ltd.
- (\*2) In 2016, the Company's ownership percentage in TLI Inc. decreased from 10.26% to 10.22% due to the shares issued in relation to the exercise of warrants.
- (\*3) In 2016, the Company disposed of the entire investments in AVACO Co., Ltd. for ₩16,756 million and recognized ₩10,735 million for the difference between the disposal amount and the carrying amount as finance income.
- (\*4) In 2016, the Company recognized an impairment loss of ₩1,632 million as finance cost for the difference between the carrying amount and the recoverable amount of investments in WooRee E&L Co., Ltd. ( WooRee E&L ). In 2016, the Company's ownership percentage in WooRee E&L decreased from 21% to 14% as the Company did not participate in the capital increase of WooRee E&L.
- (\*5) The Company is a member of a limited partnership in the LB Gemini New Growth Fund No.16 ( the Fund ). In February and June 2016, the Company received ₩2,820 million and ₩2,330 million, respectively, from the Fund as capital distribution. In conjunction with this recovery, there were no changes in the Company's ownership percentage in the Fund and the Company is committed to making future investments of up to an aggregate of ₩30,000 million.
- (\*6) The Company's ownership percentage in YAS Co., Ltd. decreased from 19% to 18% as the Company did not participate in the capital increase of YAS Co., Ltd.
- (\*7) In 2016, AVATEC Co., Ltd. retired its treasury stock and the Company's ownership percentage in AVATEC Co., Ltd. increased from 16% to 17% as a result.

For the nine-month period ended September 30, 2016, the aggregate amount of received dividends from subsidiaries, joint ventures and associates are ₩78,521 million.

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**6. Property, Plant and Equipment**

For the nine-month periods ended September 30, 2016 and 2015, the Company purchased property, plant and equipment of ₩2,108,549 million and ₩1,318,934 million, respectively. The capitalized borrowing costs and the annualized capitalization rate were ₩8,025 million and 2.17%, and ₩10,277 million and 3.80% for the nine-month periods ended September 30, 2016 and 2015, respectively. Also, for the nine-month periods ended September 30, 2016 and 2015, the Company disposed of property, plant and equipment with carrying amounts of ₩18,930 million and ₩235,788 million, respectively, and recognized ₩39,146 million and ₩2,394 million, respectively, as gain and loss on disposal of property, plant and equipment for the nine-month period ended September 30, 2016 (gain and loss for the nine-month period ended September 30, 2015: ₩25,116 million and ₩133 million, respectively).

**7. Intangible Assets**

The Company capitalizes expenditures related to development activities, such as expenditures incurred on designing, manufacturing and testing of products that are ultimately selected for production. The balances of capitalized development costs as of September 30, 2016 and December 31, 2015, are ₩260,159 million and ₩187,230 million, respectively.

**8. Financial Risk Management**

The objectives and policies on financial risk management followed by the Company are consistent with those disclosed in the financial statements as of and for the year ended December 31, 2015.

**Table of Contents**9. 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 as of September 30, 2016 and December 31, 2015 is as follows:

| <i>(In millions of won)</i>                           | <b>September 30, 2016</b> | <b>December 31, 2015</b> |
|---|---------------------------|--------------------------|
| Cash and cash equivalents                             | ₩ 156,844                 | 108,044                  |
| Deposits in banks(*)                                  | 1,073,513                 | 1,432,115                |
| Trade accounts and notes receivable, net              | 4,322,774                 | 4,219,941                |
| Other accounts receivable, net                        | 64,147                    | 499,882                  |
| Available-for-sale financial assets                   | 233                       | 709                      |
| Financial assets at fair value through profit or loss | 1,500                     |                          |
| Deposits  | 13,427                    | 14,103                   |
| Loans   | 32,896                    | 15,856                   |
| Long-term non-trade receivable                        | 1,681                     | 5,148                    |
|   | ₩ 5,667,015               | 6,295,798                |

(\*) As of September 30, 2016, the amount of deposits in banks restricted in use is ₩70,513 million (as of December 31, 2015: ₩70,513 million).

In addition to the financial assets above, as of September 30, 2016 and December 31, 2015, the Company provides payment guarantees of ₩148,001 million and ₩158,200 million, respectively, for its subsidiaries.

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises primarily from the sales and investing activities. Trade accounts and notes receivables are insured in order to manage credit risk and uninsured trade accounts and notes receivables are managed in accordance with the Company's management policy.

**Table of Contents**9. Financial Instruments, Continued

## (ii) Impairment loss

The aging of trade accounts and notes receivable, other accounts receivable and other non-current financial assets as of September 30, 2016 and December 31, 2015 are as follows:

(In millions of won)

|                               | September 30, 2016                        |                                    |   |  |                                    |   |
|-------------------------------|---|------------------------------------|---|--|------------------------------------|---|
|                               | Book value                                |                                    |   | Impairment loss                              |                                    |   |
|                               | Trade accounts<br>and notes<br>receivable | Other<br>accounts<br>receivable(*) | Other non-<br>current financial<br>assets | Trade accounts<br>and<br>notes<br>receivable | Other<br>accounts<br>receivable(*) | Other non-<br>current financial<br>assets |
| Not past due                  | ₩ 4,322,948                               | 62,590                             | 1,698                                     | (267)  | (381)                              | (17)                                      |
| Past due 1-15 days            | 87  | 806                                |   | (1)  | (8)                                |   |
| Past due 16-30 days           | 2   | 202                                |   |  |                                    |   |
| Past due 31-60 days           | 5   | 922                                |   |  |                                    |   |
| Past due more than 60<br>days |   | 414                                |   |  | (398)                              |   |
|                               | ₩ 4,323,042                               | 64,934                             | 1,698                                     | (268)  | (787)                              | (17)                                      |



**Table of Contents**9. Financial Instruments, Continued*(In millions of won)*

|                               | December 31, 2015                         |                                    |   |  |                                    |   |
|-------------------------------|---|------------------------------------|---|--|------------------------------------|---|
|                               | Book value                                |                                    |   | Impairment loss                              |                                    |   |
|                               | Trade accounts<br>and notes<br>receivable | Other<br>accounts<br>receivable(*) | Other non-<br>current financial<br>assets | Trade accounts<br>and<br>notes<br>receivable | Other<br>accounts<br>receivable(*) | Other non-<br>current financial<br>assets |
| Not past due                  | ₩ 4,203,896                               | 498,030                            | 5,200                                     | (434)  | (388)                              | (52)                                      |
| Past due 1-15 days            | 71  | 1,257                              |   | (1)  | (12)                               |   |
| Past due 16-30 days           | 9   | 368                                |   |  | (2)                                |   |
| Past due 31-60 days           |   | 38                                 |   |  |                                    |   |
| Past due more than 60<br>days | 16,565                                    | 595                                |   | (165)  | (4)                                |   |
|                               | ₩ 4,220,541                               | 500,288                            | 5,200                                     | (600)  | (406)                              | (52)                                      |

(\*) Other accounts receivable includes non-trade receivable and accrued income.

The movement in the allowance for impairment in respect of trade accounts and notes receivable, other accounts receivable and other non-current financial assets during the nine-month period ended September 30, 2016 and the year ended December 31, 2015 are as follows:

*(In millions of won)*

|  | September 30, 2016                           |                                 |  | December 31, 2015                            |                                 |  |
|--|--|---------------------------------|--|--|---------------------------------|--|
|  | Trade<br>accounts and<br>notes<br>receivable | Other<br>accounts<br>receivable | Other non-<br>current<br>financial<br>assets | Trade accounts<br>and<br>notes<br>receivable | Other<br>accounts<br>receivable | Other non-<br>current<br>financial<br>assets |
| Balance at the beginning of the period | ₩ 600  | 406                             | 52   | 10,125                                       | 477                             | 79   |
| (Reversal of) bad debt expense         | (332)  | 381                             | (35)   | 429  | (71)                            | (27)   |
| Write-off                              |  |                                 |  | (9,954)                                      |                                 |  |
| Balance at the reporting date          | ₩ 268  | 787                             | 17   | 600  | 406                             | 52   |

**Table of Contents**9. Financial Instruments, Continued

## (b) Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments, as of September 30, 2016.

(In millions of won)

|   | Carrying amount | Total     | 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> |                 |           |                        |             |           |           |                   |
| Unsecured bank loans                        | ₩ 1,904,993     | 1,976,602 | 291,816                | 234,220     | 354,989   | 1,095,577 |                   |
| Unsecured bond issues                       | 1,876,520       | 1,983,294 | 319,267                | 200,063     | 609,431   | 772,890   | 81,643            |
| Trade accounts and notes payables           | 2,839,494       | 2,839,494 | 2,839,494              |             |           |           |                   |
| Other accounts payable                      | 1,655,365       | 1,655,785 | 1,653,125              | 2,660       |           |           |                   |
| Other non-current liabilities               | 4,726           | 5,320     |                        |             | 5,320     |           |                   |
| Payment guarantee                           |                 | 150,049   | 1,445                  | 148,604     |           |           |                   |
| <b>Derivative financial liabilities</b>     |                 |           |                        |             |           |           |                   |
| Derivatives                                 | 12,715          | 12,750    | 10,695                 | 574         | 1,293     | 188       |                   |
|   | ₩ 8,293,813     | 8,623,294 | 5,115,842              | 586,121     | 971,033   | 1,868,655 | 81,643            |

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

**Table of Contents**9. Financial Instruments, Continued

## (c) Currency risk

## (i) Exposure to currency risk

The Company's exposure to foreign currency risk based on notional amounts as of September 30, 2016 and December 31, 2015 is as follows:

*(In millions)*

|  | September 30, 2016 |          |     |      |     |
|--|--------------------|----------|-----|------|-----|
|  | USD                | JPY      | CNY | PLN  | EUR |
| Cash and cash equivalents                      | 132                | 557      |     | 2    |     |
| Trade accounts and notes receivable            | 3,556              | 1,619    |     |      |     |
| Non-trade receivable                           | 11                 | 6        | 8   |      |     |
| Long-term non-trade receivable                 | 2                  |          |     |      |     |
| Other assets denominated in foreign currencies |                    | 51       |     |      |     |
| Trade accounts and notes payable               | (1,559)            | (15,486) |     |      |     |
| Other accounts payable                         | (168)              | (4,231)  |     | (11) | (1) |
| Debt   | (1,096)            |          |     |      |     |
| Gross statement of financial position exposure | 878                | (17,484) | 8   | (9)  | (1) |
| Forward exchange contracts                     | (200)              |          |     |      |     |
| Net exposure                                   | 678                | (17,484) | 8   | (9)  | (1) |

*(In millions)*

|  | December 31, 2015 |          |       |      |     |
|--|-------------------|----------|-------|------|-----|
|  | USD               | JPY      | CNY   | PLN  | EUR |
| Cash and cash equivalents                      | 63                | 968      |       | 2    |     |
| Trade accounts and notes receivable            | 3,228             | 3,666    |       |      |     |
| Non-trade receivable                           | 13                | 3        | 2,325 |      |     |
| Long-term non-trade receivable                 | 4                 |          |       |      |     |
| Other assets denominated in foreign currencies |                   | 51       |       |      |     |
| Trade accounts and notes payable               | (1,707)           | (17,019) |       |      |     |
| Other accounts payable                         | (107)             | (13,372) |       | (17) | (2) |
| Debt   | (750)             |          |       |      |     |
| Net exposure                                   | 744               | (25,703) | 2,325 | (15) | (2) |

**Table of Contents**9. Financial Instruments, Continued

Average exchange rates applied for the nine-month periods ended September 30, 2016 and 2015 and the exchange rates at September 30, 2016 and December 31, 2015 are as follows:

| <i>(In won)</i> | Average rate |          | Reporting date spot rate |                   |
|-----------------|--------------|----------|--------------------------|-------------------|
|                 | 2016         | 2015     | September 30, 2016       | December 31, 2015 |
| USD             | ₩ 1,161.32   | 1,122.29 | ₩ 1,096.30               | 1,172.00          |
| JPY             | 10.7         | 9.28     | 10.84                    | 9.72              |
| CNY             | 176.22       | 179.20   | 163.97                   | 178.48            |
| PLN             | 297.66       | 301.16   | 285.89                   | 300.79            |
| EUR             | 1,296.67     | 1,251.92 | 1,230.32                 | 1,280.53          |

## (ii) Sensitivity analysis

A weaker won, as indicated below, against the following currencies which comprise the Company's assets or liabilities denominated in foreign currency as of September 30, 2016 and December 31, 2015, would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considers to be reasonably possible as of the end of reporting period. The analysis assumes that all other variables, in particular interest rates, would remain constant. The changes in equity and profit or loss would have been as follows:

| <i>(In millions of won)</i> | September 30, 2016 |                | December 31, 2015 |                |
|-----------------------------|--------------------|----------------|-------------------|----------------|
|                             | Equity             | Profit or loss | Equity            | Profit or loss |
| USD (5 percent weakening)   | ₩ 28,171           | 28,171         | 33,048            | 33,048         |
| JPY (5 percent weakening)   | (7,183)            | (7,183)        | (9,469)           | (9,469)        |
| CNY (5 percent weakening)   | 50                 | 50             | 15,727            | 15,727         |
| PLN (5 percent weakening)   | (98)               | (98)           | (171)             | (171)          |
| EUR (5 percent weakening)   | (47)               | (47)           | (97)              | (97)           |

A stronger won against the above currencies as of September 30, 2016 and December 31, 2015 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

**Table of Contents**9. Financial Instruments, Continued

## (d) Interest rate risk

## (i) Profile

The interest rate profile of the Company's interest-bearing financial instruments as of September 30, 2016 and December 31, 2015 is as follows:

| <i>(In millions of won)</i>      |   | <b>September 30, 2016</b> | <b>December 31, 2015</b> |
|----------------------------------|---|---------------------------|--------------------------|
| <b>Fixed rate instruments</b>    |   |                           |                          |
| Financial assets                 | ₩ | 1,230,577                 | 1,540,855                |
| Financial liabilities            |   | (2,079,241)               | (2,289,334)              |
|                                  | ₩ | (848,664)                 | (748,479)                |
| <b>Variable rate instruments</b> |   |                           |                          |
| Financial liabilities            | ₩ | (1,702,272)               | (1,080,327)              |

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

As of September 30, 2016 and December 31, 2015, a change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below for each 12-month period following the reporting dates. 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%p<br/>increase</b> | <b>1%p<br/>decrease</b> | <b>1%p<br/>increase</b> | <b>1%p<br/>decrease</b> |
| <b>September 30, 2016</b>    |   |                         |                         |                         |                         |
| Variable rate instruments(*) | ₩ | (10,250)                | 10,250                  | (10,250)                | 10,250                  |
| <b>December 31, 2015</b>     |   |                         |                         |                         |                         |
| Variable rate instruments(*) | ₩ | (8,189)                 | 8,189                   | (8,189)                 | 8,189                   |

(\*) Financial instruments subject to interest rate swap not qualified for hedging are excluded.

**Table of Contents**9. Financial Instruments, Continued

## (e) Fair values

## (i) Fair values versus carrying amounts

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

(In millions of won)

|   | September 30, 2016 |             | December 31, 2015 |             |
|---|--------------------|-------------|-------------------|-------------|
|   | Carrying amounts   | Fair values | Carrying amounts  | Fair values |
| <b>Assets carried at fair value</b>                   |                    |             |                   |             |
| Available-for-sale financial assets                   | ₩ 233              | 233         | 709               | 709         |
| Financial assets at fair value through profit or loss | 1,500              | 1,500       |                   |             |
| <b>Assets carried at amortized cost</b>               |                    |             |                   |             |
| Cash and cash equivalents                             | ₩ 156,844          | (*)         | 108,044           | (*)         |
| Deposits in banks                                     | 1,073,513          | (*)         | 1,432,115         | (*)         |
| Trade accounts and notes receivable                   | 4,322,774          | (*)         | 4,219,941         | (*)         |
| Other accounts receivable                             | 64,147             | (*)         | 499,882           | (*)         |
| Deposits  | 13,427             | (*)         | 14,103            | (*)         |
| Loans   | 32,896             | (*)         | 15,856            | (*)         |
| Other non-current financial assets                    | 1,681              | (*)         | 5,148             | (*)         |
| <b>Liabilities carried at fair value</b>              |                    |             |                   |             |
| Derivatives   | ₩ 12,715           | 12,715      | 85                | 85          |
| <b>Liabilities carried at amortized cost</b>          |                    |             |                   |             |
| Unsecured bank loans                                  | ₩ 1,904,993        | 1,909,139   | 1,083,451         | 1,083,506   |
| Unsecured bond issues                                 | 1,876,520          | 1,922,710   | 2,286,125         | 2,337,835   |
| Trade accounts and notes payable                      | 2,839,494          | (*)         | 3,149,383         | (*)         |
| Other accounts payable                                | 1,655,365          | 1,655,749   | 1,179,010         | 1,179,251   |
| Other non-current liabilities                         | 4,726              | 5,202       | 8,384             | 8,987       |

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

The basis for determining fair values above by the Company are consistent with those disclosed in the financial statements as of and for the year ended December 31, 2015.

**Table of Contents**9. Financial Instruments, Continued

## (e) Fair Values, Continued

## (ii) Financial Instruments measured at cost

Available-for-sale financial assets measured at cost as of September 30, 2016 and December 31, 2015 are as follows:

*(In millions of won)*

|                                  | <b>September 30, 2016</b> | <b>December 31, 2015</b> |
|----------------------------------|---------------------------|--------------------------|
| Intellectual Discovery Co., Ltd. | ₩ 2,673                   | 2,673                    |
| Henghao Technology Co., Ltd.     | 3,372                     | 3,372                    |
| Kyulux Inc.                      | 3,266                     | 3,266                    |
|                                  | ₩ 9,311                   | 9,311                    |

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

## i) Fair value hierarchy

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

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

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

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

## ii) Financial instruments measured at fair value

Fair value hierarchy classifications of the financial instruments that are measured at fair value as of September 30, 2016 and December 31, 2015 are as follows:

| <i>(In millions of won)</i> | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b> |
|-----------------------------|----------------|----------------|----------------|--------------|
| <b>September 30, 2016</b>   |                |                |                |              |

**Assets**

|   |       |  |       |       |
|---|-------|--|-------|-------|
| Available-for-sale financial assets                   | ₩ 233 |  |       | 233   |
| Financial assets at fair value through profit or loss |       |  | 1,500 | 1,500 |

**Liabilities**

|             |  |        |       |        |
|-------------|--|--------|-------|--------|
| Derivatives |  | 10,261 | 2,454 | 12,715 |
|-------------|--|--------|-------|--------|

*(In millions of won)*

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

**Assets**

|                                     |       |  |  |     |
|-------------------------------------|-------|--|--|-----|
| Available-for-sale financial assets | ₩ 709 |  |  | 709 |
|-------------------------------------|-------|--|--|-----|

**Liabilities**

|             |  |  |    |    |
|-------------|--|--|----|----|
| Derivatives |  |  | 85 | 85 |
|-------------|--|--|----|----|



**Table of Contents**9. Financial Instruments, Continued

## (e) Fair Values, Continued

iii) Financial instruments not measured at fair value but for which the fair value is disclosed  
 Fair value hierarchy classifications, valuation technique and inputs for fair value measurements of the financial instruments not measured at fair value but for which the fair value is disclosed as of September 30, 2016 and December 31, 2015 are as follows:

| <i>(In millions of won)</i>   | <b>September 30, 2016</b> |                |                | <b>Valuation</b>     | <b>Input</b>  |
|-------------------------------|---------------------------|----------------|----------------|----------------------|---------------|
| <b>Classification</b>         | <b>Level 1</b>            | <b>Level 2</b> | <b>Level 3</b> | <b>technique</b>     |               |
| <b>Liabilities</b>            |                           |                |                |                      |               |
| Unsecured bank loans          | ₩                         |                | 1,909,139      | Discounted cash flow | Discount rate |
| Unsecured bond issues         |                           |                | 1,922,710      | Discounted cash flow | Discount rate |
| Other accounts payable        |                           |                | 1,655,749      | Discounted cash flow | Discount rate |
| Other non-current liabilities |                           |                | 5,202          | Discounted cash flow | Discount rate |

| <i>(In millions of won)</i>   | <b>December 31, 2015</b> |                |                | <b>Valuation</b>     | <b>Input</b>  |
|-------------------------------|--------------------------|----------------|----------------|----------------------|---------------|
| <b>Classification</b>         | <b>Level 1</b>           | <b>Level 2</b> | <b>Level 3</b> | <b>technique</b>     |               |
| <b>Liabilities</b>            |                          |                |                |                      |               |
| Unsecured bank loans          | ₩                        |                | 1,083,506      | Discounted cash flow | Discount rate |
| Unsecured bond issues         |                          |                | 2,337,835      | Discounted cash flow | Discount rate |
| Other accounts payable        |                          |                | 1,179,251      | Discounted cash flow | Discount rate |
| Other non-current liabilities |                          |                | 8,987          | Discounted cash flow | Discount rate |

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

|                              | <b>September 30, 2016</b> | <b>December 31, 2015</b> |
|------------------------------|---------------------------|--------------------------|
| Debentures, loans and others | 1.01 ~ 1.85%              | 1.52~2.48%               |

**Table of Contents**9. Financial Instruments, Continued

## (f) Capital management

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

*(In millions of won)*

|                                     | <b>September 30, 2016</b> | <b>December 31, 2015</b> |
|-------------------------------------|---------------------------|--------------------------|
| Total liabilities                   | ₩ 9,409,811               | 8,881,110                |
| Total equity                        | 11,071,528                | 11,329,583               |
| Cash and deposits in banks (*1)     | 1,230,344                 | 1,540,146                |
| Borrowings (including bonds)        | 3,781,513                 | 3,369,576                |
| Total liabilities to equity ratio   | 85%                       | 78%                      |
| Net borrowings to equity ratio (*2) | 23%                       | 16%                      |

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

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

**Table of Contents**10. Financial Liabilities

(a) Financial liabilities as of September 30, 2016 and December 31, 2015 are as follows:

| <i>(In millions of won)</i>             | <b>September 30, 2016</b> |           | <b>December 31, 2015</b> |
|---|---------------------------|-----------|--------------------------|
| <b>Current</b>                          |                           |           |                          |
| Short-term borrowings                   | ₩                         | 102,698   |                          |
| Current portion of long-term debt       |                           | 862,013   | 1,416,112                |
| Derivatives(*)                          |                           | 10,261    |                          |
|   | ₩                         | 974,972   | 1,416,112                |
| <b>Non-current</b>                      |                           |           |                          |
| Won denominated borrowings              | ₩                         | 702,092   | 202,991                  |
| Foreign currency denominated borrowings |                           | 713,033   | 468,800                  |
| Bonds                                   |                           | 1,401,677 | 1,281,673                |
| Derivatives(*)                          |                           | 2,454     | 85                       |
|   | ₩                         | 2,819,256 | 1,953,549                |

(\*) Represents forward contracts and interest rate swap contracts

(b) Short-term borrowings as of September 30, 2016 and December 31, 2015 are as follows:

*(In millions of won and USD)*

| <b>Lender</b>                         | <b>Annual interest rate<br/>as of<br/>September 30,<br/>2016<br/>(%)(*)</b> | <b>September 30,<br/>2016</b> | <b>December 31,<br/>2015</b> |
|---------------------------------------|---|-------------------------------|------------------------------|
| Standard Chartered Bank Korea Limited | 6ML+0.62  | ₩ 102,698                     |                              |
| Foreign currency equivalent           |   |                               | USD 94                       |

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

(c) Won denominated long-term debt as of September 30, 2016 and December 31, 2015 are as follows:

*(In millions of won)*

| <b>Lender</b>                          | <b>Annual interest rate</b>   |                      |                     |
|--|-------------------------------|----------------------|---------------------|
|  | <b>as of</b>                  | <b>September 30,</b> | <b>December 31,</b> |
|  | <b>September 30, 2016 (%)</b> | <b>2016</b>          | <b>2015</b>         |
|  | 3-year Korean Treasury        |                      |                     |
| Woori Bank and others                  | Bond rate less 1.25, 2.75     | ₩ 3,356              | 4,451               |
| Shinhan Bank                           | CD rate (91days) +0.30        | 200,000              | 200,000             |
|  | 3-year Industrial Financial   |                      |                     |
|  | Debenture rate +0.55,         |                      |                     |
|  | CD rate (91days) +0.74,       |                      |                     |
| Korea Development Bank and others      | CD rate (91days) +0.64        | 500,000              |                     |
| Less current portion of long-term debt |                               | (1,264)              | (1,460)             |
|  |                               | ₩ 702,092            | 202,991             |

**Table of Contents**10. Financial Liabilities, Continued

- (d) Long-term debt denominated in currencies other than won as of September 30, 2016 and December 31, 2015 are as follows:

*(In millions of won and USD)*

| <b>Lender</b>                                 | <b>Annual interest rate<br/>as of<br/>September 30, 2016 (%)</b> | <b>September<br/>30,<br/>2016</b> | <b>December 31,<br/>2015</b> |
|---|--|-----------------------------------|------------------------------|
| The Export-Import Bank of Korea<br>and others | 3ML+0.55~1.78  | ₩ 1,091,257                       | 879,000                      |
| Standard Chartered Bank Korea<br>Limited      | 6ML+0.62   | 7,682                             |                              |
| Foreign currency equivalent                   |  | USD 1,002                         | USD 750                      |
| Less current portion of long-term<br>debt     |  | (385,906)                         | (410,200)                    |
|   |  | ₩ 713,033                         | 468,800                      |

- (e) Details of bonds issued and outstanding as of September 30, 2016 and December 31, 2015 are as follows:

*(In millions of won)*

|                                 | <b>Maturity</b> | <b>Annual interest rate<br/>as of<br/>September 30,<br/>2016<br/>(%)</b> | <b>September<br/>30,<br/>2016</b> | <b>December 31,<br/>2015</b> |
|---------------------------------|-----------------|--|-----------------------------------|------------------------------|
| <b>Won denominated bonds(*)</b> | October 2016    |  |                                   |                              |
| Publicly issued bonds           | ~ May 2022      | 1.73~4.51  | ₩ 1,880,000                       | 2,290,000                    |
| Less discount on bonds          |                 |  | (3,480)                           | (3,875)                      |
| Less current portion            |                 |  | (474,843)                         | (1,004,452)                  |
|                                 |                 |  | ₩ 1,401,677                       | 1,281,673                    |

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



**Table of Contents****11. Employee Benefits**

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

- (a) Recognized liabilities for defined benefit plans as of September 30, 2016 and December 31, 2015 are as follows:

| <i>(In millions of won)</i>                                   | <b>September 30, 2016</b> | <b>December 31, 2015</b> |
|---|---------------------------|--------------------------|
| Present value of partially funded defined benefit obligations | ₩ 1,517,169               | 1,381,073                |
| Fair value of plan assets                                     | (1,114,329)               | (1,027,850)              |
|   | ₩ 402,840                 | 353,223                  |

- (b) Expenses recognized in profit or loss for the three-month and nine-month periods ended September 30, 2016 and 2015 are as follows:

| <i>(In millions of won)</i> | <b>For the three-month periods ended September 30</b> |             | <b>For the nine-month periods ended September 30</b> |             |
|-----------------------------|---|-------------|--|-------------|
|                             | <b>2016</b>   | <b>2015</b> | <b>2016</b>  | <b>2015</b> |
| Current service cost        | ₩ 52,626  | 46,875      | 157,878  | 140,625     |
| Net interest cost           | 2,569   | 2,816       | 7,709  | 8,449       |
|                             | ₩ 55,195  | 49,691      | 165,587  | 149,074     |

- (c) Plan assets as of September 30, 2016 and December 31, 2015 are as follows:

| <i>(In millions of won)</i>  | <b>September 30, 2016</b> | <b>December 31, 2015</b> |
|------------------------------|---------------------------|--------------------------|
| Guaranteed deposits in banks | ₩ 1,114,329               | 1,027,850                |

As of September 30, 2016, the Company maintains the plan assets with Mirae Asset Securities Co., Ltd., Shinhan Bank and others.

- (d) Remeasurements of net defined benefit liabilities included in other comprehensive income for the three-month and nine-month periods ended September 30, 2016 and 2015 are as follows:

| <i>(In millions of won)</i>  | <b>For the three-month</b>        |             | <b>For the nine-month</b>         |             |
|--|-----------------------------------|-------------|-----------------------------------|-------------|
|  | <b>periods ended September 30</b> |             | <b>periods ended September 30</b> |             |
|  | <b>2016</b>                       | <b>2015</b> | <b>2016</b>                       | <b>2015</b> |
| Remeasurements of net defined benefit liabilities                    | ₩ (1,033)                         | (684)       | (3,817)                           | (3,023)     |
| Tax effect   | 250                               | 166         | 924                               | 732         |
| Remeasurements of net defined benefit liabilities, net of income tax | ₩ (783)                           | (518)       | (2,893)                           | (2,291)     |



**Table of Contents**12. Contingent Liabilities and Commitments

## (1) Litigations and Others

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

In December 2013, Delaware Display Group LLC and Innovative Display Technologies LLC filed a patent infringement case ( First Case ) against the Company and LG Display America, Inc. in the United States District Court for the District of Delaware. The Company does not have a present obligation for this matter and has not recognized any provision at September 30, 2016. It is not possible to reasonably estimate an amount of potential loss, if any, because the information plaintiffs have provided regarding damages are unreliable and may substantially change as litigation proceeds.

In December 2015, DDG and IDT filed a new patent infringement case against the Company and LG Display America, Inc. over the three patents that were dismissed without prejudice from the First Case. In May 2016, the case has been stayed by the United States District Court for the District of Delaware pending Inter Partes Review. The Company does not have a present obligation for this matter and has not recognized any provision at September 30, 2016. It is not possible to reasonably estimate an amount of potential loss, if any, because the plaintiffs have not provided any information regarding damages.

In August 2016, Innovative Display Technologies LLC filed a new patent infringement case against the Company and LG Display America, Inc. in the United States District Court for the Eastern District of Texas with respect to two new patents. The Company does not have a present obligation for this matter and has not recognized any provision at September 30, 2016. It is not possible to reasonably estimate an amount of potential loss, if any, because the plaintiffs have not provided any information regarding damages.

Surpass Tech Innovation LLC

In March 2014, Surpass Tech Innovation LLC filed a complaint in the United States District Court for the District of Delaware against the Company and LG Display America, Inc. for alleged patent infringement. In November 2014, the case has been stayed by the United States District Court for the District of Delaware pending Inter Partes Review. The Company does not have a present obligation for this matter and has not recognized any provision at September 30, 2016. It is not possible to reasonably estimate an amount of potential loss, if any, because the plaintiffs have not provided any information regarding damages.

Anti-trust litigations

The Company reached agreements on individual lawsuit and class actions in the United States and Canada, respectively, in connection with alleged violation of the antitrust laws after the nine-month period ended September 30, 2016.

During the nine-month period ended September 30, 2016, the Company updated its estimates on the amount of potential outflow of resources for pending antitrust litigations which resulted in a decrease of provision in the amount of ₩39,365 million upon payment for the settlement. The Company also recognized additional provision of ₩24,231 million and reversed ₩14,887 million. While the Company continues its vigorous defense of the various pending proceedings described above, management's assessment of the facts and circumstances could change based upon new information, intervening events and the final outcome of the cases. Consequently, the actual results could be materially different from management's current estimates.



**Table of Contents**12. Contingent Liabilities and Commitments, Continued

## (2) Commitments

Factoring and securitization of accounts receivable

The Company has agreements with Korea Development Bank and several other banks for accounts receivable sales negotiating facilities of up to an aggregate of USD 2,063 million (₩2,262,193 million) in connection with the Company's export sales transactions with its subsidiaries. As of September 30, 2016, no short-term borrowings were outstanding in connection with these agreements. In connection with all of the contracts in this paragraph, the Company has sold its accounts receivable with recourse.

The Company has a credit facility agreement with Shinhan Bank and several other banks pursuant to which the Company could sell its accounts receivables up to an aggregate of ₩188,667 million in connection with its domestic and export sales transactions and, as of September 30, 2016, no accounts and notes receivable sold to Shinhan Bank were outstanding in connection with the agreement. In connection with the contract above, the Company has sold its accounts receivable without recourse.

Letters of credit

As of September 30, 2016, the Company has agreements in relation to the opening of letters of credit up to USD 40 million (₩43,852 million) with KEB Hana Bank, USD 80 million (₩87,704 million) with Bank of China and USD 50 million (₩54,815 million) with Sumitomo Mitsui Banking Corporation.

Payment guarantees

The Company obtained payment guarantees for borrowings amounting to USD 200 million (₩219,260 million) from KEB Hana Bank, USD 8.5 million (₩9,319 million) from Shinhan bank for value added tax payments in Poland and USD 75 million (₩82,223 million) from Westchester Fire Insurance Company for ongoing legal proceeding. In addition, the Company provides a payment guarantee in connection with the term loan credit facilities of LG Display Yantai, Co., Ltd. amounting to USD 135 million (₩148,001 million) for principals and related interests.

License agreements

As of September 30, 2016, in relation to its LCD business, the Company has technical license agreements with Hitachi Display, Ltd. and others and has a trademark license agreement with LG Corp.

13. Capital and Reserves

## (a) Share capital

The Company is authorized to issue 500,000,000 shares of capital stock (par value ₩ 5,000), and as of September 30, 2016 and December 31, 2015, the number of issued common shares is 357,815,700. There have been no changes in the capital stock from January 1, 2015 to September 30, 2016.

(b) Reserve

Reserve is comprised of the fair value reserve which is the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognized or impaired.

**Table of Contents**14. Related Parties

## (a) Related parties

Related parties as of September 30, 2016 are as follows:

| <b>Classification</b>  | <b>Description</b>                         |
|--|--|
| Subsidiaries(*)  | LG Display America, Inc. and others        |
| Associates(*)  | Paju Electronic Glass Co., Ltd. and others |
| Subsidiaries of Associates   | ADP System Co., Ltd. and others            |
| Entity that has significant influence over the Company                     | LG Electronics Inc.                        |
| Subsidiaries of the entity that has significant influence over the Company | Subsidiaries of LG Electronics Inc.        |

(\*) Details of subsidiaries and associates are described in note 5.

Related parties that have transactions such as sales or balance of trade accounts and notes receivable and payable with the Company excluding subsidiaries, associates and joint ventures as of September 30, 2016 and December 31, 2015 are as follows:

| <b>Classification</b>  | <b>September 30, 2016</b>  | <b>December 31, 2015</b>   |
|--|--|--|
| Subsidiaries of Associates   | ADP System Co., Ltd.<br>New Optics USA, Inc.<br>NEWOPTIX RS. SA DE CV  | ADP System Co., Ltd.<br>New Optics USA, Inc.   |
| Entity that has significant influence over the Company                     | LG Electronics Inc.  | LG Electronics Inc.  |
| Subsidiaries of the entity that has significant influence over the Company | Hiplaza Co., Ltd.<br>HiEntech Co., Ltd.<br>LG Hitachi Water Solutions Co., Ltd.<br><br>LG Innotek Co., Ltd.<br>Hanuri Co., Ltd.<br>Hi M Solutek<br>Inspur LG Digital Mobile Communication Co., Ltd.<br>Qingdao LG Inspur Digital Communication Co., Ltd. | Hi Business Logistics Co., Ltd.<br>Hiplaza Co., Ltd.<br>HiEntech Co., Ltd.<br>LG Hitachi Water Solutions Co., Ltd.<br>LG Innotek Co., Ltd.<br>Hanuri Co., Ltd.<br>Hi M Solutek<br>Inspur LG Digital Mobile Communication Co., Ltd.<br>Qingdao LG Inspur Digital Communication Co., Ltd.<br>Hi Logistics Europe B.V.<br>LG Electronics Mlawa Sp. z o.o. |
|  | LG Electronics Mlawa Sp. z o.o.<br>LG Electronics U.S.A., Inc.   | LG Electronics U.S.A., Inc.  |

LG Electronics Vietnam Haiphong  
Co., Ltd.  
LG Electronics Thailand Co., Ltd.  
LG Electronics RUS, LLC

LG Electronics Vietnam  
Haiphong Co., Ltd.  
LG Electronics Thailand Co., Ltd.  
LG Electronics RUS, LLC

**Table of Contents**14. Related Parties, Continued

## (a) Related parties, Continued

| <b>Classification</b> | <b>September 30, 2016</b>                      | <b>December 31, 2015</b>                       |
|-----------------------|--|--|
|                       | LG Electronics Nanjing New Technology Co., LTD | LG Electronics Nanjing New Technology Co., LTD |
|                       | LG Electronics India Pvt. Ltd.                 | LG Electronics India Pvt. Ltd.                 |
|                       | LG Electronics do Brasil Ltda.                 | LG Electronics do Brasil Ltda.                 |
|                       |  | LG Electronics (Kunshan) Computer Co., Ltd.    |
|                       | LG Electronics Singapore Pte. Ltd.             | LG Electronics Singapore Pte. Ltd.             |
|                       | LG Electronics Japan, Inc.                     | LG Electronics Japan, Inc.                     |
|                       | P.T. LG Electronics Indonesia                  | P.T. LG Electronics Indonesia                  |
|                       | LG Electronics Almaty Kazakhstan               | LG Electronics Almaty Kazakhstan               |
|                       | LG Electronics S.A. (Pty) Ltd.                 | LG Electronics S.A. (Pty) Ltd.                 |
|                       | LG Electronics Mexicalli S.A.DE C.V.           |  |
|                       | LG Electronics Reynosa S.A. DE C.V.            |  |
|                       | LG Electronics Taiwan Taipei Co., Ltd.         |  |
|                       | LG Electronics Shenyang Inc.                   |  |

## (b) Key management personnel compensation

Compensation costs of key management for the three-month and nine-month periods ended September 30, 2016 and 2015 are as follows:

| <i>(In millions of won)</i>                  | <b>For the three-month periods ended September 30</b> |             | <b>For the nine-month periods ended September 30</b> |              |
|--|---|-------------|--|--------------|
|  | <b>2016</b>   | <b>2015</b> | <b>2016</b>  | <b>2015</b>  |
| Short-term benefits                          | ₩ 534   | 731         | 2,066  | 2,228        |
| Expenses related to the defined benefit plan | 93  | 73          | 804  | 305          |
|  | <b>₩ 627</b>  | <b>804</b>  | <b>2,870</b>   | <b>2,533</b> |

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

**Table of Contents**14. Related Parties, Continued

- (c) Significant transactions such as sales of goods and purchases of raw material and outsourcing service and others, which occurred in the normal course of business with related parties for the three-month and nine-month periods ended September 30, 2016 and 2015 are as follows:

(In millions of won)

For the three-month period ended September 30, 2016

|   | Sales<br>and others | Dividend<br>and<br>income | Purchase of<br>material<br>and<br>others | Acquisition of<br>property, plant<br>and<br>equipment | Outsourcing<br>fees | Purchase and others<br>Other costs |
|---|---------------------|---------------------------|--|---|---------------------|------------------------------------|
| <b>Subsidiaries</b>                     |                     |                           |  |   |                     |                                    |
| LG Display America, Inc.                | ₩ 2,733,748         |                           |  |   |                     | 5                                  |
| LG Display Japan Co., Ltd.              | 504,459             |                           |  |   |                     | 13                                 |
| LG Display Germany GmbH                 | 503,720             |                           |  |   |                     | 1,729                              |
| LG Display Taiwan Co., Ltd.             | 190,740             |                           |  |   |                     | 329                                |
| LG Display Nanjing Co., Ltd.            | 7,129               |                           |  | 1   | 103,057             |                                    |
| LG Display Shanghai Co., Ltd.           | 406,483             |                           |  |   |                     | 57                                 |
| LG Display Poland Sp. z o.o.            | 90                  |                           |  |   | 9,830               |                                    |
| LG Display Guangzhou Co., Ltd.          | 9,183               |                           | 2,387                                    |   | 530,543             | 3,693                              |
| LG Display Shenzhen Co., Ltd.           | 434,998             |                           |  |   |                     | 12                                 |
| LG Display Yantai Co., Ltd.             | 5,651               |                           | 6,767                                    |   | 623,962             | 16,493                             |
| LG Display (China) Co., Ltd.            | 379                 |                           | 219,058                                  |   |                     |                                    |
| LG Display Singapore Pte. Ltd.          | 250,970             |                           |  |   |                     | 3                                  |
| L&T Display Technology (Fujian) Limited | 106,886             |                           |  | 1   |                     | 252                                |
| Nanumnuri Co., Ltd.                     | 13                  |                           |  |   |                     | 2,304                              |
| Global OLED Technology LLC              |                     |                           |  |   |                     | 1,436                              |
| LG Display Guangzhou Trading Co., Ltd.  | 105,700             |                           |  |   |                     |                                    |
| Suzhou Lehui Display Co., Ltd.          | 50,094              |                           |  |   |                     |                                    |
|   | ₩ 5,310,243         |                           | 228,213                                  | 1   | 1,267,392           | 26,326                             |



**Table of Contents**14. Related Parties, Continued*(In millions of won)*

For the three-month period ended September 30, 2016

|   | Purchase and others<br>Acquisition |                    |   |  |                                    |
|---|------------------------------------|--------------------|---|--|------------------------------------|
|   | Sales<br>and<br>others             | Dividend<br>income | Purchase of raw<br>material and<br>others | Purchase of<br>plant<br>property, and<br>equipment | Outsourcing<br>fees<br>Other costs |
| <b>Joint Venture</b>  |                                    |                    |   |  |                                    |
| Suzhou Raken Technology Co., Ltd.(*1)                             | ₩ 2                                | 1,379              |   |  |                                    |
| <b>Associates and their subsidiaries</b>                          |                                    |                    |   |  |                                    |
| New Optics Ltd.   | ₩ 287                              |                    | 11,441                                    |  | 1,795 80                           |
| New Optics USA, Inc.  |                                    |                    |   |  | 7                                  |
| NEWOPTIX RS. SA DE CV   | 6                                  |                    |   |  |                                    |
| <b>WooRee E&amp;L Co., Ltd.</b>                                   |                                    |                    |   |  |                                    |
| INVENIA Co., Ltd. (LIG INVENIA Co.,<br>Ltd.)                      |                                    |                    | 1,011                                     | 5,785  | 49                                 |
| TLI Inc.  |                                    |                    | 17,358                                    |  | 547                                |
| AVACO Co., Ltd.(*2)   |                                    |                    | 20  | 206  | 19                                 |
| AVATEC Co., Ltd.  |                                    |                    |   |  | 17,187 309                         |
| Paju Electric Glass Co., Ltd.                                     |                                    |                    | 123,396                                   |  | 1,015                              |
| <b>LB Gemini New Growth Fund No.16</b>                            |                                    |                    |   |  |                                    |
| Narenanotech Corporation  |                                    |                    | 132                                       | 2,422  | 154                                |
| ADP System Co., Ltd.  |                                    |                    |   | 3  |                                    |
| YAS Co., Ltd.   |                                    |                    | 491                                       | 43,486   | 645                                |
|   | ₩ 293                              |                    | 153,849                                   | 51,902   | 18,989 2,818                       |
| <b>Entity that has significant influence<br/>over the Company</b> |                                    |                    |   |  |                                    |
| LG Electronics Inc.   | ₩ 364,593                          |                    | 5,378                                     | 183,744  | 11,682                             |

**Table of Contents**14. Related Parties, Continued*(In millions of won)*

For the three-month period ended September 30, 2016

|   |                     | Purchase and others<br>Acquisition                              |               |                  |                     |             |
|---|---------------------|---|---------------|------------------|---------------------|-------------|
|   |                     | Purchase of raw of<br>material property, plant<br>and equipment |               |                  | Outsourcing<br>fees | Other costs |
|   | Sales<br>and others | Dividend<br>income  | and<br>others | and<br>equipment |                     |             |
| <b>Subsidiaries of the entity that has significant influence over the Company</b> |                     |   |               |                  |                     |             |
| LG Electronics India Pvt. Ltd.  | ₩ 23,570            |   |               |                  |                     | 13          |
| LG Electronics Vietnam Haiphong Co., Ltd.   | 40,332              |   |               |                  |                     | 18          |
| LG Electronics Reynosa S.A. DE C.V.   | 17,050              |   |               |                  |                     | 550         |
| LG Electronics do Brasil Ltda.  | 1,393               |   |               |                  |                     | 83          |
| LG Electronics Almaty Kazakhstan  | 5,124               |   |               |                  |                     | 7           |
| LG Electronics S.A. (Pty) Ltd   | 7,372               |   |               |                  |                     | 8           |
| LG Electronics Mexicalli S.A.DE C.V.  | 3,376               |   |               |                  |                     | 45          |
| LG Electronics RUS, LLC   | 1,921               |   |               |                  |                     | 384         |
| LG Innotek Co., Ltd.  | 3,913               |   | 41,906        |                  |                     | 3,977       |
| LG Hitachi Water Solutions Co., Ltd.  |                     |   |               | 66,610           |                     |             |
| Inspur LG Digital Mobile Communication Co., Ltd                                   | 62,714              |   |               |                  |                     |             |
| Qingdao LG Inspur Digital Communication Co., Ltd.                                 | 4,410               |   |               |                  |                     |             |
| HiEntech Co., Ltd.  |                     |   |               |                  |                     | 6,402       |
| Others  |                     |   |               | 1                | 1                   | 941         |
|   | ₩ 171,175           |   | 41,906        | 66,611           | 1                   | 12,428      |
|   | ₩ 5,846,306         | 1,379   | 429,346       | 302,258          | 1,286,382           | 53,254      |

(\*1) Represents transactions occurred prior to exchange of equity interests. Details of its transactions are described in note 5.

(\*2) Represents transactions occurred prior to disposal of the entire investments in AVACO Co., Ltd.

**Table of Contents**14. Related Parties, Continued*(In millions of won)***For the nine-month period ended September 30, 2016**

|  | <b>Sales<br/>and others</b> | <b>Dividend<br/>income</b> | <b>material and<br/>others</b> | <b>Purchase of<br/>property, plant<br/>and<br/>equipment</b> | <b>Purchase and others<br/>Acquisition<br/>of<br/>Outsourcing<br/>fees</b> | <b>Other costs</b> |
|--|-----------------------------|----------------------------|--------------------------------|--|--|--------------------|
| <b>Subsidiaries</b>                        |                             |                            |                                |  |  |                    |
| LG Display America, Inc.                   | ₩ 7,206,056                 |                            |                                |  |  | 175                |
| LG Display Japan Co., Ltd.                 | 1,323,283                   |                            |                                |  |  | 32                 |
| LG Display Germany GmbH                    | 1,291,192                   |                            |                                |  |  | 3,621              |
| LG Display Taiwan Co., Ltd.                | 904,128                     |                            |                                |  |  | 861                |
| LG Display Nanjing Co., Ltd.               | 33,224                      |                            |                                | 68   | 330,359  | 1                  |
| LG Display Shanghai Co., Ltd.              | 1,072,678                   |                            |                                |  |  | 132                |
| LG Display Poland Sp. z o.o.               | 287                         |                            |                                |  | 34,641   | 26                 |
| LG Display Guangzhou Co., Ltd.             | 28,433                      |                            | 5,662                          |  | 1,400,825  | 8,681              |
| LG Display Shenzhen Co., Ltd.              | 1,345,053                   |                            |                                |  |  | 17                 |
| LG Display Yantai Co., Ltd.                | 19,729                      |                            | 21,859                         |  | 1,477,995  | 29,293             |
| LG Display (China) Co., Ltd.               | 1,335                       | 18,119                     | 507,104                        |  |  |                    |
| LG Display Singapore Pte. Ltd.             | 693,122                     |                            |                                |  |  | 5                  |
| L&T Display Technology (Fujian)<br>Limited | 354,125                     |                            | 10                             |  |  | 600                |
| Nanumnuri Co., Ltd.                        | 39                          |                            |                                |  |  | 7,390              |
| Global OLED Technology LLC                 |                             |                            |                                |  |  | 4,521              |
| LG Display Guangzhou Trading Co.,<br>Ltd.  | 237,402                     |                            |                                |  |  |                    |
| Suzhou Lehui Display Co., Ltd.             | 50,094                      |                            |                                |  |  |                    |
|  | ₩ 14,560,180                | 18,119                     | 534,635                        | 68   | 3,243,820  | 55,355             |

**Table of Contents**14. Related Parties, Continued*(In millions of won)***For the nine-month period ended September 30, 2016**

|   | <b>Purchase and others<br/>Acquisition</b>                               |                            |                                 |                          |                    |                    |
|---|--|----------------------------|---------------------------------|--------------------------|--------------------|--------------------|
|   | <b>Purchase of raw of<br/>material property, plant<br/>and equipment</b> |                            | <b>and Outsourcing<br/>fees</b> |                          | <b>Other costs</b> |                    |
|   | <b>Sales<br/>and others</b>  | <b>Dividend<br/>income</b> | <b>and<br/>others</b>           | <b>and<br/>equipment</b> | <b>fees</b>        | <b>Other costs</b> |
| <b>Joint Venture</b>  |  |                            |                                 |                          |                    |                    |
| Suzhou Raken Technology Co.,<br>Ltd.(*1)                          | ₩ 59,388   | 31,280                     |                                 |                          |                    | 543                |
| <b>Associates and their subsidiaries</b>                          |  |                            |                                 |                          |                    |                    |
| New Optics Ltd.   | ₩ 287  |                            | 39,463                          |                          | 5,650              | 167                |
| New Optics USA, Inc.  |  |                            |                                 |                          | 509                |                    |
| NEWOPTIX RS. SA DE CV   | 17   |                            |                                 |                          |                    |                    |
| WooRee E&L Co., Ltd.  |  |                            |                                 |                          |                    | 32                 |
| INVENIA Co., Ltd. (LIG INVENIA<br>Co., Ltd.)                      | 44   |                            | 1,317                           | 16,194                   |                    | 192                |
| TLI Inc.  |  | 101                        | 51,565                          |                          |                    | 2,138              |
| AVACO Co., Ltd.(*2)   |  | 128                        | 703                             | 4,964                    |                    | 849                |
| AVATEC Co., Ltd.  |  | 265                        |                                 |                          | 50,410             | 948                |
| Paju Electric Glass Co., Ltd.                                     |  | 21,030                     | 345,034                         |                          |                    | 2,466              |
| LB Gemini New Growth Fund No.16                                   |  | 7,598                      |                                 |                          |                    |                    |
| Narenanotech Corporation  | 17   |                            | 369                             | 9,558                    |                    | 330                |
| ADP System Co., Ltd.  |  |                            |                                 | 17                       |                    |                    |
| YAS Co., Ltd.   | 44   |                            | 1,315                           | 68,492                   |                    | 1,184              |
|   | ₩ 409  | 29,122                     | 439,766                         | 99,225                   | 56,569             | 8,306              |
| <b>Entity that has significant influence<br/>over the Company</b> |  |                            |                                 |                          |                    |                    |
| LG Electronics Inc.   | ₩ 1,221,450  |                            | 15,629                          | 332,823                  |                    | 46,116             |

**Table of Contents**14. Related Parties, Continued*(In millions of won)***For the nine-month period ended September 30, 2016**

|   |   | <b>Sales<br/>and others</b> | <b>Dividend<br/>income</b> | <b>Purchase of raw<br/>material and<br/>others</b> | <b>Acquisition<br/>of<br/>material property, plant<br/>and<br/>equipment</b> | <b>Purchase and others<br/>Outsourcing<br/>fees</b> | <b>Other costs</b> |
|---|---|-----------------------------|----------------------------|--|--|---|--------------------|
| <b>Subsidiaries of the entity that has significant influence over the Company</b> |   |                             |                            |  |  |   |                    |
| LG Electronics India Pvt. Ltd.  | ₩ | 64,132                      |                            |  |  |   | 26                 |
| LG Electronics Vietnam Haiphong Co., Ltd.   |   | 107,118                     |                            |  |  |   | 51                 |
| LG Electronics Reynosa S.A. DE C.V.   |   | 36,307                      |                            |  |  |   | 1,042              |
| LG Electronics do Brasil Ltda.  |   | 5,373                       |                            |  |  |   | 159                |
| LG Electronics Almaty Kazakhstan  |   | 11,438                      |                            |  |  |   | 7                  |
| LG Electronics S.A. (Pty) Ltd   |   | 15,142                      |                            |  |  |   | 24                 |
| LG Electronics Mexicali S.A. DE C.V.  |   | 9,499                       |                            |  |  |   | 45                 |
| LG Electronics RUS, LLC   |   | 4,011                       |                            |  |  |   | 798                |
| LG Innotek Co., Ltd.  |   | 8,484                       |                            | 149,914  |  |   | 8,535              |
| LG-Hitachi Water Solutions  |   |                             |                            |  | 92,939   |   |                    |
| Inspur LG Digital Mobile Communications Co., Ltd.                                 |   | 202,894                     |                            |  |  |   |                    |
| Qingdao LG Inspur Digital Communication Co., Ltd.                                 |   | 32,093                      |                            |  |  |   |                    |
| HiEntech Co., Ltd.  |   |                             |                            |  |  |   | 18,954             |
| Others  |   | 3                           |                            | 1  | 1  | 1   | 3,198              |
|   | ₩ | 496,494                     |                            | 149,915  | 92,940   | 1   | 32,839             |
|   | ₩ | 16,337,921                  | 78,521                     | 1,139,945  | 525,056  | 3,300,390   | 143,159            |

(\*1) Represents transactions occurred prior to exchange of equity interests. Details of its transactions are described in note 5.

(\*2) Represents transactions occurred prior to disposal of the entire investments in AVACO Co., Ltd.

**Table of Contents**14. Related Parties, Continued*(In millions of won)***For the three-month period ended September 30, 2015**

|   |                             | <b>Purchase and others<br/>Acquisition</b>             |                       |                          |                    |
|---|-----------------------------|--|-----------------------|--------------------------|--------------------|
|   |                             | <b>Purchase of raw of<br/>material property, plant</b> |                       | <b>Outsourcing</b>       | <b>Other costs</b> |
|   | <b>Sales<br/>and others</b> | <b>Dividend<br/>income</b>                             | <b>and<br/>others</b> | <b>and<br/>equipment</b> | <b>fees</b>        |
| <b>Subsidiaries</b>                     |                             |  |                       |                          |                    |
| LG Display America, Inc.                | ₩ 3,053,016                 |  |                       |                          |                    |
| LG Display Japan Co., Ltd.              | 404,208                     |  |                       |                          |                    |
| LG Display Germany GmbH                 | 519,778                     |  |                       |                          | 1,348              |
| LG Display Taiwan Co., Ltd.             | 457,535                     |  |                       |                          | 125                |
| LG Display Nanjing Co., Ltd.            | 216                         |  |                       |                          | 109,988            |
| LG Display Shanghai Co., Ltd.           | 346,677                     |  |                       |                          | 57                 |
| LG Display Poland Sp. z o.o.            | 146                         |  | 10                    |                          | 15,418             |
| LG Display Guangzhou Co., Ltd.          | 7,133                       |  | 3,450                 |                          | 562,961            |
| LG Display Shenzhen Co., Ltd.           | 429,700                     |  |                       |                          | 1                  |
| LG Display Yantai Co., Ltd.             | 10,572                      |  | 8,120                 |                          | 745,166            |
| LG Display (China) Co., Ltd.            | 41                          |  | 113,337               |                          | 2,944              |
| LG Display Singapore Pte. Ltd.          | 245,153                     |  |                       |                          | 6                  |
| L&T Display Technology (Fujian) Limited | 113,472                     |  |                       |                          |                    |
| Nanumnuri Co., Ltd.                     | 13                          |  |                       |                          | 2,544              |
| Global OLED Technology LLC              |                             |  |                       |                          | 713                |
| LG Display Guangzhou Trading Co., Ltd.  | 94,392                      |  |                       |                          |                    |
|   | ₩ 5,682,052                 |  | 124,917               |                          | 1,433,533          |
|   |                             |  |                       |                          | 9,910              |
| <b>Joint Venture</b>                    |                             |  |                       |                          |                    |
| Suzhou Raken Technology Co., Ltd.       | ₩ 27,077                    |  |                       |                          |                    |

**Table of Contents**14. Related Parties, Continued*(In millions of won)***For the three-month period ended September 30, 2015**

|   | <b>Sales<br/>and<br/>others</b> | <b>Dividend<br/>income</b> | <b>Purchase of raw<br/>material and other</b> | <b>Acquisition<br/>of<br/>property, plant<br/>and<br/>equipment</b> | <b>Outsourcing<br/>fees</b> | <b>Other costs</b> |       |
|---|---------------------------------|----------------------------|---|---|-----------------------------|--------------------|-------|
| <b>Associates and their subsidiaries</b>                          |                                 |                            |   |   |                             |                    |       |
| New Optics Ltd.   | ₩                               |                            | 14,788  |   | 1,578                       | 73                 |       |
| New Optics USA, Inc.  |                                 |                            |   |   | 5,678                       |                    |       |
| LIG INVENIA Co., Ltd. (LIG ADP Co.,<br>Ltd.)                      | 2                               |                            | 8   | 11,586  |                             | 54                 |       |
| TLI Inc.  |                                 |                            | 23,730  |   |                             | 271                |       |
| AVACO Co., Ltd.   |                                 |                            | 252   | 15,722  |                             | 1,578              |       |
| AVATEC Co., Ltd.  |                                 |                            |   |   | 17,953                      | 595                |       |
| Paju Electric Glass Co., Ltd.                                     |                                 |                            | 110,605                                       |   |                             | 916                |       |
| LB Gemini New Growth Fund No. 16                                  |                                 | 760                        |   |   |                             |                    |       |
| Narenanotech Corporation  | 1                               |                            | 215   | 5,748   |                             | 100                |       |
| Glonix Co., Ltd.  | 2                               |                            |   |   |                             | 63                 |       |
| ADP System Co., Ltd.  |                                 |                            | 259   | 397   |                             | 178                |       |
| YAS Co., Ltd.   | 2                               |                            | 226   | 4,749   |                             | 166                |       |
|   | ₩                               | 7                          | 760   | 150,083   | 38,202                      | 25,209             | 3,994 |
| <b>Entity that has significant influence over<br/>the Company</b> |                                 |                            |   |   |                             |                    |       |
| LG Electronics Inc.   | ₩                               | 410,096                    | 4,437   | 61,892  |                             | 30,399             |       |

**Table of Contents**14. Related Parties, Continued*(In millions of won)***For the three-month period ended September 30, 2015**

|   | <b>Purchase and others<br/>Acquisition<br/>of<br/>property, plant<br/>and equipment</b> |                            |  |                          |                             |                    |
|---|---|----------------------------|--|--------------------------|-----------------------------|--------------------|
|   | <b>Sales<br/>and others</b>   | <b>Dividend<br/>income</b> | <b>Purchase of raw<br/>material and others</b> | <b>and<br/>equipment</b> | <b>Outsourcing<br/>fees</b> | <b>Other costs</b> |
| <b>Subsidiaries of the entity that has significant influence over the Company</b> |   |                            |  |                          |                             |                    |
| LG Electronics India Pvt. Ltd.  | ₩ 51,447  |                            |  |                          |                             | 47                 |
| LG Electronics Vietnam Haiphong Co., Ltd.   | 21,778  |                            |  |                          |                             |                    |
| LG Electronics Thailand Co., Ltd.   |   |                            |  |                          |                             | 22                 |
| LG Electronics (Kunshan) Computer Co., Ltd.                                       |   |                            |  |                          |                             |                    |
| Hi Business Logistics Co., Ltd.   | 11  |                            |  |                          |                             | 7,089              |
| LG Innotek Co., Ltd.  | 1,613   |                            | 68,787   |                          |                             | 10,010             |
| LG Hitachi Water Solutions Co., Ltd.  |   |                            |  | 19,530                   |                             |                    |
| Inspur LG Digital Mobile Communication Co., Ltd.                                  | 29,525  |                            |  |                          |                             |                    |
| Qingdao LG Inspur Digital Communication Co., Ltd.                                 | 39,821  |                            |  |                          |                             |                    |
| HiEntech Co., Ltd.  |   |                            |  |                          |                             | 6,164              |
| Others  | 7,096   |                            |  |                          |                             | 3,032              |
|   | ₩ 151,291   |                            | 68,787   | 19,530                   |                             | 26,364             |
|   | ₩ 6,270,523   | 760                        | 348,224  | 119,624                  | 1,458,742                   | 70,667             |



**Table of Contents**14. Related Parties, Continued*(In millions of won)***For the nine-month period ended September 30, 2015**

|   | <b>Purchase and others<br/>Acquisition<br/>of<br/>property, plant<br/>and equipment</b> |                             |   |                             |                    |
|---|---|-----------------------------|---|-----------------------------|--------------------|
|   | <b>Sales<br/>and others</b>   | <b>Dividends<br/>income</b> | <b>Purchase of raw and<br/>material and other</b> | <b>Outsourcing<br/>fees</b> | <b>Other costs</b> |
| <b>Subsidiaries</b>                     |   |                             |   |                             |                    |
| LG Display America, Inc.                | ₩ 7,756,615   |                             | 2   |                             | 19                 |
| LG Display Japan Co., Ltd.              | 1,216,552   |                             |   |                             | 954                |
| LG Display Germany GmbH                 | 1,580,387   |                             |   |                             | 9,174              |
| LG Display Taiwan Co., Ltd.             | 1,496,590   |                             |   |                             | 486                |
| LG Display Nanjing Co., Ltd.            | 18,448  |                             | 13  | 294,284                     |                    |
| LG Display Shanghai Co., Ltd.           | 1,142,476   |                             |   |                             | 67                 |
| LG Display Poland Sp. z o.o.            | 466   |                             | 21  | 46,403                      |                    |
| LG Display Guangzhou Co., Ltd.          | 19,225  |                             | 10,253  | 1,568,210                   | 7,159              |
| LG Display Shenzhen Co., Ltd.           | 1,402,975   |                             |   |                             | 4                  |
| LG Display Yantai Co., Ltd.             | 31,976  |                             | 22,663  | 1,408,974                   | 8,370              |
| LG Display (China) Co., Ltd.            | 1,205   |                             | 186,395   |                             |                    |
| LG Display U.S.A., Inc.                 | 4,332   |                             |   |                             |                    |
| LG Display Singapore Pte. Ltd.          | 890,175   |                             |   |                             | 6                  |
| L&T Display Technology (Fujian) Limited | 385,438   |                             |   |                             | 142                |
| Nanumnuri Co., Ltd.                     | 39  |                             |   |                             | 7,308              |
| Global OLED Technology LLC              |   |                             |   |                             | 2,710              |
| LG Display Guangzhou Trading Co., Ltd.  | 117,175   |                             |   |                             |                    |
|   | ₩ 16,064,074  |                             | 219,347   | 3,317,871                   | 36,399             |
| <b>Joint Venture</b>                    |   |                             |   |                             |                    |
| Suzhou Raken Technology Co., Ltd.       | ₩ 123,291   |                             |   |                             |                    |

**Table of Contents**14. Related Parties, Continued*(In millions of won)***For the nine-month period ended September 30, 2015**

|   | <b>Purchase and others<br/>Acquisition<br/>of<br/>property, plant<br/>and equipment</b> |                            |   |                          |                             |                    |
|---|---|----------------------------|---|--------------------------|-----------------------------|--------------------|
|   | <b>Sales<br/>and others</b>   | <b>Dividend<br/>income</b> | <b>Purchase of raw<br/>material and other</b> | <b>and<br/>equipment</b> | <b>Outsourcing<br/>fees</b> | <b>Other costs</b> |
| <b>Associates and their subsidiaries</b>                          |   |                            |   |                          |                             |                    |
| New Optics Ltd.   | ₩   | 1                          |   | 35,996                   | 4,557                       | 376                |
| New Optics USA, Inc.  |   |                            |   |                          | 26,583                      |                    |
| LIG INVENIA Co., Ltd. (LIG ADP<br>Co., Ltd.)                      |   | 2                          | 33  | 33,632                   |                             | 54                 |
| TLI Inc.  |   |                            | 101   | 61,984                   |                             | 530                |
| AVACO Co., Ltd.   |   |                            | 128   | 1,040                    | 58,393                      | 3,994              |
| AVATEC Co., Ltd.  |   |                            | 530   | 278                      | 32,693                      | 1,282              |
| Paju Electric Glass Co., Ltd.                                     |   |                            | 24,058  | 326,290                  |                             | 1,987              |
| LB Gemini New Growth Fund No. 16                                  |   |                            | 760   |                          |                             |                    |
| Narenanotech Corporation  |   | 1                          |   | 419                      | 12,188                      | 496                |
| Glonix Co., Ltd.  |   | 2                          |   | 4,192                    |                             | 98                 |
| ADP System Co., Ltd.  |   |                            |   | 1,935                    | 2,075                       | 438                |
| YAS Co., Ltd.   |   | 2                          |   | 411                      | 15,882                      | 529                |
|   | ₩   | 8                          | 25,577  | 432,578                  | 122,170                     | 63,833             |
|   |   |                            |   |                          | 9,784                       |                    |
| <b>Entity that has significant influence<br/>over the Company</b> |   |                            |   |                          |                             |                    |
| LG Electronics Inc.   | ₩   | 1,334,965                  |   | 36,386                   | 198,207                     | 115,098            |

**Table of Contents**14. Related Parties, Continued*(In millions of won)***For the nine-month period ended September 30, 2015**

|   | <b>Purchase and others<br/>Acquisition<br/>of<br/>property, plant<br/>and equipment</b> |                            |   |                          |                             |                    |
|---|---|----------------------------|---|--------------------------|-----------------------------|--------------------|
|   | <b>Sales<br/>and others</b>   | <b>Dividend<br/>income</b> | <b>Purchase of raw<br/>material and other</b> | <b>and<br/>equipment</b> | <b>Outsourcing<br/>fees</b> | <b>Other costs</b> |
| <b>Subsidiaries of the entity that has significant influence over the Company</b> |   |                            |   |                          |                             |                    |
| LG Electronics India Pvt. Ltd.  | ₩ 130,491   |                            |   |                          |                             | 86                 |
| LG Electronics Vietnam Haiphong Co., Ltd.   | 70,241  |                            |   |                          |                             |                    |
| LG Electronics Thailand Co., Ltd.   | 12,902  |                            |   |                          |                             | 182                |
| LG Electronics (Kunshan) Computer Co., Ltd.                                       | 9,282   |                            |   |                          |                             |                    |
| Hi Business Logistics Co., Ltd.   | 31  |                            |   |                          |                             | 22,302             |
| LG Innotek Co., Ltd.  | 4,017   |                            | 228,694                                       |                          |                             | 11,107             |
| LG Hitachi Water Solutions Co., Ltd.  |   |                            |   | 36,947                   |                             |                    |
| Inspur LG Digital Mobile Communication Co., Ltd.                                  | 56,316  |                            |   |                          |                             |                    |
| Qingdao LG Inspur Digital Communication Co., Ltd.                                 | 185,597   |                            |   |                          |                             |                    |
| HiEntech Co., Ltd.  |   |                            |   |                          |                             | 18,989             |
| Others  | 13,525  |                            | 3   |                          |                             | 5,661              |
|   | ₩ 482,402   |                            | 228,697                                       | 36,947                   |                             | 58,327             |
|   | ₩ 18,004,740  | 25,577                     | 917,008                                       | 357,324                  | 3,381,704                   | 219,608            |

**Table of Contents**14. Related Parties, Continued

- d) Trade accounts and notes receivable and payable as of September 30, 2016 and December 31, 2015 are as follows:

| <i>(In millions of won)</i>             | Trade accounts and notes<br>receivable and others |                      | Trade accounts and<br>notes<br>payable and others |                      |
|---|---|----------------------|---|----------------------|
|   | September<br>30,<br>2016                          | December 31,<br>2015 | September 30,<br>2016                             | December 31,<br>2015 |
| <b>Subsidiaries</b>                     |   |                      |   |                      |
| LG Display America, Inc.                | ₩ 1,651,115                                       | 1,476,329            | 4   |                      |
| LG Display Japan Co., Ltd.              | 222,401   | 139,273              |   |                      |
| LG Display Germany GmbH                 | 376,188   | 477,752              | 1   | 9,862                |
| LG Display Taiwan Co., Ltd.             | 522,447   | 659,464              | 25  | 37                   |
| LG Display Nanjing Co., Ltd.            | 86  | 248                  | 37,931  | 37,460               |
| LG Display Shanghai Co., Ltd.           | 242,343   | 231,673              | 5   | 73                   |
| LG Display Poland Sp. z o.o.            | 67  | 192                  | 6,896   | 9,612                |
| LG Display Guangzhou Co., Ltd.          | 858   | 323,252              | 155,037   | 446,336              |
| LG Display Guangzhou Trading Co., Ltd.  | 134,080   | 93,775               |   |                      |
| LG Display Shenzhen Co., Ltd.           | 148,391   | 227,966              | 12  | 2                    |
| LG Display Yantai Co., Ltd.             | 475   | 62,000               | 440,602   | 623,523              |
| LG Display (China) Co., Ltd.            | 7,020   | 4,133                | 141,591   | 23,459               |
| LG Display Singapore Pte. Ltd.          | 99,250  | 79,360               | 4   |                      |
| L&T Display Technology (Fujian) Limited | 63,577  | 91,155               | 221,607   | 206,706              |
| Nanumnuri Co., Ltd.                     | 1   |                      | 981   | 1,299                |
| Global OLED Technology LLC              |   |                      |   | 2,924                |
| Suzhou Lehui Display Co., Ltd.          | 49,587  |                      | 29,530  |                      |
|   | ₩ 3,517,886                                       | 3,866,572            | 1,034,226   | 1,361,293            |

**Table of Contents**14. Related Parties, Continued

| <i>(In millions of won)</i>                                       | <b>Trade accounts and notes<br/>receivable and others</b> |                              | <b>Trade accounts and notes<br/>payable and others</b> |                              |
|---|---|------------------------------|--|------------------------------|
|   | <b>September 30,<br/>2016</b>                             | <b>December 31,<br/>2015</b> | <b>September 30,<br/>2016</b>                          | <b>December 31,<br/>2015</b> |
| <b>Joint Venture</b>  |   |                              |  |                              |
| Suzhou Raken Technology Co., Ltd.                                 | ₩   | 14,657                       |  | 182                          |
| <b>Associates and their subsidiaries</b>                          |   |                              |  |                              |
| New Optics Ltd.   | ₩   | 1,000                        | 9,639  | 8,584                        |
| New Optics USA, Inc.  |   |                              | 27   | 5,313                        |
| INVENIA Co., Ltd. (LIG INVENIA<br>Co., Ltd)                       |   | 1,000                        | 6,150  | 6,349                        |
| TLI Inc.  |   |                              | 12,063   | 15,232                       |
| AVACO Co., Ltd.   |   |                              |  | 8,283                        |
| AVATEC Co., Ltd.  |   |                              | 7,587  | 5,493                        |
| Paju Electric Glass Co., Ltd.                                     |   |                              | 81,278   | 68,066                       |
| Narenanotech Corporation  |   | 300                          | 868  | 2,161                        |
| ADP System Co., Ltd.  |   |                              |  | 482                          |
| YAS Co., Ltd.   |   | 1,000                        | 11,495   | 5,248                        |
|   | ₩   | 3,300                        | 2,195  | 129,107                      |
| <b>Entity that has significant influence<br/>over the Company</b> |   |                              |  |                              |
| LG Electronics Inc.   | ₩   | 378,258                      | 404,807  | 239,583                      |
|   |   |                              |  | 117,428                      |

**Table of Contents**14. Related Parties, Continued

| <i>(In millions of won)</i>   | Trade accounts and notes<br>receivable and others |                      | Trade accounts and notes<br>payable and others |                      |
|---|---|----------------------|--|----------------------|
|   | September<br>30,<br>2016                          | December 31,<br>2015 | September 30,<br>2016                          | December 31,<br>2015 |
| <b>Subsidiaries of the entity that has<br/>significant influence over the<br/>Company</b> |   |                      |  |                      |
| LG Innotek Co., Ltd.  | ₩ 1,480   | 311                  | 48,596   | 66,177               |
| LG Hitachi Water Solutions Co., Ltd.  |   |                      | 81,397   | 11,603               |
| Inspur LG Digital Mobile<br>Communication Co., Ltd.                                       | 61,279  | 38,669               |  |                      |
| LG Electronics India Pvt. Ltd.  | 18,127  | 12,736               | 3  |                      |
| LG Electronics Vietnam Haiphong Co<br>Ltd.  | 27,751  | 20,296               |  |                      |
| LG Electronics Reynosa S.A. DE C.V  | 10,138  |                      | 72   |                      |
| LG Electronics S.A (Pty) Ltd.   | 7,443   | 1,406                |  |                      |
| LG Electronics Almaty Kazakhstan  | 4,912   | 1,532                |  |                      |
| Others  | 8,650   | 24,297               | 4,807  | 4,182                |
|   | ₩ 139,780   | 99,247               | 134,875  | 81,962               |
|   | ₩ 4,039,224                                       | 4,387,478            | 1,537,791                                      | 1,686,076            |

**Table of Contents**14. Related Parties, Continued

- (e) Details of significant cash transactions such as loans and collection of loans, which occurred in the normal course of business with related parties for the nine-month periods ended September 30, 2016 and 2015 are as follows:

| <i>(In millions of won)</i>               | <b>For the nine-month periods ended<br/>September 30</b> |                                |                 |                                |
|---|--|--------------------------------|-----------------|--------------------------------|
|   | <b>2016</b>  | <b>Collection<br/>of loans</b> | <b>2015</b>     | <b>Collection<br/>of loans</b> |
| <b>Associates</b>                         | <b>Loans(*)</b>  |                                | <b>Loans(*)</b> |                                |
| New Optics Ltd.                           | ₩ 1,000  |                                |                 |                                |
| INVENIA Co., Ltd. (LIG INVENIA Co., Ltd.) |  |                                | 1,000           |                                |
| Narenanotech Corporation                  |  |                                | 300             |                                |
| Glonix Co., Ltd.                          |  |                                | 1,000           |                                |
| YAS Co., Ltd.                             |  |                                | 1,000           |                                |
|   | ₩ 1,000  |                                | 3,300           |                                |

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

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

The classification of expenses by nature for the three-month and nine-month periods ended September 30, 2016 and 2015 are as follows:

| <i>(In millions of won)</i>                        | <b>For the three-month<br/>periods ended<br/>September 30</b> |             | <b>For the nine-month<br/>periods ended<br/>September 30</b> |             |
|--|---|-------------|--|-------------|
|  | <b>2016</b>   | <b>2015</b> | <b>2016</b>  | <b>2015</b> |
| Changes in inventories                             | ₩ (9,897)   | (229,469)   | (57,751)   | (228,151)   |
| Purchases of raw materials, merchandise and others | 2,729,678   | 2,852,035   | 7,616,029  | 7,893,933   |
| Depreciation and amortization                      | 485,256   | 676,236     | 1,714,836  | 2,081,669   |
| Outsourcing fees                                   | 1,381,308   | 1,580,417   | 3,627,887  | 3,830,239   |
| Labor costs  | 633,961   | 650,481     | 1,910,812  | 1,910,362   |
| Supplies and others                                | 208,374   | 237,136     | 614,500  | 679,644     |
| Utility  | 187,425   | 191,267     | 536,397  | 549,207     |
| Fees and commissions                               | 117,425   | 113,017     | 348,372  | 325,911     |
| Shipping costs                                     | 28,709  | 33,504      | 88,953   | 96,106      |
| Advertising  | 16,652  | 93,774      | 44,466   | 191,123     |
| Warranty expenses                                  | 26,734  | 30,692      | 80,226   | 80,766      |
| Taxes and dues                                     | 11,590  | 11,596      | 36,017   | 36,639      |
| Travel   | 15,400  | 16,393      | 47,056   | 44,716      |
| Others   | 228,646   | 218,445     | 625,831  | 776,631     |
|  | ₩ 6,061,261   | 6,475,524   | 17,233,631   | 18,268,795  |

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



**Table of Contents****16. Selling and Administrative Expenses**

Details of selling and administrative expenses for the three-month and nine-month periods ended September 30, 2016 and 2015 are as follows:

| <i>(In millions of won)</i>               | <b>For the three-month</b>        |                | <b>For the nine-month</b>         |                |
|---|-----------------------------------|----------------|-----------------------------------|----------------|
|   | <b>periods ended September 30</b> |                | <b>periods ended September 30</b> |                |
|   | <b>2016</b>                       | <b>2015</b>    | <b>2016</b>                       | <b>2015</b>    |
| Salaries                                  | ₩ 48,923                          | 46,277         | 143,298                           | 136,118        |
| Expenses related to defined benefit plans | 7,178                             | 6,534          | 21,615                            | 19,735         |
| Other employee benefits                   | 10,574                            | 13,875         | 34,813                            | 34,367         |
| Shipping costs                            | 22,572                            | 27,010         | 70,987                            | 76,772         |
| Fees and commissions                      | 26,187                            | 27,458         | 84,128                            | 96,821         |
| Depreciation                              | 19,529                            | 19,410         | 63,510                            | 60,123         |
| Taxes and dues                            | 872                               | 640            | 2,369                             | 2,193          |
| Advertising                               | 16,652                            | 93,774         | 44,466                            | 191,123        |
| Warranty expenses                         | 26,734                            | 30,692         | 80,226                            | 80,766         |
| Rent                                      | 2,486                             | 2,327          | 7,432                             | 7,034          |
| Insurance                                 | 1,824                             | 1,838          | 4,424                             | 4,258          |
| Travel                                    | 3,521                             | 4,263          | 11,716                            | 12,133         |
| Training                                  | 2,874                             | 3,585          | 10,564                            | 10,285         |
| Others                                    | 8,234                             | 8,245          | 23,198                            | 25,791         |
|   | <b>₩ 198,160</b>                  | <b>285,928</b> | <b>602,746</b>                    | <b>757,519</b> |

**Table of Contents**17. Other Non-operating Income and Other Non-operating Expenses

- (a) Details of other non-operating income for the three-month and nine-month periods ended September 30, 2016 and 2015 are as follows:

| <i>(In millions of won)</i>                       | <b>For the three-month<br/>periods ended<br/>September 30</b> |             | <b>For the nine-month<br/>periods ended September 30</b> |             |
|---|---|-------------|--|-------------|
|   | <b>2016</b>   | <b>2015</b> | <b>2016</b>  | <b>2015</b> |
| Foreign currency gain                             | ₩ 168,902   | 282,427     | 630,262  | 636,308     |
| Gain on disposal of property, plant and equipment | 9,955   | 1,251       | 39,146   | 25,116      |
| Gain on disposal of intangible assets             |   |             | 900  |             |
| Reversal of impairment loss on intangible assets  |   | 105         |  | 80          |
| Commission earned                                 | 303   | 279         | 938  | 929         |
| Rental income                                     | 748   | 819         | 2,604  | 2,609       |
| Others  | 15,222  | 12,746      | 17,608   | 13,508      |
|   | ₩ 195,130   | 297,627     | 691,458  | 678,550     |

- (b) Details of other non-operating expenses for the three-month and nine-month periods ended September 30, 2016 and 2015 are as follows:

| <i>(In millions of won)</i>                                | <b>For the three-month<br/>periods ended<br/>September 30</b> |             | <b>For the nine-month<br/>periods ended<br/>September 30</b> |             |
|--|---|-------------|--|-------------|
|  | <b>2016</b>   | <b>2015</b> | <b>2016</b>  | <b>2015</b> |
| Foreign currency loss                                      | ₩ 260,948   | 267,166     | 735,349  | 592,196     |
| Loss on disposal of property, plant and equipment          | 184   | 2           | 2,394  | 133         |
| Loss on disposal of intangible assets                      |   | 15          | 20   | 15          |
| Impairment loss on intangible assets                       | 40  |             | 125  | 239         |
| Donations  | 12,503  | 1,316       | 17,234   | 8,092       |
| Expenses related to legal proceedings or claims and others | 11,870  | 2,471       | 25,995   | 126,656     |
|  | ₩ 285,545   | 270,970     | 781,117  | 727,331     |

**Table of Contents**18. Finance Income and Finance Costs

- (a) Finance income and costs recognized in profit and loss for the three-month and nine-month periods ended September 30, 2016 and 2015 are as follows:

| <i>(In millions of won)</i>                         | <b>For the three-month<br/>periods ended September 30</b> |             | <b>For the nine-month<br/>periods ended September 30</b> |             |
|---|---|-------------|--|-------------|
|   | <b>2016</b>   | <b>2015</b> | <b>2016</b>  | <b>2015</b> |
| <b>Finance income</b>                               |   |             |  |             |
| Interest income                                     | ₩ 5,850   | 9,688       | 21,618   | 27,802      |
| Dividend income                                     | 1,379   | 760         | 78,521   | 25,577      |
| Foreign currency gain                               | 70,097  | 3,484       | 82,326   | 6,239       |
| Gain on disposal of investments                     | 11,515  |             | 11,667   |             |
| Reversal of loss on impairment of investments       |   |             |  | 24,550      |
| Gain on transaction of derivatives                  | 1,271   |             | 3,811  |             |
|   | ₩ 90,112  | 13,932      | 197,943  | 84,168      |
| <b>Finance costs</b>                                |   |             |  |             |
| Interest expense                                    | ₩ 21,827  | 26,727      | 68,322   | 78,915      |
| Foreign currency loss                               | 9,510   | 44,989      | 22,280   | 60,370      |
| Loss on impairment of investments                   |   |             | 1,632  | 1,899       |
| Loss on sale of trade accounts and notes receivable |   |             | 3  |             |
| Loss on transaction of derivatives                  | 1,382   |             | 3,762  |             |
| Loss on valuation of derivatives                    | 13,338  |             | 12,715   |             |
|   | ₩ 46,057  | 71,716      | 108,714  | 141,184     |

- (b) Finance income and costs recognized in other comprehensive income or loss for the three-month and nine-month periods ended September 30, 2016 and 2015 are as follows:

| <i>(In millions of won)</i>   | <b>For the three-month<br/>periods ended<br/>September 30</b> |             | <b>For the nine-month<br/>periods ended<br/>September 30</b> |             |
|---|---|-------------|--|-------------|
|   | <b>2016</b>   | <b>2015</b> | <b>2016</b>  | <b>2015</b> |
| Net change in fair value of available-for-sale financial assets                   | ₩ 15  |             | (77)   | 45          |
| Tax effect  |   | (4)         | 19   | (11)        |
| Finance income (costs) recognized in other comprehensive income or loss after tax | ₩ 11  |             | (58)   | 34          |



**Table of Contents**19. Income Taxes

- (a) Details of income tax expense for the three-month and nine-month periods ended September 30, 2016 and 2015 are as follows:

| <i>(In millions of won)</i>    | <b>For the three-month<br/>periods ended September 30</b> |               | <b>For the nine-month<br/>periods ended September 30</b> |                |
|--------------------------------|---|---------------|--|----------------|
|                                | <b>2016</b>   | <b>2015</b>   | <b>2016</b>  | <b>2015</b>    |
| Current tax expense            | ₩ 1,287   | 62,352        | 11,949   | 131,178        |
| Deferred tax expense (benefit) | 22,008  | (26,137)      | 42,235   | 70,270         |
| <b>Income tax expense</b>      | <b>₩ 23,295</b>   | <b>36,215</b> | <b>54,184</b>  | <b>201,448</b> |

(b) Deferred Tax Assets and Liabilities

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the deferred tax assets at the reporting date will be realized with the Company's estimated future taxable income.

Deferred tax assets and liabilities as of September 30, 2016 and December 31, 2015 are attributable to the following:

| <i>(In millions of won)</i>                       | <b>Assets</b>                 |                              | <b>Liabilities</b>            |                              | <b>Total</b>                  |                              |
|---|-------------------------------|------------------------------|-------------------------------|------------------------------|-------------------------------|------------------------------|
|   | <b>September 30,<br/>2016</b> | <b>December 31,<br/>2015</b> | <b>September 30,<br/>2016</b> | <b>December 31,<br/>2015</b> | <b>September 30,<br/>2016</b> | <b>December 31,<br/>2015</b> |
| Other accounts receivable, net                    | ₩                             |                              | (1,312)                       | (2,388)                      | (1,312)                       | (2,388)                      |
| Inventories, net                                  | 33,495                        | 43,170                       |                               |                              | 33,495                        | 43,170                       |
| Available-for-sale financial assets               |                               |                              |                               | (19)                         |                               | (19)                         |
| Defined benefit liabilities, net                  | 72,217                        | 58,962                       |                               |                              | 72,217                        | 58,962                       |
| Accrued expenses                                  | 110,200                       | 120,359                      |                               |                              | 110,200                       | 120,359                      |
| Property, plant and equipment                     | 143,538                       | 137,393                      |                               |                              | 143,538                       | 137,393                      |
| Intangible assets                                 | 592                           | 817                          |                               |                              | 592                           | 817                          |
| Provisions  | 14,211                        | 14,152                       |                               |                              | 14,211                        | 14,152                       |
| Gain or loss on foreign currency translation, net | 11                            | 11                           |                               |                              | 11                            | 11                           |
| Others  | 11,603                        | 14,032                       |                               |                              | 11,603                        | 14,032                       |
| Tax credit carryforwards                          | 328,441                       | 385,017                      |                               |                              | 328,441                       | 385,017                      |
| Tax losses carryforwards                          | 17,218                        |                              |                               |                              | 17,218                        |                              |
| <b>Deferred tax assets (liabilities)</b>          | <b>₩ 731,526</b>              | <b>773,913</b>               | <b>(1,312)</b>                | <b>(2,407)</b>               | <b>730,214</b>                | <b>771,506</b>               |

Statutory tax rate applicable to the Company is 24.2% for the nine-month period ended September 30, 2016. Meanwhile, effective tax rate for the nine-month period ended September 30, 2016 differs from statutory tax rate primarily due to change of the probability of realizing deferred tax assets including tax credit carryforwards.



**Table of Contents**20. Earnings (loss) per Share

- (a) Basic earnings (loss) per share for the three-month and nine-month periods ended September 30, 2016 and 2015 are as follows:

| <i>(In won and number of shares)</i>                 | <b>For the three-month periods ended September 30</b> |                | <b>For the nine-month periods ended September 30</b> |                 |
|--|---|----------------|--|-----------------|
|  | <b>2016</b>   | <b>2015</b>    | <b>2016</b>  | <b>2015</b>     |
| <b>Profit (loss) for the period</b>                  | ₩ 116,500,254,294                                     | 84,551,821,036 | (76,195,507,978)                                     | 587,828,733,441 |
| Weighted-average number of common stocks outstanding | 357,815,700   | 357,815,700    | 357,815,700  | 357,815,700     |
| <b>Earnings (loss) per share</b>                     | ₩ 326   | 236            | (213)  | 1,643           |

For the three-month and nine-month periods ended September 30, 2016 and 2015, there were no events or transactions that resulted in changes in the number of common stocks used for calculating earnings (loss) per share.

- (b) Diluted earnings (loss) per share for the nine-month periods ended September 30, 2016 and 2015 are not calculated since there was no potential common stock.

21. Subsequent Event

The Company issued the following public debentures on October 12, 2016:

| <i>(In millions of won)</i> |                   |                      |                      |                    |
|-----------------------------|-------------------|----------------------|----------------------|--------------------|
|                             | <b>Issue date</b> | <b>Maturity date</b> | <b>Interest rate</b> | <b>Face amount</b> |
|                             | October 12, 2016  | October 14, 2019     | 1.802%               | ₩ 100,000          |
|                             | October 12, 2016  | October 12, 2021     | 1.949%               | 200,000            |
|                             |                   |                      |                      | ₩ 300,000          |

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**SIGNATURES**

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

LG Display Co., Ltd.

(Registrant)

Date: November 14, 2016

By: /s/ Heeyeon Kim  
(Signature)

Name: Heeyeon Kim  
Title: Head of IR / Vice President

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