

LG Display Co., Ltd.
Form 6-K
August 14, 2018
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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 August 2018

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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(From January 1, 2018 to June 30, 2018)

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 H1 OF A FISCAL YEAR ARE REFERENCES TO THE SIX-MONTH PERIOD ENDED JUNE 30 OF SUCH FISCAL YEAR.

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1. Company

A. Name and contact information

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

Our principal executive office is located at LG Twin Towers, 128 Yeoui-daero, Yeongdeungpo-gu, Seoul 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 ⁽¹⁾ | Rating agency (Rating range) |
|--------------------|-----------------|------------------------------|--|
| | June 2016 | | |
| | September 2016 | AA | NICE Information Service Co., Ltd. (AAA ~ D) |
| | May 2017 | | |
| | February 2018 | | |
| | May 2018 | | |
| | April 2016 | | |
| | May 2017 | AA | Korea Investors Service, Inc. (AAA ~ D) |
| Corporate bonds | October 2017 | | |
| | May 2018 | | |
| | April 2016 | | |
| | September 2016 | | |
| | May 2017 | AA | Korea Ratings Corporation (AAA ~ D) |
| | October 2017 | | |
| | February 2018 | | |
| | April 2018 | | |

(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 |
| | A+/A/A- | Strong capacity for timely repayment. This capacity may, nevertheless, be more vulnerable to adverse changes in circumstances or in economic |

| | |
|---------------|---|
| | conditions than is the case for higher rating categories. |
| BBB+/BBB/BBB- | Capacity for timely repayment is adequate, but adverse changes in circumstances and in economic conditions are more likely to impair this capacity. |
| 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 ⁽¹⁾ | Rating agency (Rating range) |
|--------------------|-----------------|------------------------------|---|
| | June 2016 | A1 | Korea Ratings Corporation (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 Ratings Corporation (A1 ~ D) |
| Commercial paper | May 2017 | A1 | Korea Investors Service, Inc. (A1 ~ D) |
| | May 2017 | A1 | Korea Ratings Corporation (A1 ~ D) |
| | October 2017 | A1 | Korea Investors Service, Inc. (A1 ~ D) |
| | December 2017 | A1 | Korea Ratings Corporation (A1 ~ D) |
| | May 2018 | A1 | Korea Investors Service, Inc. (A1 ~ D) |
| | May 2018 | A1 | NICE Information Service Co., Ltd. (A1 ~ D) |

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

| Subject instrument | Credit rating | Definition |
|--------------------|---------------|---|
| | 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 June 30, 2018)

There were no changes to our issued capital stock during the reporting period ended June 30, 2018.

(2) Convertible bonds

Not applicable.

D. Voting rights (as of June 30, 2018)

| Description | (Unit: share) | |
|---|------------------------------|-------------|
| | Number of shares | |
| A. Total number of shares issued ⁽¹⁾ : | Common shares ⁽¹⁾ | 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) | 2018 H1 | 2017 | 2016 |
|---|-----------|-----------|---------|
| Par value (Won) | 5,000 | 5,000 | 5,000 |
| Profit (loss) for the year (million Won) ⁽¹⁾ | (356,839) | 1,802,756 | 906,713 |

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| | | | |
|---|------------------|---------|---------|
| Earnings (loss) per share (Won) ⁽²⁾ | (997) | 5,038 | 2,534 |
| 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 (%) ⁽³⁾ | | 9.92% | 19.73% |
| Cash dividend yield (%) ⁽⁴⁾ | Common shares | 1.69% | 1.58% |
| | 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 | | |

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- (1) Based on profit for the year attributable to the 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 payout ratio is the percentage that is derived by dividing total cash dividend by profit for the year attributable to the owners of the controlling company.
- (4) Cash dividend yield is the percentage that is derived by dividing cash dividend by the arithmetic average of the daily closing prices of our common shares during the one-week period ending two trading days prior to the closing of the register of shareholders for the purpose of determining the shareholders entitled to receive annual dividends.

2. Business**A. Business overview**

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

As of June 30, 2018, 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 June 30, 2018, 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.

2018 H1 consolidated operating results highlights

| 2018 H1 | (Unit: In billions of Won) |
|-------------------------|----------------------------|
| | Display business |
| Sales Revenue | 11,286 |
| Gross Profit | 1,009 |
| Operating Profit (loss) | (326) |
| Total Assets | 31,444 |
| Total Liabilities | 16,911 |

B. Industry**(1) Industry characteristics**

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) Growth Potential

We are focusing on securing profitability through differentiated products such as Crystal Sound OLED and Wallpapers, pursuant to our strategic plan to transition into the OLED business, which has strong future growth potential. In the television sector, we are expanding our premium products such as OLED and UHD products. In addition, we are continuing to secure additional production capacity of 8.5th generation OLED television displays and are planning to further strengthen the fundamentals of our OLED business through a successful line-up of new products and investments in the 8.5th and 10.5th generation OLED. In the IT sector, we are expanding the proportion of premium products such as high resolution and wide screen products, based on IPS and Oxide technologies. In the mobile sector, we are continuously striving to secure mass production capabilities for 6th generation OLED smartphones through additional investments. We are also strengthening the foundation for the expansion of small- and medium-sized OLED business.

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(3) 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.

(4) Market conditions

Most display panel manufacturers are located in Asia as set forth below. There is a concern over continued increases in the structural oversupply of the LCD industry led by continued investments in new fabrication facilities and additional supplies by Chinese panel manufacturers, which have been driven by the Chinese government.

- 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, HKC, etc.

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

| | 2018 H1 | 2017 | 2016 |
|--|---------|-------|-------|
| Panels for Televisions ⁽¹⁾⁽²⁾ | 28.1% | 28.1% | 28.2% |
| Panels for Monitors ⁽¹⁾ | 34.5% | 36.3% | 36.6% |
| Panels for Notebook Computers ⁽¹⁾ | 23.5% | 21.3% | 27.8% |
| Panels for Tablet Computers ⁽¹⁾ | 30.8% | 29.1% | 24.1% |
| Total ⁽¹⁾ | 29.7% | 29.2% | 29.4% |

- (1) Source: Large-Area Display Market Tracker (IHS Technology). The relevant amounts for the second quarter of 2018 are estimates only, as the actual results for such period are not yet released.
- (2) 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.

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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 or UHD) OLED panels as well as Wallpaper and Crystal Sound 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 UHD 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.

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)
2018 H1

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| Business area | Sales type | Items (By product) | Usage | Major trademark | Sales Revenue | Percentages |
|---------------|--|-----------------------|-------------------------------------|--------------------|------------------|-------------|
| Display | Goods/ Products/ Services/ Other sales | Televisions | Panels for televisions | LG Display | 4,745 | 42.0% |
| | | Desktop monitors | Panels for monitors | LG Display | 1,919 | 17.0% |
| | | Tablet products | Panels for tablets | LG Display | 888 | 7.9% |
| | | Notebook computers | Panels for notebook computers | LG Display | 1,219 | 10.8% |
| | | Mobile, etc. | Panels for smartphones, etc. | LG Display | 2,515 | 22.3% |
| Total | | | | | 11,286 | 100.0% |

Table of Contents**B. Average selling price trend of major products**

While average selling prices of LCD panels exhibited varying trends according to demand by product category, the average selling price of LCD panels per square meter of net display area shipped in the second quarter of 2018 decreased by approximately 4% compared to the first quarter of 2018 due to a continued decline in the overall average selling prices of our panels. There is no assurance that the average selling prices of LCD panels will not fluctuate in the future due to changes in market conditions.

| Period | Average Selling Price ⁽¹⁾⁽²⁾ (in US\$ / m ²) |
|---------|--|
| 2018 Q2 | 501 |
| 2018 Q1 | 522 |
| 2017 Q4 | 589 |
| 2017 Q3 | 600 |
| 2017 Q2 | 574 |
| 2017 Q1 | 608 |
| 2016 Q4 | 642 |
| 2016 Q3 | 555 |
| 2016 Q2 | 504 |
| 2016 Q1 | 525 |

(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.

| Business area | Purchase type | Items | Usage | (Unit: In billions of Won, except percentages) | | |
|---------------|---------------|----------------|-----------------------------|--|-----------|--|
| | | | | Cost ⁽¹⁾ | Ratio (%) | Suppliers |
| Display | Raw materials | Backlights | Display panel manufacturing | 1,098 | 17.7% | HeeSung Electronics, etc. |
| | | Polarizers | | 1,032 | 16.7% | LG Chem, etc. |
| | | Printed | | | | |
| | | circuit boards | | 775 | 12.5% | Korea SMT, etc. |
| | | Glass | | | | Paju Electric Glass Co., Ltd., Asahi Electric Glass Co., Ltd. |
| | | Others | | 621 | 10.0% | |
| | | | | 2,674 | 43.1% | |
| Total | | | | 6,200 | 100.0% | |

- Period: January 1, 2018 ~ June 30, 2018.

- (1) Based on total cost for purchase of raw materials which includes manufacturing and development costs, etc.
- (2) Among major suppliers, LG Chem is a member company of the LG Group and Paju Electric Glass Co., Ltd. is our affiliate.

The average price of EGI (Electrolytic Galvanized Iron), the main raw material for BLU components, increased by 24% from 2016 to 2017 but decreased by 0.3% from 2017 to the second quarter 2018 due to seasonal influences. The average price of resin increased by 18% from 2016 to 2017 and further increased by 34% from 2017 to the second quarter of 2018 due to the rise in petroleum prices. The average price of copper, the main raw material for PCB components, increased by 27% from 2016 to 2017 and increased by 12% from 2017 to the second quarter of 2018 due to the impact of global supply and demand conditions.

Table of Contents**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.

| Business area | Items | Location of facilities | (Unit: 1,000 glass sheets) | | |
|---------------|---------------|------------------------|----------------------------|---------------------|---------------------|
| | | | 2018 H1 ⁽¹⁾ | 2017 ⁽²⁾ | 2016 ⁽²⁾ |
| Display | Display panel | Gumi, Paju, Guangzhou | 4,892 | 10,538 | 9,906 |

- (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., 6 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 and Guangzhou facilities in the periods indicated.

| Business area | Items | Location of facilities | (Unit: 1,000 glass sheets) | | |
|---------------|---------------|------------------------|----------------------------|-------|-------|
| | | | 2018 H1 | 2017 | 2016 |
| Display | Display panel | Gumi, Paju, Guangzhou | 4,581 | 9,262 | 8,996 |

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

B. Production performance and utilization ratio

| Production facilities | (Unit: Hours, except percentages) | | Average utilization ratio |
|-----------------------|---|---|---------------------------|
| | Available working hours in 2018 H1 | Actual working hours in 2018 H1 | |
| Gumi | 4,344 ⁽¹⁾ (181 days) ⁽²⁾ | 4,344 ⁽¹⁾ (181 days) ⁽²⁾ | 100.0% |
| Paju | 4,344 ⁽¹⁾ (181 days) ⁽²⁾ | 4,344 ⁽¹⁾ (181 days) ⁽²⁾ | 100.0% |
| Guangzhou | 4,344 ⁽¹⁾ (181 days) ⁽²⁾ | 4,344 ⁽¹⁾ (181 days) ⁽²⁾ | 100.0% |

- (1) Based on the assumption that all 24 hours in a day have been fully utilized.
- (2) Number of days is calculated by averaging the number of working days for each facility.

C. Investment plan

In 2017, our total capital expenditures on a cash out basis was ₩6.6 trillion. In 2018, we plan to continue capital expenditures to invest in new OLED and oxide technologies and respond to increases in demand for large-sized panels.

Table of Contents**5. Sales**

A. Sales performance

| Business area | Sales types | Items (Market) | (Unit: In billions of Won) | | | |
|---------------|----------------------|---------------------------------------|----------------------------|--------|--------|--------|
| | | | 2018 H1 | 2017 | 2016 | |
| Display | Products | Display panel | Overseas ⁽¹⁾ | 10,401 | 25,763 | 24,648 |
| | | | Korea ⁽¹⁾ | 866 | 1,982 | 1,815 |
| | | | Total | 11,266 | 27,745 | 26,464 |
| | Royalty | LCD, OLED technology patent | Overseas ⁽¹⁾ | 10 | 20 | 17 |
| | | | Korea ⁽¹⁾ | | | |
| | | Total | 10 | 20 | 17 | |
| | Others | Raw materials, components, etc. | Overseas ⁽¹⁾ | 5 | 11 | 14 |
| | | | Korea ⁽¹⁾ | 6 | 14 | 10 |
| | | | Total | 11 | 25 | 23 |
| | | Total | Overseas ⁽¹⁾ | 10,415 | 25,794 | 24,679 |
| | Korea ⁽¹⁾ | | 871 | 1,996 | 1,825 | |
| | Total | Total | 11,286 | 27,790 | 26,504 | |

(1) Based on ship-to-party.

(2) Sales for 2017 and 2016 were recorded based on previously applicable accounting standards of K-IFRS 1018, Revenue.

B. Sales organization and sales route

As of June 30, 2018, 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.

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

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

Sales performance by sales route

| Sales Performance | Sales route | Ratio |
|--------------------------|-----------------------|--------------|
| Overseas | Overseas subsidiaries | 92.8% |
| | Headquarters | 7.2% |
| | Total | 100.0% |
| Korea | Overseas subsidiaries | 2.1% |
| | Headquarters | 97.9% |
| | Total | 100.0% |

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(1) 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.

(2) Sales strategy

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

In the smartphone, commercial products (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.

(3) Major customers

Customers A and B each accounted for more than 10% of our sales revenue for the first half of 2018, and our sales revenue derived from our top ten customers comprised 77% of our total sales revenue.

(4) 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 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.

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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 eliminate such risk by matching foreign currency inflow and outflow by currency. We also continually monitor our currency position and risk, and when needed, we may from time to time enter into cross-currency interest rate swap contracts and foreign currency forward contracts.

7. Derivative Contracts

A. Currency risks

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

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

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

As of June 30, 2018, we had no outstanding amounts to be settled under any foreign currency derivative instruments.

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 June 30, 2018, 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 ₩501 million with respect to interest rate derivative instruments held as of June 30, 2018.

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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 |
| | Ignis Innovation, Inc. | July 2016 ~ | Patent licensing of OLED related 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 |
| | Universal Display Corporation | January 2015 ~ December 2022 | Patent cross-licensing of OLED related technology |

9. Research & Development

A. Summary of R&D-related expenditures

| | | (Unit: In millions of Won, except percentages) | | |
|---|--------------------------------------|--|------------------|------------------|
| Items ⁽¹⁾ | | 2018 H1 | 2017 | 2016 |
| Material Cost | | 281,377 | 646,622 | 677,423 |
| Labor Cost | | 370,280 | 668,429 | 479,650 |
| Depreciation Expense | | 200,284 | 298,383 | 136,826 |
| Others | | 169,912 | 298,256 | 129,348 |
| Total R&D-Related Expenditures | | 1,021,853 | 1,911,690 | 1,423,247 |
| | Selling & Administrative Expenses | 436,918 | 917,645 | 880,794 |
| Accounting Treatment ⁽²⁾ | Manufacturing Cost | 385,886 | 786,494 | 220,165 |
| | Development Cost (Intangible Assets) | 199,049 | 207,551 | 322,288 |
| | | 9.1% | 6.9% | 5.4% |

R&D-Related Expenditures / Revenue Ratio
(Total R&D-Related Expenditures ÷ Revenue for the
period × 100)

- (1) Calculated based on the total R&D-related expenditures before subtracting government subsidies (state subsidies).
- (2) 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.

B. R&D achievements

Achievements in 2016

- (1) Developed the world's narrowest, at the time, bezel videowall product (55-inch/49-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

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- (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

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 smartphone 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 4.9mm depth Art Slim2 Ultra HD television (55-inch/65-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 a transparent 32-inch FHD product

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

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

Developed differentiated wide color gamut solution

(14) 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)

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

Developed a flexible display smartphone 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

- (16) Developed the world's first wallpaper OLED television product (65-inch Ultra HD)

Achieved an ultra-slim wallpaper-style design that completely sticks to walls (65-inch, 3.9 mm hindmost thickness, 7.4 kg)

Achieved long-distance signal and power transmission technology for the separation of the driver circuit

Achievements in 2017

- (1) Developed 5.7-inch QHD+ full vision display (LG Electronics)

Developed a full vision display smartphone product (G6) through strategic collaboration with other LG Group companies

Applied first 18:9 screen aspect ratio with 4-corner round display

- (2) Developed mobile LTPS 30Hz product (SH 5.1-inch FHD)

Secured 30Hz low-frequency drive technology based on LTPS TFT-LCD

Reduced logic power consumption through 30Hz low-frequency drive (reduced from 96mW to 69mW on 5.1-inch FHD)

- (3) Developed and released the world's first Crystal Sound OLED, or CSO, television product

Released product with a new platform concept through development of OLED panel product with integrated speakers

Delivered OLED television product that achieves differentiated value not only in picture quality and design, but also sound quality

- (4) Developed notebook oxide product (13.9-inch, Ultra HD)

Achieved high definition/narrow bezel product through application of oxide BCE GIP technology

Delivered low power consumption product through application of low refresh rate, or LRR, technology

- (5) Developed medical monitor product for surgical endoscope (27.0-inch, Ultra HD)

Newly entered the medical devices market through development and production of medical monitor product for surgical endoscope

Achieved high definition (3,840 x 2,160), high luminance (800 nit) and high contrast ratio (1,300:1)

Implemented coverglass direct bonding applying our own manufacturing processes (M6 line)

- (6) Developed the world's first four-side borderless monitor with a resolution of 8K4K (31.5-inch 8K4K oxide)

Pioneered Ultra HD Premium MNT market through development of the world's first four-side borderless monitor with a resolution of 8K4K

Delivered Ultra HD based on oxide GIP (280 PPI with a resolution of 7680x4320)

Delivered wide color gamut (Adobe RGB 100%/DCI 98%), four-side borderless

- (7) Developed the world's largest automotive Center Information Display (CID) product (15.4-inch Widescreen Ultra Extended Graphics Array (WUXGA))

Developed the world's largest auto component display in the automotive industry

Guaranteed the first 1000hr reliability in the automotive industry

- (8) Developed the world's first 88-inch Ultra Stretch display product

Strengthened competitiveness through application of smart (digital) stepper

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- (9) Developed products utilizing U-IPS (75-inch/65-inch/55-inch/49-inch, Ultra HD)

Utilized U-IPS technology to strengthen product competitiveness by improving panel transmittance rate and reflectivity

- (10) Developed the world's first 65-inch UHD OLED television product utilizing GIP

Strengthened product competitiveness through application of the world's first oxide based UHD GIP technology

Achievements in 2018

- (1) Developed the world's first glass-integrated LCD television product (Art Glass Series)

Achieved LCD modular appearance and simplicity in design by using glass material throughout product (including the panel, light guide plate and back cover)

Strengthened competitiveness of frameless design by decreasing bezel size from 7.8mm to 5.9mm

- (2) Developed our first 5.8-inch Ultra HD Mobile 4K product

Developed our first Ultra HD mobile product

Achieved high luminance, low power consumption and HD resolution by applying Ultra HD RGBW (M+) pixel structure

- (3) Developed the world's first 5.8-inch mobile FHD product applying M+

Our first product applying camera notch concept technology

- (4) Developed the world's first four-side borderless curved monitor with 1900R curvature radius

Our first product applying glass 0.25T (etching) bezel printing/reverse bonding process technology

Strengthened product competitiveness with our first shared design applying three-side/four-side borderless TFT Mask

Achieved high-speed driving at 144Hz, high color recall (DCI 98%) and HDR (peak luminance 550nit)

- (5) Developed the world's first 34-inch large-screen monitor/high-resolution four-sided borderless HDR

Pioneered HD Premium 21:9 monitor market through development of the world's first WUHD(5K2K), four-side borderless monitor

Delivered Ultra HD (DCI 98%, sRGB 135%) by applying Adv. KSF LED PKG technology

Achieved high luminance (HDR 600); typ. 450 nit, maximum 600nit

- (6) Developed LGD 6.01QHD+M+ Full Screen Display (LG Electronics)

Developed a full screen display concept smartphone product (G7) through strategic collaboration with other LG Group companies

Implemented a full screen display product concept through achievement of our first 19.5:9 screen aspect ratio and lower bezel of 2.7mm

10. Intellectual Property

As of June 30, 2018, our cumulative patent portfolio (including patents that have already expired) included a total of 35,966 patents, consisting of 16,720 in Korea and 19,246 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.

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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.

In connection with the greenhouse gas emission and energy reduction target system, we submitted a statement of our domestic emissions and energy usage for 2017 to the Korean government in March 2018 after it was certified by BSI Korea, a government-designated certification agency. The table below sets forth yearly levels of our greenhouse gases emissions and energy usage in the statement submitted to the Korean government:

| Category | (Unit: thousand tonnes of CO ₂ equivalent; Tetra Joules) | | |
|------------------|---|--------|--------|
| | 2017 | 2016 | 2015 |
| Greenhouse gases | 6,303 | 5,851 | 7,348 |
| Energy | 63,451 | 60,423 | 60,146 |

Operations at our manufacturing plants are subject to regulation and periodic scheduled and unscheduled on-site inspections by the Ministry of Environment and local environmental protection authorities. We believe that we have adopted adequate anti-pollution measures and have minimized our impact on the environment by improving existing and developing new technologies for the effective maintenance of environmental protection standards consistent with local industry practice. In addition, we have continually monitored, and we believe that we are in compliance in all material respects with, the applicable environmental laws and regulations in Korea. Expenditures related to such compliance may be substantial. Such expenditures are generally included in capital expenditures. As required by Korean law, we employ licensed environmental specialists to manage our water and air pollution, toxic materials and waste. In December 2013, to ensure safe water quality and reduce costs, we entered into a contract with a specialist company to operate our waste water treatment facilities. In stages beginning in November 1997, we have obtained environmental management system ISO 14001 certifications for our domestic panel and module production facilities and our overseas module production plants in Nanjing, Yantai and Guangzhou, China, and with respect to our domestic panel and module production plants, we received ISO 50001 certification in December 2013 for our energy management system.

In addition, in August 2014, GP1, our newest eighth-generation panel fabrication facility located in Guangzhou, China, was the first electronics plant in China to receive the Green Plant designation under China's Green China Policy, in addition to receiving ISO 14001, ISO 50001, OHSAS 18001, ISO 9001, PAS 2050 and ISO 14064-1 certifications. Furthermore, with respect to our production facilities in Gumi, we have been certified by the Ministry of Environment as a Green Company for P1 and our Gumi module production plant since 1997, P2 and P3 since 2006 and P4, P5 and P6 since 2008. 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 water conservation activities (reuse system investments, etc.) and greenhouse gas emission reduction activities (process gas and energy reduction, etc.), we attained the highest level, Leadership A, and received the grand prize award at the CDP Water Korea Best Awards in 2016 from the Carbon Disclosure Project, which was presided over by the Carbon Disclosure Project Korea Committee. We also attained a Leadership A in the climate change information technology sector and received a carbon management honors award. Our continued efforts to reduce greenhouse gas

emissions was recognized again in 2017 by becoming the only domestic information technology company to attain the Leadership A level and again receiving carbon management honors by ranking in the top five among all eligible companies. In May 2017, we were awarded a commendation from the Minister of Environment for having scored the highest grade among companies in the low- and medium-volume pollutant emitters category that had entered into voluntary agreements with the Metropolitan Air Quality Management Office, in recognition of having successfully met our voluntary targets for reduction of air pollutants as well as our overall efforts to enhance our relevant facilities and operational systems. In addition, in recognition of efficient control, management and operating systems implemented in our manufacturing facilities, we received the top-level certification, Level 1, in 2017 under the Factory Energy Management System evaluation presided by the Korea Energy Agency. Furthermore, in November 2017, we received the highest commendation, the Presidential Award, in the Korean Energy Efficiency Awards presided by the Ministry of Industry, Trade and Energy in recognition of our energy management practices and energy saving measures, and we also obtained a certificate of excellence in the Energy Management System Evaluation.

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In the case of the European Union's Restriction of Hazardous Substances (RoHS) Directive 2011/65/EU, with the adoption of Directive (EU) 2015/863 in 2016, four additional substances (four phthalate substances) will be added to the six already restricted substances and the additional restrictions are scheduled to come into effect on July 22, 2019. In order to address the latent risk elements of the four phthalate substances scheduled to be restricted in 2019 and to establish a more stable management system, we implemented in 2016 a preemptive response process with respect to such four phthalate substances. In implementing this process, we collaborated with external agencies to ascertain regulatory trends and establish our response strategy, and we formulated and applied effective management measures through the collaborative efforts of our development, procurement and quality teams. Beryllium (Be) was not designated internationally as a mandatorily restricted substance but has continued to be the subject of discussion for restriction, and certain of our customers have designated it as a restricted substance not to be used in products. Accordingly, we have completed verification of the parts used in products for customers who have banned the use of Beryllium. We have also conducted verification of the parts used in products for all customers who are expected to implement a ban and we have established a Beryllium verification process for parts in development. Through such efforts, we have established a voluntary hazardous substance response process that can be expanded to products for all customers, not only those who have requested a response.

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 2017, in a joint effort with the global product testing/accreditation agency SGS, we became the first display panel company to develop Eco Label, an environmentally friendly accreditation program for television display modules, and received the SGS Eco Label accreditation for our OLED, IPS Nano Color and Art Glass television models. For the IPS Nano Color for LCD, we received the Quality & Performance Mark from Intertek, a global product testing/accreditation agency, by applying a technology to eliminate cadmium (Cd) and indium phosphide (InP).

In December 2016, we were assessed a fine of ₩0.2 million, which we subsequently paid, for failure to meet certain reporting obligations under the Industrial Safety and Health Act. To prevent such violations from occurring again, we have strengthened our monitoring process and management and employee education training initiatives.

In June 2017, we were assessed a fine of ₩1 million, which we subsequently paid, for failure to meet certain waste disposal subcontractor requirements under the Waste Management Act. To prevent such violations from occurring again, we are strengthening the periodic evaluation process for our waste management subcontractors.

In June 2017, we were audited by the Ministry of Employment and Labor in connection with the occurrence of a safety accident and found to be in violation of certain provisions of the Industrial Safety and Health Act relating to supervisory obligations. As a result, we were issued a corrective order and assessed a fine of ₩2.4 million. In addition, the trial court assessed a fine of ₩0.5 million on each of us and our chief production officer on the basis of certain other applicable provisions of the Industrial Safety and Health Act. In relation to the same matter, in May 2018, the Prosecutor's Office sought a fine of ₩3.0 million on each of us and our chief production officer on the basis of certain other applicable provisions of the Industrial Safety and Health Act, and the case is currently pending before the trial court. In order to prevent such accidents from occurring again, we are strengthening our safety management standards and training for our employees.

In January 2018, we were audited by the Ministry of Employment and Labor in connection with the occurrence of another safety accident and found to be in violation of certain provisions of the Industrial Safety and Health Act relating to supervisory obligations. As a result, we were issued a corrective order and assessed a fine of ₩14.4 million. Relevant authorities are currently conducting further investigations. In order to prevent such accidents from occurring again, we are strengthening our safety management standards and training for our employees.

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Also in January 2018, the government of Gyeong-gi Province issued a warning and assessed a fine of ₩1 million on us, which we subsequently paid, for the failure to comply with certain requirements relating to air pollutant emission and prevention facilities under the Air Quality Management Act. To prevent such violations from occurring again, we have shortened the air pollutant emission maintenance reporting period and strengthened the verification process for relevant data.

In March 2018, we were audited by the Ministry of Employment and Labor in connection with our health and safety training practices, and we were found to have omitted requisite health and safety training sessions for certain employees in our P9 facilities in 2016 and 2017. As a result, we were assessed a fine of ₩6.95 million, which we subsequently paid, and have strengthened our efforts to promote health and safety training programs in advance as well as our management and supervision activities to ensure such programs are conducted.

In April 2018, we were assessed a fine of ₩0.24 million by Yeongdeungpo-gu Office for our failure to keep one of our rescue vehicles current with its statutory inspection requirements, which we subsequently paid. In order to prevent recurrence, we are continually monitoring the compliance of inspection requirements for our vehicles.

12. Financial Information

- A. Financial highlights (Based on consolidated K-IFRS). Figures for 2016 and 2017 are based on previously applicable accounting standards of K-IFRS 1018, Revenue and K-IFRS 1039, Financial Instruments.

| Description | (Unit: In millions of Won) | | |
|--|----------------------------|-------------------------|-------------------------|
| | As of June 30, 2018 | As of December 31, 2017 | As of December 31, 2016 |
| Current assets | 9,716,846 | 10,473,703 | 10,484,186 |
| Quick assets | 7,286,539 | 8,123,619 | 8,196,401 |
| Inventories | 2,430,307 | 2,350,084 | 2,287,785 |
| Non-current assets | 21,727,365 | 18,685,984 | 14,400,150 |
| Investments in equity accounted investees | 131,496 | 122,507 | 172,683 |
| Property, plant and equipment, net | 19,032,682 | 16,201,960 | 12,031,449 |
| Intangible assets | 946,426 | 912,821 | 894,937 |
| Other non-current assets | 1,616,761 | 1,448,696 | 1,301,081 |
| Total assets | 31,444,211 | 29,159,687 | 24,884,336 |
| Current liabilities | 9,768,584 | 8,978,682 | 7,058,219 |
| Non-current liabilities | 7,142,779 | 5,199,495 | 4,363,729 |
| Total liabilities | 16,911,363 | 14,178,177 | 11,421,948 |
| Share capital | 1,789,079 | 1,789,079 | 1,789,079 |
| Share premium | 2,251,113 | 2,251,113 | 2,251,113 |
| Retained earnings | 10,078,081 | 10,621,571 | 9,004,283 |
| Other equity | (169,686) | (288,280) | (88,478) |
| Non-controlling interest | 584,261 | 608,027 | 506,391 |
| Total equity | 14,532,848 | 14,981,510 | 13,462,388 |

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

| Description | For the six months ended | | |
|--|--------------------------|-------------------|-------------------|
| | June 30, 2018 | December 31, 2017 | December 31, 2016 |
| Revenue | 11,286,412 | 27,790,216 | 26,504,074 |
| Operating profit (loss) | (326,431) | 2,461,618 | 1,311,416 |
| Operating profit (loss) from continuing operations | (349,525) | 1,937,052 | 931,508 |
| Profit (loss) for the period | (349,525) | 1,937,052 | 931,508 |
| Profit (loss) attributable to: | | | |
| Owners of the Company | (356,839) | 1,802,756 | 906,713 |
| Non-controlling interest | 7,314 | 134,296 | 24,795 |
| Basic earnings (loss) per share | (997) | 5,038 | 2,534 |
| Diluted earnings (loss) per share | (997) | 5,038 | 2,534 |
| Number of consolidated entities | 21 | 20 | 19 |

- B. Financial highlights (Based on separate K-IFRS). Figures for 2016 and 2017 are based on previously applicable accounting standards of K-IFRS 1018, Revenue and K-IFRS 1039, Financial Instruments.

(Unit: In millions of Won)

| Description | As of | | |
|------------------------------------|---------------|-------------------|-------------------|
| | June 30, 2018 | December 31, 2017 | December 31, 2016 |
| Current assets | 7,080,194 | 8,381,074 | 8,712,575 |
| Quick assets | 5,340,103 | 6,698,829 | 7,005,592 |
| Inventories | 1,740,091 | 1,682,245 | 1,706,983 |
| Non-current assets | 19,861,978 | 17,028,341 | 13,100,175 |
| Investments | 3,234,203 | 2,683,941 | 2,656,026 |
| Property, plant and equipment, net | 14,589,494 | 12,487,001 | 8,757,973 |
| Intangible assets | 770,962 | 731,373 | 673,966 |
| Other non-current assets | 1,267,319 | 1,126,026 | 1,012,210 |
| Total assets | 26,942,172 | 25,409,415 | 21,812,750 |
| Current liabilities | 8,191,149 | 7,394,605 | 6,176,344 |
| Non-current liabilities | 5,606,041 | 4,185,551 | 3,400,959 |
| Total liabilities | 13,797,190 | 11,580,156 | 9,577,303 |
| Share capital | 1,789,079 | 1,789,079 | 1,789,079 |
| Share premium | 2,251,113 | 2,251,113 | 2,251,113 |
| Retained earnings | 9,104,790 | 9,789,067 | 8,195,255 |
| Other equity | 0 | 0 | 0 |
| Total equity | 13,144,982 | 13,829,259 | 12,235,447 |

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

| Description | For the six months ended | | |
|-------------|--------------------------|-------------------|-------------------|
| | June 30, 2018 | December 31, 2017 | December 31, 2016 |
| Revenue | 10,189,227 | 24,419,295 | 25,856,426 |

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| | | | |
|--|-----------|---------|---------|
| Operating profit (loss) | (662,689) | 709,138 | 770,856 |
| Operating profit (loss) from continuing operations | (497,603) | 967,078 | 968,209 |
| Profit (loss) for the period | (497,603) | 967,078 | 968,209 |
| Basic earnings (loss) per share | (1,391) | 2,703 | 2,706 |
| Diluted earnings (loss) per share | (1,391) | 2,703 | 2,706 |

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C. Consolidated subsidiaries (as of June 30, 2018)

| 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% |
| LG Display Fund I LLC | Investing in new emerging companies | U.S.A | 100% |
| MMT (Money Market Trust) | Money market trust | Korea | 100% |

D. Status of equity investments (as of June 30, 2018)

(1) Consolidated subsidiaries

| Company | Investment Amount (in millions) | Initial Equity Investment Date | Equity Interest |
|--------------------------------|------------------------------------|-----------------------------------|--------------------|
| LG Display America, Inc. | US\$ 411 | September 24, 1999 | 100% |
| LG Display Japan Co., Ltd. | ¥ 95 | October 12, 1999 | 100% |
| LG Display Germany GmbH | EUR 1 | November 5, 1999 | 100% |
| LG Display Taiwan Co., Ltd. | NT\$ 116 | May 19, 2000 | 100% |
| LG Display Nanjing Co., Ltd. | CNY 3,020 | July 15, 2002 | 100% |
| LG Display Shanghai Co., Ltd. | CNY 4 | January 16, 2003 | 100% |
| LG Display Poland Sp. zo.o. | PLN 511 | September 6, 2005 | 100% |
| LG Display Guangzhou Co., Ltd. | CNY 1,655 | August 7, 2006 | 100% |
| LG Display Shenzhen Co., Ltd. | CNY 4 | August 28, 2007 | 100% |

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| | | | | |
|--|------|-------|-------------------|------|
| LG Display Singapore Pte. Ltd. | US\$ | 1.1 | January 12, 2009 | 100% |
| L&T Display Technology (Fujian) Limited | CNY | 116 | January 5, 2010 | 51% |
| LG Display Yantai Co., Ltd. | CNY | 1,008 | April 19, 2010 | 100% |
| Nanumnuri Co., Ltd. | ₩ | 800 | March 19, 2012 | 100% |
| LG Display (China) Co., Ltd. | CNY | 8,232 | December 27, 2012 | 70% |
| Unified Innovative Technology, LLC | US\$ | 9 | March 21, 2014 | 100% |
| LG Display Guangzhou Trading Co., Ltd. | CNY | 1.2 | May 27, 2015 | 100% |
| Global OLED Technology LLC | US\$ | 138 | May 7, 2015 | 100% |
| LG Display Vietnam Haiphong Co., Ltd. ⁽¹⁾ | US\$ | 300 | May 13, 2016 | 100% |
| Suzhou Lehui Display Co., Ltd. | CNY | 637 | July 1, 2016 | 100% |
| LG Display Fund I LLC | | | May 1, 2018 | 100% |

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| Company | Investment Amount (in millions) | Initial Equity Investment Date | Equity Interest |
|---|------------------------------------|-----------------------------------|--------------------|
| MMT (Money Market Trust) ⁽²⁾ | ₩ 384,401 | March 31, 2017 | 100% |

Changes since December 31, 2017:

- (1) During the reporting period, we invested an additional ₩212,600 million in LG Display Vietnam Haiphong Co., Ltd.
- (2) As a result of our money market trust acquisition and disposal transactions conducted during the reporting period, the amount outstanding in our money market trust accounts as of June 30, 2018 is ₩384,401 million.

(2) Affiliated companies

| Company | Carrying Amount (in millions) | Date of Incorporation | Equity Interest |
|---|----------------------------------|--------------------------|--------------------|
| Paju Electric Glass Co., Ltd. | ₩ 46,165 | January 2005 | 40% |
| Invenia Co., Ltd. | ₩ 2,788 | January 2001 | 13% |
| Wooree E&L Co., Ltd. | ₩ 3,607 | June 2008 | 14% |
| LB Gemini New Growth Fund No. 16 ⁽¹⁾ | ₩ 4,509 | December 2009 | 31% |
| YAS Co., Ltd. | ₩ 16,423 | April 2002 | 18% |
| Avatec Co., Ltd. | ₩ 23,009 | August 2000 | 17% |
| Arctic Sentinel, Inc. | | June 2008 | 10% |
| CYNORA GmbH | ₩ 20,309 | March 2003 | 14% |
| Material Science Co., Ltd. ⁽²⁾ | ₩ 3,954 | January 2014 | 10% |
| Nanosys Inc. ⁽³⁾ | ₩ 10,732 | July 2001 | 4% |

Changes since December 31, 2017:

- (1) We participate as a limited member in LB Gemini New Growth Fund No. 16. Upon a general meeting, the members have decided to dissolve the fund, which is currently under liquidation.
- (2) In March 2018, we acquired 10,767 voting common shares of Material Science Co., Ltd. for ₩4,000 million. As of June 30, 2018, our percentage ownership interest in Material Science Co., Ltd. is 10%, and we are entitled to appoint one director of Material Science Co., Ltd.
- (3) In May 2018, we acquired 5,699,954 voting common shares of Nanosys Inc. for ₩10,732 million. As of June 30, 2018, our percentage ownership interest in Nanosys Inc. is 4%, and we are entitled to appoint one director of Nanosys Inc.

13. Audit Information

A. Audit service

| Description | (Unit: In millions of Won, hours) | | |
|-----------------------------|-----------------------------------|------------------------------|------------------------------|
| | 2018 H1 | 2017 | 2016 |
| Auditor | KPMG Samjong | KPMG Samjong | KPMG Samjong |
| Activity | Audit by independent auditor | Audit by independent auditor | Audit by independent auditor |
| Compensation ⁽¹⁾ | 1,170 (450) ⁽²⁾ | 1,040 (450) ⁽²⁾ | 1,020 (440) ⁽²⁾ |
| Time required | 5,700 | 17,909 | 18,291 |

(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 June 30, 2018, our board of directors consisted of two non-outside directors, one non-standing director and four outside directors.

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| | Position | (As of June 30, 2018) Primary responsibility |
|-------------------------------|--|---|
| Sang Beom Han ⁽¹⁾ | Representative Director (non-outside), Chief Executive Officer and Vice Chairman | Chairman of the board of directors |
| Sang Don Kim | Director (non-outside), Chief Financial Officer and Senior Vice President | Overall head of finances |
| Hyun-Hwoi Ha ⁽²⁾ | Director (non-standing) | Related to the overall management |
| Joon Park ⁽³⁾ | Outside Director | Related to the overall management |
| Sung-Sik Hwang ⁽⁴⁾ | Outside Director | Related to the overall management |
| Kun Tai Han ⁽⁵⁾ | Outside Director | Related to the overall management |
| Byoung Ho Lee ⁽⁶⁾ | Outside Director | Related to the overall management |

- (1) Sang Beom Han was reappointed for another term as a non-outside director at the annual general meeting of shareholders held on March 15, 2018.
- (2) Hyun Hwoi Ha is also a standing director of LG Corp., a non-standing director of LG Hausys, Ltd., a non-standing director of LG International Corp., a non-standing director of LG Uplus Corp., a non-standing director of LG Economic Research Institute and a non-standing director of LG CNS Co., Ltd.
- (3) Joon Park is also an outside director of Green Cross Holdings Corp .
- (4) Sung-Sik Hwang was reappointed for another term as an outside director at the annual general meeting of shareholders held on March 15, 2018. Mr. Hwang is also an outside director of Kyobo Life Insurance Co., Ltd.
- (5) Kun Tai Han is also the chief executive officer of Hans Consulting.
- (6) Byoung Ho Lee was appointed as an outside director at the annual general meeting of shareholders held on March 15, 2018.

B. Committees of the board of directors

We have the following committees that serve under our board of directors: Audit Committee, Outside Director Nomination Committee and Management Committee. The Management Committee consists of two non-outside directors, Sang Beom Han and Sang Don Kim.

During the reporting period, one meeting of the Outside Director Nomination Committee was held and the composition of the Outside Director Nomination Committee was as follows:

| Committee | Composition | (As of January 22, 2018) Member |
|--|---|---|
| Outside Director Nomination Committee ⁽¹⁾ | 1 non-standing director and 2 outside directors | Hyun-Hwoi Ha, Joon Park, Sung-Sik Hwang |

- (1) Each of Hyun-Hwoi Ha, Joon Park and 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 22, 2018. As of the June 30, 2018, the composition of the Audit Committee is as follows.

(As of June 30, 2018)

| Committee | Composition | Member |
|-----------------|---------------------|--|
| Audit Committee | 3 outside directors | Sung-Sik Hwang ⁽¹⁾ , Joon Park, Kun Tai Han |

- (1) Sung-Sik Hwang is the audit committee chairman. He was reappointed for another term as an Audit Committee member at the annual general meeting of shareholders held on March 15, 2018.

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.

Table of Contents**15. Information Regarding Shares**

A. Total number of shares

- (1) Total number of shares authorized to be issued (as of June 30, 2018): 500,000,000 shares.
- (2) Total shares issued and outstanding (as of June 30, 2018): 357,815,700 shares.

B. Shareholder list

- (1) Largest shareholder and related parties as of June 30, 2018:

| Name | Relationship | Number of shares of common stock | Equity interest |
|----------------|---------------------|----------------------------------|-----------------|
| LG Electronics | Largest Shareholder | 135,625,000 | 37.9% |
| Sang Beom Han | Related Party | 48,355 | 0.0% |
| Sang Don Kim | Related Party | 6,000 | 0.0% |

- (2) Shareholders who are known to us to own 5% or more of our shares as of June 30, 2018:

| Beneficial owner | Number of shares of common stock | Equity interest |
|--------------------------|----------------------------------|-----------------|
| LG Electronics | 135,625,000 | 37.9% |
| National Pension Service | 29,275,136 | 8.18% |

16. Directors and Employees

A. Directors

- (1) Remuneration for directors in 2018 H1:

| Classification | No. of directors ⁽¹⁾ | Amount paid ⁽²⁾ | (Unit: person, in millions of Won) |
|-----------------------|---------------------------------|----------------------------|---|
| | | | Per capita average remuneration paid ⁽³⁾ |
| Non-outside directors | 3 | 2,516 | 839 |

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| | | | |
|---|---|----------------------|-----|
| Outside directors who are not audit committee members | 1 | 46 | 46 |
| Outside directors who are audit committee members | 3 | 117 | 39 |
| Total | 7 | 2,679 ⁽⁴⁾ | 383 |

- (1) Number of directors as at June 30, 2018.
- (2) Amount paid is calculated on the basis of amount of cash actually paid.
- (3) Per capita average remuneration paid is calculated by dividing total amount paid by the average number of directors for the six months ended June 30, 2018.
- (4) As Jin Jang resigned as an outside director on March 14, 2018 and Byoung Ho Lee was appointed as an outside director at the annual general meeting of shareholders held on March 15, 2018, the total amount paid includes remuneration paid to both Mr. Jang and Mr. Lee.

- (2) Remuneration for individual directors and audit committee members

Individual amount of remuneration paid in 2018 H1

| Name | Position | (Unit: in millions of Won) | |
|---------------|-------------------------|----------------------------|--|
| | | Total remuneration | Payment not included in total remuneration |
| Sang Beom Han | Chief Executive Officer | 2,058 | |

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Method of calculation

| Name | Method of calculation |
|---------------|---------------------------|
| Sang Beom Han | <u>Total remuneration</u> |

— W2,058 million (consisting of W738 million in salary and W1,320 million in bonus).

Salary

Basic salary is set in accordance with the executive compensation regulations established by the board of directors. Annual salary is paid on a monthly basis (~~₩~~67 million per month from January to March and ~~₩~~70 million per month from April to June).

Position salary is calculated based on the significance of the position and responsibilities. Position salary is paid on a monthly basis (~~₩~~53 million per month from January to March and ~~₩~~56 million per month from April to June).

Bonus

Bonus is awarded by the board of directors based on performance and evaluation standards derived from the special bonus provisions of the executive compensation regulations.

Bonus in the range of 0 to 150% of annual salary may be awarded by evaluating the previous year's performance through certain financial indicators, such as revenue and operating profit, and non-financial indicators, such as meeting our medium- to long-term expectations, leadership and other contributions.

Financial indicators: Revenue increased from W26.5 trillion for the year ended December 31, 2016 to ~~₩~~27.8 trillion for the year ended December 31, 2017, and operating profit increased from ~~₩~~1.3 trillion for the year ended December 31, 2016 to ~~₩~~2.5 trillion for the year ended December 31, 2017.

Non-financial indicators: We maintained industry-leading technology through the continual release of differentiated technologies and products. We are preparing for a successful transition to OLED business through stable production of OLED TVs and by securing a base for our plastic OLED business, while improving profit structure and market position. Mr. Han showed leadership in leading us to achieve our management goals. ₩1,320 million was calculated as bonus based on the reasons stated above.

(3) Remuneration for the five highest paid officers (among those paid over ₩500 million per year)

Individual remuneration amount

| Name | Position | (Unit: in millions of Won) | |
|----------------|-------------------------|----------------------------|--|
| | | Total remuneration | Payment not included in total remuneration |
| Sang Beom Han | Chief Executive Officer | 2,058 | |
| Yong Kee Hwang | President | 839 | |
| Sang Deok Yeo | Advisor | 3,878 | |
| Byung Chul Ahn | Outside Advisor | 1,283 | |
| Gi Seong Chae | Outside Advisor | 606 | |

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Method of calculation

| Name | Method of calculation |
|---------------|---------------------------|
| Sang Beom Han | <u>Total remuneration</u> |

— W2,058 million (consisting of W738 million in salary and W1,320 million in bonus).

Salary

Basic salary is set in accordance with the executive compensation regulations established by the board of directors. Annual salary is paid on a monthly basis (~~₩67~~ million per month from January to March and ~~₩70~~ million per month from April to June).

Position salary is calculated based on the significance of the position and responsibilities. Position salary is paid on a monthly basis (~~₩53~~ million per month from January to March and ~~₩56~~ million per month from April to June).

Bonus

Bonus is awarded by the board of directors based on performance and evaluation standards derived from the special bonus provisions of the executive compensation regulations.

Bonus in the range of 0 to 150% of annual salary may be awarded by evaluating the previous year's performance through certain financial indicators, such as revenue and operating profit, and non-financial indicators, such as meeting our medium- to long-term expectations, leadership and other contributions.

Financial indicators: Revenue increased from W26.5 trillion for the year ended December 31, 2016 to ~~₩27.8~~ trillion for the year ended December 31, 2017, and operating profit increased from ~~₩1.3~~ trillion for the year ended December 31, 2016 to ~~₩2.5~~ trillion for the year ended December 31, 2017.

Non-financial indicators: We maintained industry-leading technology through the continual release of differentiated technologies and products. We are preparing for a successful transition to OLED business through stable production of OLED TVs and by securing a base for our plastic OLED business, while improving profit structure and market position. Mr. Han showed leadership in leading us to achieve our management goals. ₩1,320 million was calculated as bonus based on the reasons stated above.

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Yong Kee Hwang Total remuneration

— W839 million (consisting of W523 million in salary and W316 million in bonus).

Salary

Basic salary is set in accordance with the executive compensation regulations established by the board of directors. Annual salary is paid on a monthly basis (W57 million per month from January to March and W59 million per month from April to June).

Position salary is calculated based on the significance of the position and responsibilities. Position salary is paid on a monthly basis (W23 million per month from January to March and W24 million per month from April to June).

A total of W34 million is paid on an annual basis in accordance with welfare benefits standards.

Bonus

Bonus is awarded by the board of directors based on performance and evaluation standards derived from the special bonus provisions of the executive compensation regulations.

Bonus in the range of 0 to 150% of annual salary may be awarded by evaluating the previous year's performance through certain financial indicators, such as revenue and operating profit, and non-financial indicators, such as meeting our medium- to long-term expectations, leadership and other contributions.

Financial indicators: Revenue increased from W26.5 trillion for the year ended December 31, 2016 to W27.8 trillion for the year ended December 31, 2017, and operating profit increased from W1.3 trillion for the year ended December 31, 2016 to W2.5 trillion for the year ended

December 31, 2017.

Non-financial indicators: We maintained industry-leading technology through the continual release of differentiated technologies and products. We are preparing for a successful transition to OLED business through stable production of OLED TVs and by securing a base for our plastic OLED business, while improving profit structure and market position. Mr. Hwang showed leadership in leading us to achieve our management goals. ₩316 million was calculated as bonus based on the reasons stated above.

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Sang Deok Yeo⁽¹⁾

Total remuneration

— W3,878 million (consisting of W319 million in salary, W438 million in bonus and W3,121 million in retirement pay).

Salary

Basic salary is set in accordance with the executive compensation regulations established by the board of directors. Annual salary is paid on a monthly basis (W57 million per month from January to March and W45 million per month from April to June).

A total of W13 million is paid on an annual basis in accordance with welfare benefits standards.

Bonus

Bonus is awarded by the board of directors based on performance and evaluation standards derived from the special bonus provisions of the executive compensation regulations.

Bonus in the range of 0 to 150% of annual salary may be awarded by evaluating the previous year's performance through certain financial indicators, such as revenue and operating profit, and non-financial indicators, such as meeting our medium- to long-term expectations, leadership and other contributions.

Financial indicators: Revenue increased from W26.5 trillion for the year ended December 31, 2016 to W27.8 trillion for the year ended December 31, 2017, and operating profit increased from W1.3 trillion for the year ended December 31, 2016 to W2.5 trillion for the year ended December 31, 2017.

Non-financial indicators: We maintained industry-leading technology through the continual release of differentiated technologies and products. We are preparing for a successful transition to OLED business through stable production of OLED TVs and by securing a base for our plastic OLED business, while improving profit structure and market position. Mr. Yeo showed leadership in leading us to achieve our management goals. ₩438 million was calculated as bonus based on the reasons stated above.

Retirement pay

Retirement pay is calculated in accordance with the applicable provisions of our regulations on compensation for retiring executives and is evaluated by the duration of employment (18 years), monthly basic salary at the time of retirement and payment rate per position (2.5 to 4.5%).

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Byung Chul Ahn⁽¹⁾ Total remuneration

— W1,283 million (consisting of W168 million in salary, W213 million in bonus and W902 million in retirement pay).

Salary

Basic salary is set in accordance with the executive compensation regulations established by the board of directors. Annual salary is paid on a monthly basis (W28 million per month from January to March and W2 million per month from April to June).

A total of W18 million is paid on an annual basis in accordance with regulations of other welfare benefits.

Bonus

Bonus is awarded by the board of directors based on performance and evaluation standards derived from the special bonus provisions of the executive compensation regulations.

Bonus in the range of 0 to 150% of annual salary may be awarded by evaluating the previous year's performance through certain financial indicators, such as revenue and operating profit, and non-financial indicators, such as meeting our medium- to long-term expectations, leadership and other contributions.

Financial indicators: Revenue increased from W26.5 trillion for the year ended December 31, 2016 to W27.8 trillion for the year ended December 31, 2017, and operating profit increased from W1.3 trillion for the year ended December 31, 2016 to W2.5 trillion for the year ended December 31, 2017.

Non-financial indicators: We maintained industry-leading technology through the continual release of differentiated technologies and products. We are preparing for a successful transition to OLED business through stable production of OLED TVs and by securing a base for our plastic OLED business, while improving profit structure and market position. Mr. Ahn showed leadership in leading us to achieve our management goals. ₩213 million was calculated as bonus based on the reasons stated above.

Retirement pay

Retirement pay is calculated in accordance with the applicable provisions of our regulations on compensation for retiring executives and is evaluated by the duration of employment (12 years), monthly basic salary at the time of retirement and payment rate per position (2.5 to 4.5%).

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Gi Seong Chae⁽¹⁾

Total remuneration

— W606 million (consisting of W117 million in salary, W59 million in bonus and W430 million in retirement pay).

Salary

Basic salary is set in accordance with the executive compensation regulations established by the board of directors. Annual salary is paid on a monthly basis (W21 million per month from January to March and W17 million per month from April to June).

A total of W3 million is paid on an annual basis in accordance with welfare benefits standards.

Bonus

Bonus is awarded by the board of directors based on performance and evaluation standards derived from the special bonus provisions of the executive compensation regulations.

Bonus in the range of 0 to 150% of annual salary may be awarded by evaluating the previous year's performance through certain financial indicators, such as revenue and operating profit, and non-financial indicators, such as meeting our medium- to long-term expectations, leadership and other contributions.

Financial indicators: Revenue increased from W26.5 trillion for the year ended December 31, 2016 to W27.8 trillion for the year ended December 31, 2017, and operating profit increased from W1.3 trillion for the year ended December 31, 2016 to W2.5 trillion for the year ended December 31, 2017.

Non-financial indicators: We maintained industry-leading technology through the continual release of differentiated technologies and products. We are preparing for a successful

transition to OLED business through stable production of OLED TVs and by securing a base for our plastic OLED business, while improving profit structure and market position. Mr. Chae showed leadership in leading us to achieve our management goals. ₩59 million was calculated as bonus based on the reasons stated above.

Retirement pay

Retirement pay is calculated in accordance with the applicable provisions of our regulations on compensation for retiring executives and is evaluated by the duration of employment (8 years), monthly basic salary at the time of retirement and payment rate per position (2.5 to 4.5%).

(1) Advisors Sang Deok Yeo, Ahn Byung Chul and Gi Seong Chae retired effective as of March 30, 2018.

(4) Stock options
Not applicable.

B. Employees

As of June 30, 2018, we had 33,434 employees (excluding our directors). On average, our male employees have served 9.6 years and our female employees have served 8.1 years. The total amount of salary paid to our employees for the six months ended June 30, 2018 based on income tax statements submitted to the Korean tax authority in accordance with Article 20 of the Income Tax Act was ₩1,197,320 million for our male employees and ₩269,951 million for our female employees. The following table provides details of our employees as of June 30, 2018:

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

| | Number of employees ⁽¹⁾ | Total salary in 2018 Q1 ⁽²⁾⁽³⁾⁽⁴⁾ | Average salary per capita ⁽⁵⁾ | Average years of service |
|--------|------------------------------------|--|--|--------------------------|
| Male | 25,448 | 1,197,320 | 48.0 | 9.6 |
| Female | 7,986 | 269,951 | 33.7 | 8.1 |
| Total | 33,434 | 1,467,271 | 44.5 | 9.2 |

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- (1) Includes part-time employees hired for temporary needs or to serve as temporary replacements for employees on parental leave.
- (2) Welfare benefits and retirement expenses have been excluded. Total welfare benefit provided to our employees for the six months ended June 30, 2018 was ₩197,940 million and the per capita welfare benefit provided was ₩6.0 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: 24,945, female: 8,006) for the six months ended June 30, 2018.

In December 2017, we were audited by the Ministry of Employment and Labor regarding our human resource practices (including in relation to employment contracts, hours of work, outsourcing and employees in pregnancy), and we were found to be in violation of certain provisions of the Labor Standard Act relating to overtime, night and holiday work. As a result, we were issued a corrective order in January 2018 and paid additional overtime wages of ₩2,893 million to 16,106 administrative employees of our Paju facilities for their nighttime work between January 1, 2015 to December 31, 2017. In addition, we reviewed nighttime work records of our administrative employees outside of our Paju facilities during the same period and paid additional overtime wages of ₩2,166 million to eligible employees. In order to prevent such violation from occurring again, we are periodically monitoring the nighttime work records of our employees.

From December 2017 to January 2018, we were audited by the Ministry of Employment and Labor regarding our human resource practices relating to temporary and part-time employees, and we were found to have omitted certain required information (including the number of break hours and vacation days) in the employment contracts of 82 temporary employees. As a result, we were assessed a fine of ₩27 million, which we subsequently paid. In order to prevent such violation from occurring again, we have amended the relevant provisions of the applicable employment contracts.

17. Other Matters

A. Material Events Subsequent to the Reporting Period

(1) Matters Concerning Acquisition of Stocks and Investment Securities

In July 2018, we established LG Display (China) High-tech, Co., Ltd. in Guangzhou, China, in which we own 70% of the shares, for purposes of producing display panels.

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

Condensed Consolidated Interim Financial Statements

(Unaudited)

June 30, 2018 and 2017

(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 June 30, 2018, the condensed consolidated interim statements of comprehensive income (loss) for each of the three-month and six-month periods ended June 30, 2018 and 2017, and statements of changes in equity and cash flows for the six-month periods ended June 30, 2018 and 2017, 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 Korean Standards on Auditing 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, 2017 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 22, 2018, expressed an unqualified opinion. The accompanying condensed consolidated statement of financial position of the Group as of December 31, 2017, 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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KPMG Samjong Accounting Corp.

Seoul, Korea

August 10, 2018

This report is effective as of August 10, 2018 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 June 30, 2018 and December 31, 2017

| <i>(In millions of won)</i> | Note | June 30, 2018 | December 31, 2017 |
|---|---------------|---------------------|-------------------|
| Assets | | | |
| Cash and cash equivalents | 4, 25 | ₩ 2,851,481 | 2,602,560 |
| Deposits in banks | 4, 25 | 346,164 | 758,078 |
| Trade accounts and notes receivable, net | 5, 14, 25, 27 | 3,491,024 | 4,325,120 |
| Other accounts receivable, net | 5, 25 | 154,596 | 164,827 |
| Other current financial assets | 6, 25 | 14,460 | 27,252 |
| Inventories | 7 | 2,430,307 | 2,350,084 |
| Prepaid income taxes | | 3,221 | 3,854 |
| Other current assets | 5 | 425,593 | 241,928 |
| Total current assets | | 9,716,846 | 10,473,703 |
| Deposits in banks | 4, 25 | 11 | 11 |
| Investments in equity accounted investees | 8 | 131,496 | 122,507 |
| Other non-current financial assets | 6, 25 | 74,413 | 68,574 |
| Property, plant and equipment, net | 9, 17 | 19,032,682 | 16,201,960 |
| Intangible assets, net | 10, 17 | 946,426 | 912,821 |
| Deferred tax assets | 23 | 1,158,628 | 985,352 |
| Other non-current assets | 5 | 383,709 | 394,759 |
| Total non-current assets | | 21,727,365 | 18,685,984 |
| Total assets | | ₩ 31,444,211 | 29,159,687 |
| Liabilities | | | |
| Trade accounts and notes payable | 25, 27 | ₩ 2,969,607 | 2,875,090 |
| Current financial liabilities | 11, 25 | 2,182,368 | 1,452,926 |
| Other accounts payable | 25 | 3,244,839 | 3,169,937 |
| Accrued expenses | | 688,294 | 812,615 |
| Income tax payable | | 59,987 | 321,978 |
| Provisions | 13 | 79,724 | 76,016 |
| Advances received | 14 | 429,565 | 194,129 |
| Other current liabilities | 13 | 114,200 | 75,991 |
| Total current liabilities | | 9,768,584 | 8,978,682 |
| Non-current financial liabilities | 11, 25 | 5,384,085 | 4,150,192 |

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| | | | |
|---|----|--------------|------------|
| Non-current provisions | 13 | 22,188 | 28,312 |
| Defined benefit liabilities, net | 12 | 205,427 | 95,447 |
| Long-term advances received | 14 | 1,430,168 | 830,335 |
| Deferred tax liabilities | 23 | 15,854 | 24,646 |
| Other non-current liabilities | 13 | 85,057 | 70,563 |
| Total non-current liabilities | | 7,142,779 | 5,199,495 |
| Total liabilities | | 16,911,363 | 14,178,177 |
| Equity | | | |
| Share capital | 15 | 1,789,079 | 1,789,079 |
| Share premium | | 2,251,113 | 2,251,113 |
| Retained earnings | | 10,078,081 | 10,621,571 |
| Reserves | 15 | (169,686) | (288,280) |
| Total equity attributable to owners of the Controlling Company | | 13,948,587 | 14,373,483 |
| Non-controlling interests | | 584,261 | 608,027 |
| Total equity | | 14,532,848 | 14,981,510 |
| Total liabilities and equity | | ₩ 31,444,211 | 29,159,687 |

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 six-month periods ended June 30, 2018 and 2017

| <i>(In millions of won, except earnings per share)</i> | Note | For the three-month period ended June 30 | | For the six-month period ended June 30 | |
|--|------------|--|-------------|--|--------------|
| | | 2018 | 2017 | 2018 | 2017 |
| Revenue | 16, 17, 27 | ₩ 5,611,248 | 6,628,886 | 11,286,412 | 13,691,048 |
| Cost of sales | 7, 18, 27 | (5,144,505) | (5,115,018) | (10,277,585) | (10,457,900) |
| Gross profit | | 466,743 | 1,513,868 | 1,008,827 | 3,233,148 |
| Selling expenses | 19 | (203,853) | (222,526) | (376,811) | (465,729) |
| Administrative expenses | 19 | (196,083) | (175,457) | (378,413) | (340,407) |
| Research and development expenses | | (294,915) | (311,613) | (580,034) | (595,863) |
| Operating profit (loss) | | (228,108) | 804,272 | (326,431) | 1,831,149 |
| Finance income | 22 | 32,886 | 48,346 | 153,883 | 128,424 |
| Finance costs | 22 | (61,966) | (94,026) | (192,327) | (147,007) |
| Other non-operating income | 21 | 370,513 | 156,123 | 598,061 | 540,482 |
| Other non-operating expenses | 21 | (455,055) | (87,558) | (667,798) | (668,021) |
| Equity in income (loss) of equity accounted investees, net | | 1,710 | 4,662 | (1,183) | 4,912 |
| Profit (loss) before income tax | | (340,020) | 831,819 | (435,795) | 1,689,939 |
| Income tax expense (benefit) | 23 | (39,477) | 95,151 | (86,270) | 273,774 |
| Profit (loss) for the period | | (300,543) | 736,668 | (349,525) | 1,416,165 |
| Other comprehensive income (loss) | | | | | |
| Items that will never be reclassified to profit or loss | | | | | |
| Remeasurements of net defined benefit liabilities | 12 | (4,973) | (3,599) | (11,392) | (8,324) |
| Other comprehensive income (loss) from associates | | (18) | 736 | 23 | 493 |
| Related income tax | 12 | 1,330 | 871 | 3,626 | 2,014 |
| | | (3,661) | (1,992) | (7,743) | (5,817) |

Items that are or may be reclassified to profit or loss

| | | | | | |
|---|----|--------|---------|---------|-----------|
| Foreign currency translation differences for foreign operations | 22 | 12,042 | 138,890 | 139,932 | (110,787) |
| Other comprehensive income (loss) from associates | | (626) | 2,715 | 689 | 2,163 |
| | | 11,416 | 141,605 | 140,621 | (108,624) |

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

| | | | | | |
|--|--|-------|---------|---------|-----------|
| | | 7,755 | 139,613 | 132,878 | (114,441) |
|--|--|-------|---------|---------|-----------|

Total comprehensive income (loss) for the period

| | | | | | |
|--|---|-----------|---------|-----------|-----------|
| | ₩ | (292,788) | 876,281 | (216,647) | 1,301,724 |
|--|---|-----------|---------|-----------|-----------|

Profit (loss) attributable to:

| | | | | | |
|-----------------------------------|--|-----------|---------|-----------|-----------|
| Owners of the Controlling Company | | (297,385) | 690,300 | (356,839) | 1,323,790 |
| Non-controlling interests | | (3,158) | 46,368 | 7,314 | 92,375 |

Profit (loss) for the period

| | | | | | |
|--|---|-----------|---------|-----------|-----------|
| | ₩ | (300,543) | 736,668 | (349,525) | 1,416,165 |
|--|---|-----------|---------|-----------|-----------|

Total comprehensive income (loss) attributable to:

| | | | | | |
|-----------------------------------|--|-----------|---------|-----------|-----------|
| Owners of the Controlling Company | | (288,692) | 811,434 | (245,988) | 1,224,366 |
| Non-controlling interests | | (4,096) | 64,847 | 29,341 | 77,358 |

Total comprehensive income (loss) for the period

| | | | | | |
|--|---|-----------|---------|-----------|-----------|
| | ₩ | (292,788) | 876,281 | (216,647) | 1,301,724 |
|--|---|-----------|---------|-----------|-----------|

Earnings (loss) per share (In won)

| | | | | | | |
|-----------------------------------|----|---|-------|-------|-------|-------|
| Basic earnings (loss) per share | 24 | ₩ | (831) | 1,929 | (997) | 3,700 |
| Diluted earnings (loss) per share | 24 | ₩ | (831) | 1,929 | (997) | 3,700 |

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 six-month periods ended June 30, 2018 and 2017

| <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 | | |
| Balances at January 1, 2017 | ₩ 1,789,079 | 2,251,113 | 9,004,283 | (88,478) | 12,955,997 | 506,391 | 13,462,388 |
| Total comprehensive income (loss) for the period | | | | | | | |
| Profit for the period | | | 1,323,790 | | 1,323,790 | 92,375 | 1,416,165 |
| Other comprehensive income (loss) | | | | | | | |
| Remeasurements of net defined benefit liabilities, net of tax | | | (6,310) | | (6,310) | | (6,310) |
| Foreign currency translation differences for foreign operations, net of tax | | | | (95,770) | (95,770) | (15,017) | (110,787) |
| Other comprehensive income from associates | | | 493 | 2,163 | 2,656 | | 2,656 |
| Total other comprehensive loss | | | (5,817) | (93,607) | (99,424) | (15,017) | (114,441) |
| Total comprehensive income (loss) for the period | ₩ | | 1,317,973 | (93,607) | 1,224,366 | 77,358 | 1,301,724 |
| Transaction with owners, recognized | | | | | | | |

directly in equity

| | | | | | | | |
|-----------------------------|--|--|-----------|--|-----------|--|-----------|
| Dividends to equity holders | | | (178,908) | | (178,908) | | (178,908) |
|-----------------------------|--|--|-----------|--|-----------|--|-----------|

| | | | | | | | |
|---|--|--|--|--|--|-------|-------|
| Capital contribution from non-controlling interests | | | | | | 4,251 | 4,251 |
|---|--|--|--|--|--|-------|-------|

| | | | | | | | |
|----------------------------------|-------------|-----------|------------|-----------|------------|---------|------------|
| Balances at June 30, 2017 | ₩ 1,789,079 | 2,251,113 | 10,143,348 | (182,085) | 14,001,455 | 588,000 | 14,589,455 |
|----------------------------------|-------------|-----------|------------|-----------|------------|---------|------------|

| | | | | | | | |
|------------------------------------|-------------|-----------|------------|-----------|------------|---------|------------|
| Balances at January 1, 2018 | ₩ 1,789,079 | 2,251,113 | 10,621,571 | (288,280) | 14,373,483 | 608,027 | 14,981,510 |
|------------------------------------|-------------|-----------|------------|-----------|------------|---------|------------|

Total comprehensive income (loss) for the period

| | | | | | | | |
|------------------------------|--|--|-----------|--|-----------|-------|-----------|
| Profit (loss) for the period | | | (356,839) | | (356,839) | 7,314 | (349,525) |
|------------------------------|--|--|-----------|--|-----------|-------|-----------|

Other comprehensive income (loss)

| | | | | | | | |
|---|--|--|---------|--|---------|--|---------|
| Remeasurements of net defined benefit liabilities, net of tax | | | (7,766) | | (7,766) | | (7,766) |
|---|--|--|---------|--|---------|--|---------|

| | | | | | | | |
|---|--|--|--|---------|---------|--------|---------|
| Foreign currency translation differences for foreign operations, net of tax | | | | 117,905 | 117,905 | 22,027 | 139,932 |
|---|--|--|--|---------|---------|--------|---------|

| | | | | | | | |
|--|--|--|----|-----|-----|--|-----|
| Other comprehensive income from associates | | | 23 | 689 | 712 | | 712 |
|--|--|--|----|-----|-----|--|-----|

| | | | | | | | |
|--|--|--|---------|---------|---------|--------|---------|
| Total other comprehensive income (loss) | | | (7,743) | 118,594 | 110,851 | 22,027 | 132,878 |
|--|--|--|---------|---------|---------|--------|---------|

| | | | | | | | |
|---|---|--|-----------|---------|-----------|--------|-----------|
| Total comprehensive income (loss) for the period | ₩ | | (364,582) | 118,594 | (245,988) | 29,341 | (216,647) |
|---|---|--|-----------|---------|-----------|--------|-----------|

Transaction with owners, recognized directly in equity

| | | | | | | | |
|-----------------------------|--|--|-----------|--|-----------|--|-----------|
| Dividends to equity holders | | | (178,908) | | (178,908) | | (178,908) |
|-----------------------------|--|--|-----------|--|-----------|--|-----------|

| | | | | | | | |
|---|--|--|--|--|--|----------|----------|
| Subsidiaries dividends distributed to non-controlling interests | | | | | | (53,107) | (53,107) |
|---|--|--|--|--|--|----------|----------|

| | | | | | | | |
|--------------------------------------|-------------|-----------|------------|-----------|------------|---------|------------|
| Balances at June 30, 2018 | ₩ 1,789,079 | 2,251,113 | 10,078,081 | (169,686) | 13,948,587 | 584,261 | 14,532,848 |
|--------------------------------------|-------------|-----------|------------|-----------|------------|---------|------------|

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 six-month periods ended June 30, 2018 and 2017

| <i>(In millions of won)</i> | Note | 2018 | 2017 |
|---|------|-------------|-----------|
| Cash flows from operating activities: | | | |
| Profit (loss) for the period | | ₩ (349,525) | 1,416,165 |
| Adjustments for: | | | |
| Income tax expense (benefit) | 23 | (86,270) | 273,774 |
| Depreciation | 18 | 1,606,315 | 1,278,965 |
| Amortization of intangible assets | 18 | 212,796 | 216,031 |
| Gain on foreign currency translation | | (236,639) | (107,947) |
| Loss on foreign currency translation | | 285,901 | 64,887 |
| Expenses related to defined benefit plans | 12 | 103,671 | 99,047 |
| Gain on disposal of property, plant and equipment | | (4,330) | (13,352) |
| Loss on disposal of property, plant and equipment | | 10,568 | 5,370 |
| Impairment loss on property, plant and equipment | | 27,491 | |
| Gain on disposal of intangible assets | | (239) | (308) |
| Impairment loss on intangible assets | | 301 | 1,677 |
| Reversal of impairment loss on intangible assets | | (36) | |
| Warranty expense | | 92,062 | 126,251 |
| Finance income | | (40,690) | (84,461) |
| Finance costs | | 84,412 | 95,052 |
| Equity in loss (income) of equity method accounted investees, net | 8 | 1,183 | (4,912) |
| Other income | | (2,161) | (16,378) |
| Other expenses | | 617 | 78 |
| | | 2,054,952 | 1,933,774 |
| Changes in | | | |
| Trade accounts and notes receivable | | 1,052,117 | 526,666 |
| Other accounts receivable | | (16,472) | 23,594 |
| Inventories | | (188,410) | (51,845) |
| Other current assets | | (137,809) | (58,998) |
| Other non-current assets | | (27,362) | (105,697) |
| Trade accounts and notes payable | | (112,186) | (412,353) |
| Other accounts payable | | (163,479) | (132,376) |
| Accrued expenses | | (131,698) | (101,307) |
| Provisions | | (104,267) | (89,191) |
| Other current liabilities | | (9,222) | (8,157) |
| Defined benefit liabilities, net | | (5,141) | (4,557) |
| Other non-current liabilities | | 12,184 | 3,265 |
| Long-term advances received | | 767,830 | 565,950 |

| | | |
|--|--------------------|------------------|
| | 936,085 | 154,994 |
| Cash generated from operating activities | 2,641,512 | 3,504,933 |
| Income taxes paid | (353,564) | (270,431) |
| Interests received | 41,863 | 24,080 |
| Interests paid | (91,479) | (64,227) |
| Net cash provided by operating activities | ₩ 2,238,332 | 3,194,355 |

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 six-month periods ended June 30, 2018 and 2017

| <i>(In millions of won)</i> | Note | 2018 | 2017 |
|---|-------------|--------------------|--------------------|
| Cash flows from investing activities: | | | |
| Dividends received | | ₩ 5,272 | 8,639 |
| Increase in deposits in banks | | (740,720) | (1,025,475) |
| Proceeds from withdrawal of deposits in banks | | 1,152,277 | 1,127,131 |
| Acquisition of available-for-sale financial assets | | | (112) |
| Acquisition of financial assets at fair value through profit or loss | | (391) | |
| Proceeds from disposal of financial assets at fair value through other comprehensive income | | 6 | |
| Acquisition of investments in equity accounted investees | | (14,732) | |
| Proceeds from disposal of investments in equity accounted investees | | 2,382 | 6,697 |
| Acquisition of property, plant and equipment | | (3,965,992) | (3,321,907) |
| Proceeds from disposal of property, plant and equipment | | 105,323 | 76,506 |
| Acquisition of intangible assets | | (254,527) | (207,303) |
| Proceeds from disposal of intangible assets | | 960 | 750 |
| Government grants received | | 1,210 | 1,505 |
| Receipt from settlement of derivatives | | 71 | 2,895 |
| Proceeds from collection of short-term loans | | 7,908 | 430 |
| Increase in long-term loans | | (19,420) | (300) |
| Increase in deposits | | (3,523) | (1,753) |
| Decrease in deposits | | 685 | 3,051 |
| Proceeds from disposal of emission rights | | 10,200 | |
| Net cash used in investing activities | | (3,713,011) | (3,329,246) |
| Cash flows from financing activities: | | | |
| | 26 | | |
| Repayments of short-term borrowings | | | (113,209) |
| Proceeds from issuance of bonds | | 498,170 | 298,780 |
| Proceeds from long-term borrowings | | 1,982,289 | 511,402 |
| Repayments of current portion of long-term borrowings and bonds | | (646,476) | (364,431) |
| Capital contribution from non-controlling interests | | | 4,251 |
| Dividends paid | | (178,908) | (178,908) |
| Net cash provided by financing activities | | 1,655,075 | 157,885 |
| Net increase in cash and cash equivalents | | 180,396 | 22,994 |
| Cash and cash equivalents at January 1 | | 2,602,560 | 1,558,696 |
| Effect of exchange rate fluctuations on cash held | | 68,525 | (42,216) |

| | | |
|---|--------------------|------------------|
| Cash and cash equivalents at June 30 | ₩ 2,851,481 | 1,539,474 |
|---|--------------------|------------------|

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 June 30, 2018, the Group is operating Thin Film Transistor Liquid Crystal Display (TFT-LCD) and Organic Light Emitting Diode (OLED) panel manufacturing plants in Gumi, Paju and China and TFT-LCD and OLED module manufacturing plants in Gumi, Paju, China, Poland and Vietnam. 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 June 30, 2018, 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 June 30, 2018, 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 June 30, 2018, there are 20,572,122 ADSs outstanding.

Table of Contents1. Reporting Entity, Continued(b) Consolidated Subsidiaries as of June 30, 2018*(In millions)*

| Subsidiaries | Location | Percentage of ownership | Fiscal year end | Date of incorporation | Business | Capital stocks |
|---|-------------------|--------------------------------|------------------------|------------------------------|--|-----------------------|
| 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 | Eschborn, 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 3,020 |
| 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 | USD 1.1 |
| 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 |
| | Gumi, South Korea | 100% | December 31 | March 21, 2010 | Janitorial services | KRW 800 |

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| | | | | | | |
|---|--------------------|------|-------------|-------------------|--|-------------|
| Nanumnuri Co., Ltd. | South Korea | | | 2012 | | |
| LG Display (China) Co., Ltd.(*1) | Guangzhou, China | 70% | December 31 | December 10, 2012 | Manufacture and sell Display products | CNY 8,232 |
| 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 | USD 300 |
| Suzhou Lehui Display Co., Ltd. | Suzhou, China | 100% | December 31 | July 1, 2016 | Manufacture and sell LCD module and LCD monitor sets | CNY 637 |
| LG DISPLAY FUND I LLC(*2) | Wilmington, U.S.A. | 100% | December 31 | May 1, 2018 | Invest in venture business and obtain technologies | |
| Money Market Trust(*3) | Seoul, South Korea | 100% | December 31 | | Money market trust | KRW 384,401 |

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1. **Reporting Entity, Continued**

(*1) For the six-month period ended June 30, 2018, the Controlling Company contributed ₩212,600 million in cash for the capital increase of LG Display Vietnam Haiphong Co., Ltd. (LGDVN). There was no change in the Controlling Company's ownership percentage in LGDVN as a result of this additional investment.

(*2) For the six-month period ended June 30, 2018, the Controlling Company established LG DISPLAY FUND I LLC in Wilmington, U.S.A. to invest in venture business and the Controlling Company has a 100% equity interest of this subsidiary.

(*3) For the six-month period ended June 30, 2018, the Controlling Company acquired and disposed interests in Money Market Trust (MMT) and the MMT amount as of June 30, 2018 is ₩384,401 million. ₩90,281 million is attributable to the Controlling Company over the distributed dividends from consolidated subsidiaries for the six-month period ended June 30, 2018.

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, 2017.

This is the first set of the Group's financial statements where K-IFRS No. 1109, K-IFRS No. 1115, and K-IFRS No. 2122 have been applied. Changes to significant accounting policies are described in Note 3.

(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:

financial assets at fair value through profit or loss (FVTPL) and financial asset at fair value through other comprehensive income (FVOCI), and

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

(c) Functional and Presentation Currency

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

Table of Contents**2. Basis of Presenting Financial Statements, Continued****(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.

During the six-month period ended June 30, 2018, based on the review of the past accumulated usage information that became available, the Group management reassessed the economic useful life of the Mask and Mold which had previously been classified as inventory. The balances of such Mask and Mold inventories amounted to ₩111,456 million as of December 31, 2017. Based on the results of the reassessment, the Group changed useful lives of Mask and Mold to two years and accounted for the change as a change in accounting estimate. The Group also changed the classification of Mask and Mold to property, plant and equipment.

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 the last annual financial statements, except for new significant judgments and key sources of estimation uncertainty related to the application of K-IFRS No. 1109, K-IFRS No. 1115 in Note 3 and the change in useful life of Mask and Mold.

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, 2017, except for the application of K-IFRS No. 1034, *Interim Financial Reporting*, and the amended accounting standards explained below. The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending December 31, 2018.

(a) Changes in Accounting Policies

The Group has initially adopted K-IFRS No. 1115, *Revenue from Contracts with Customers*, K-IFRS No. 1109, *Financial Instruments*, and K-IFRS No. 2122, *Foreign Currency Transactions and Advance Consideration* from January 1, 2018.

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

K-IFRS No. 1109 set out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standards replaces K-IFRS No. 1039 *Financial Instruments: Recognition and Measurement*. The Group adopted K-IFRS No. 1109, *Financial Instruments*, from January 1, 2018, and the Group has taken an exemption not to restate the financial statements for prior years with respects to transition requirements.

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below. There is no impact on the opening balance of retained earnings at January 1, 2018.

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3. Summary of Significant Accounting Policies, Continued

(a) Changes in Accounting Policies, Continued

i) Classification and measurement of financial assets and financial liabilities

K-IFRS No. 1109 largely retains the existing requirements in K-IFRS No. 1039 for the classification and measurement of financial liabilities. However, it eliminates the previous K-IFRS No. 1039 categories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption K-IFRS No. 1109 has not had a significant effect on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of K-IFRS No. 1109 on the classification and measurement of financial assets is set out below.

Under K-IFRS No. 1109, on initial recognition, a financial asset is classified as measured at: amortized cost; FVOCI-debt investment; FVOCI-equity investment; or FVTPL. The classification of financial assets under K-IFRS 1109 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flow; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

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

The following accounting policies apply to the subsequent measurement of financial assets.

| | |
|------------------------------------|--|
| Financial assets at FVTPL | These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss. |
| Financial assets at amortized cost | These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss. |
| Debt investments at FVOCI | These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss. |

The following table below explain the original measurement categories under K-IFRS No. 1039 and the changes in measurement categories under K-IFRS No. 1109 for each class of the Group's financial assets as at January 1, 2018 are as below.

| <i>(In millions of won)</i> | Classification under K-IFRS No. 1039 | Classification under K-IFRS No. 1109 | Carrying amount under K-IFRS No. 1039 | Carrying amount under K-IFRS No. 1109 | Difference |
|-----------------------------|---|--|--|--|------------|
| Financial assets | | | | | |
| Cash and cash equivalents | Loans and receivables | Amortized cost | ₩ 2,602,560 | 2,602,560 | |
| Deposits | Loans and receivables | Amortized cost | 758,089 | 758,089 | |
| Trade receivables | Loans and receivables | Amortized cost | 4,325,120 | 4,325,120 | |
| Other receivables | Loans and receivables | Amortized cost | 164,827 | 164,827 | |

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| | | | | |
|-------------------------------|------------------------|-----------------------|--------------------|------------------|
| | receivables | | | |
| Debt instrument | Available-for-sale | FVOCI-debt instrument | 162 | 162 |
| Equity instrument | | Mandatorily at | | |
| | Available-for-sale | FVTPL | 4,980 | 4,980 |
| Convertible bonds | Designated as at FVTPL | Mandatorily at FVTPL | 1,552 | 1,552 |
| Derivatives | Designated as at FVTPL | Mandatorily at FVTPL | 842 | 842 |
| Others | Loans and receivables | Amortized cost | 88,290 | 88,290 |
| Total financial assets | | | ₩ 7,946,422 | 7,946,422 |

As of January 1, 2018, there were no financial liabilities measured at FVTPL.

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

ii) Impairment of financial assets

K-IFRS No. 1109 replaces the incurred loss model in K-IFRS No. 1039 with an expected credit loss (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under K-IFRS No. 1109, credit losses are recognized earlier than under K-IFRS No. 1039.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt instruments at FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt instruments at FVOCI, the loss allowance is recognized in OCI, instead of reducing the carrying amount of the asset.

As a result of applying the loss allowances model under K-IFRS No. 1109, as of January 1, 2018, there are no additional loss allowances as compared with the loss allowances under K-IFRS No. 1039.

iii) Hedge Accounting

When initially applying K-IFRS No. 1109, the Group elected as its accounting policy to continue to apply hedge accounting requirements under K-IFRS No. 1039 instead of the requirements in K-IFRS No. 1109. As of January 1, 2018, there is no impact on the condensed consolidated interim financial statement of the Group resulting from the application of the requirements in K-IFRS No. 1109.

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

K-IFRS No. 1115, *Revenue from contracts with customers*, establishes a comprehensive framework for determining whether, how much and when revenue is recognized. K-IFRS No. 1115 replaces existing revenue recognition guidance, including K-IFRS No. 1018 *Revenue*, K-IFRS No. 1011, *Construction Contracts*, K-IFRS No. 2031, *Revenue: Barter Transactions Involving Advertising Services*, K-IFRS No. 2113, *Customer Loyalty Programmes*, K-IFRS No. 2115, *Agreements for the Construction of Real Estate* and K-IFRS No. 2118, *Transfers of Assets from Customers*.

The Group has initially applied K-IFRS No. 1115, *Revenue from contracts with customers*, from January 1, 2018. Regarding transition to K-IFRS No.1115, the Group has decided to apply the cumulative effect method, i.e.

recognizing the cumulative effect of applying K-IFRS No. 1115 at the date of initial application, which is January 1, 2018, without restatement of the comparative periods presented. The impact on its condensed consolidated interim financial statements resulting from the application of the new standard is as follows.

Table of Contents3. Summary of Significant Accounting Policies, Continued(a) Changes in Accounting Policies, ContinuedVariable Consideration

The consideration received from customers may be variable as the Group allows its customers to return their products according to the contracts. For the year-ended December 31, 2017, the Group recognizes a provision measured at the gross profit for products sold which are expected to be returned. Under K-IFRS No. 1115, the Group shall estimate an amount of variable consideration by using the expected value or the most likely amount, depending on which method the entity expects to better predict the amount of consideration to which it will be entitled and include in the transaction price some or all of an amount of variable consideration estimated only to the extent that is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when return period expires. The Group shall recognize refund liability measured at the amount of consideration received (or receivable) to which the Group does not expect to be entitled and a new asset for the right to recover returned goods. As a result of this change, the refund liability and a new asset for the right to recover returned goods increased by ₩9,789 million, respectively, as of January 1, 2018. There is no impact on the opening balance of retained earnings at January 1, 2018. (Note 5(d), 13(a))

The effect of the application of K-IFRS No. 1115 on the Group's consolidated interim statement of financial position as of June 30, 2018 is as follows. There is no impact on the condensed consolidated interim statement of comprehensive income and the cash flows for the six-month period ended June 30, 2018.

(in millions won)

| Categories | Adoption of K-IFRS No. 1115 | Adjustments | Adoption of K-IFRS No. 1018 |
|----------------------------|--------------------------------|-------------|--------------------------------|
| Current Assets | | | |
| Other current assets | ₩425,593 | (5,360) | 420,233 |
| Current Liabilities | | | |
| Provisions | ₩79,724 | (5,360) | 74,364 |

(iii) K-IFRS No. 2122, Foreign Currency Transactions and Advance Consideration

According to the new interpretation, K-IFRS No. 2122, *Foreign Currency Transactions and Advance Consideration*, the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. There is no significant impact on the condensed consolidated interim financial statements of the Group.

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3. Summary of Significant Accounting Policies, Continued

(b) New Standards and Amendments Not Yet Adopted

The following new standard is effective for annual periods beginning after January 1, 2018 and earlier application is permitted; however, the Group has not early adopted the following new standard in preparing these condensed consolidated interim financial statements.

(i) K-IFRS No. 1116, *Leases*

The Group plans to adopt K-IFRS No. 1116, *Leases*, in its consolidated financial statements for annual period beginning on January 1, 2019, assess the financial impact of the adoption of K-IFRS No. 1116 and disclose the results in its consolidated financial statements for the year ending December 31, 2018. As of June 30, 2018, other than the potential impacts described in the consolidated financial statements as of and for the year ended December 31, 2017, there are no significant changes in relation to preparation for the adoption of this new standard.

Table of Contents4. Cash and Cash Equivalents and Deposits in Banks

Cash and cash equivalents and deposits in banks as of June 30, 2018 and December 31, 2017 are as follows:

| <i>(In millions of won)</i> | June 30, 2018 | December 31, 2017 |
|----------------------------------|----------------------|--------------------------|
| Current assets | | |
| Cash and cash equivalents | | |
| Demand deposits | ₩ 2,851,481 | 2,602,560 |
| Deposits in banks | | |
| Time deposits | ₩ 272,082 | 685,238 |
| Restricted cash (*) | 74,082 | 72,840 |
| | ₩ 346,164 | 758,078 |
| Non-current assets | | |
| Deposits in banks | | |
| Restricted cash (*) | ₩ 11 | 11 |
| | ₩ 3,197,656 | 3,360,649 |

(*) Restricted cash includes mutual growth fund to aid LG Group's second and third-tier suppliers, pledge to enforce investment plans according to the receipt of subsidies from Gumi city and Gyeongsangbuk-do and others.

Table of Contents5. Receivables and Other Assets

(a) Trade accounts and notes receivable as of June 30, 2018 and December 31, 2017 are as follows:

| <i>(In millions of won)</i> | June 30, 2018 | December 31, 2017 |
|-----------------------------|----------------------|--------------------------|
| Trade, net | ₩ 2,736,700 | 3,275,902 |
| Due from related parties | 754,324 | 1,049,218 |
| | ₩ 3,491,024 | 4,325,120 |

(b) Other accounts receivable as of June 30, 2018 and December 31, 2017 are as follows:

| <i>(In millions of won)</i> | June 30, 2018 | December 31, 2017 |
|-----------------------------|----------------------|--------------------------|
| Non-trade receivable, net | ₩ 142,991 | 150,554 |
| Accrued income | 11,605 | 14,273 |
| | ₩ 154,596 | 164,827 |

Due from related parties included in other accounts receivable, as of June 30, 2018 and December 31, 2017 are ₩378 million and ₩10,821 million, respectively.

Table of Contents5. Receivables and Other Assets, Continued

- (c) The aging of trade accounts and note receivable, other accounts receivable and long-term non-trade receivable as of June 30, 2018 and December 31, 2017 are as follows:

| <i>(In millions of won)</i> | Book value | | June 30, 2018 | | | |
|-----------------------------|---|-------------------------------------|--------------------------------------|---|-------------------------------------|--------------------------------------|
| | Trade accounts and notes receivable | Other accounts receivable (*) | Long-term non-trade receivable | Trade accounts and notes receivable | Other accounts receivable (*) | Long-term non-trade receivable |
| Not past due | ₩ 3,456,114 | 130,697 | 637 | (502) | (384) | (6) |
| Past due 1-15 days | 5,263 | 8,024 | | | (29) | |
| Past due 16-30 days | 28,563 | 1,338 | | | | |
| Past due 31-60 days | 1,586 | 301 | | | (2) | |
| Past due more than 60 days | | 15,196 | | | (545) | |
| | ₩ 3,491,526 | 155,556 | 637 | (502) | (960) | (6) |

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

Table of Contents5. Receivables and Other Assets, Continued

| <i>(In millions of won)</i> | December 31, 2017 | | | | | |
|-----------------------------|---|-------------------------------------|--------------------------------------|----------------------------|-------------------------------------|--------------------------------------|
| | Book value | | | Impairment loss | | |
| | Trade accounts | | | Trade accounts | | |
| | Trade accounts and notes receivable | Other accounts receivable (*) | Long-term non-trade receivable | and notes receivable | Other accounts receivable (*) | Long-term non-trade receivable |
| Not past due | ₩ 4,323,465 | 164,755 | 8,738 | (1,631) | (905) | |
| Past due 1-15 days | 2,652 | 488 | | (1) | (3) | |
| Past due 16-30 days | 631 | 65 | | | (1) | |
| Past due 31-60 days | | 208 | | | (2) | |
| Past due more than 60 days | 4 | 622 | | | (400) | |
| | ₩ 4,326,752 | 166,138 | 8,738 | (1,632) | (1,311) | |

The movement in the allowance for impairment in respect of trade accounts and notes receivable, other accounts receivable and long-term non-trade receivable for the six-month periods ended June 30, 2018 and the year ended December 31, 2017 are as follows:

| <i>(In millions of won)</i> | 2018 | | | 2017 | | |
|--|----------------------------|------------|------------------------------|--------------------------------------|----------------------------|--------------------------------------|
| | Trade accounts | | Other accounts receivable | Trade accounts | | Long-term non-trade receivable |
| | and notes receivable | receivable | | Long-term non-trade receivable | and notes receivable | |
| | receivable | receivable | receivable | receivable | receivable | receivable |
| Balance at the beginning of the period | ₩ 1,632 | 1,311 | | 1,488 | 1,093 | 23 |
| (Reversal of) bad debt expense | (1,130) | (351) | 6 | 144 | 218 | (23) |
| Balance at the reporting date | ₩ 502 | 960 | 6 | 1,632 | 1,311 | |

Table of Contents5. Receivables and Other Assets, Continued

(d) Other assets as of June 30, 2018 and December 31, 2017 are as follows:

| <i>(In millions of won)</i> | June 30, 2018 | December 31, 2017 |
|------------------------------------|----------------------|--------------------------|
| Current assets | | |
| Advance payments | ₩ 12,163 | 7,973 |
| Prepaid expenses | 161,602 | 83,626 |
| Value added tax refundable | 246,468 | 148,351 |
| Emission rights | | 1,978 |
| Right to recover returned goods(*) | 5,360 | |
| | ₩ 425,593 | 241,928 |
| Non-current assets | | |
| Long-term prepaid expenses | ₩ 383,709 | 394,759 |
| | ₩ 383,709 | 394,759 |

(*) As a result from the initial application of K-IFRS No. 1115, the Group recognized an asset for right to recover returned goods returned by the customer.

Table of Contents6. Other Financial Assets

(a) Other financial assets as of June 30, 2018 are as follows:

| <i>(In millions of won)</i> | June 30, 2018 |
|---|----------------------|
| Current assets | |
| Financial asset carried at amortized cost | |
| Deposits | ₩ 1,313 |
| Short-term loans | 13,147 |
| | ₩ 14,460 |
| Non-current assets | |
| Financial asset at fair value through profit or loss | |
| Equity instrument | |
| Intellectual Discovery, Ltd. | ₩ 729 |
| Kyulux, Inc | 1,968 |
| Fineeva Co., Ltd. | 285 |
| ARCH Venture Fund Vill, L.P. | 2,498 |
| | ₩ 5,480 |
| Convertible bonds | ₩ 1,552 |
| Derivatives(*) | 341 |
| Financial asset at fair value through | |
| other comprehensive income | |
| Debt instrument | |
| Government bonds | ₩ 158 |
| Financial asset carried at amortized cost | |
| Deposits | ₩ 22,284 |
| Long-term loans | 43,967 |
| Long-term non-trade receivable | 631 |
| | ₩ 74,413 |

(*) Represents interest rate swap contracts related to borrowings with variable interest rate.

Table of Contents6. Other Financial Assets, Continued

(b) Other financial assets as of December 31, 2017 are as follows:

| <i>(In millions of won)</i> | December 31, 2017 | |
|--|--------------------------|--------|
| Current assets | | |
| Available-for-sale financial assets Debt instrument | | |
| Government bonds | ₩ | 6 |
| Deposits | | 10,480 |
| Short-term loans | | 16,766 |
| | ₩ | 27,252 |
| Non-current assets | | |
| Financial asset at fair value through profit or loss | ₩ | 1,552 |
| Available-for-sale financial assets | | |
| Debt instrument | | |
| Government bonds | ₩ | 156 |
| Equity instrument | | |
| Intellectual Discovery, Ltd. | ₩ | 729 |
| Kyulux, Inc | | 1,968 |
| ARCH Venture Fund Vill, LP. | | 2,283 |
| | ₩ | 4,980 |
| Deposits | ₩ | 19,898 |
| Long-term loans | | 32,408 |
| Long-term non-trade receivable | | 8,738 |
| Derivatives(*) | | 842 |
| | ₩ | 68,574 |

(*) Represents interest rate swap contracts related to borrowings with variable interest rate.

Other financial assets of related parties as of June 30, 2018 and December 31, 2017 are ₩2,250 million and ₩2,750 million, respectively.

Table of Contents7. Inventories

Inventories as of June 30, 2018 and December 31, 2017 are as follows:

| <i>(In millions of won)</i> | June 30, 2018 | December 31, 2017 |
|-----------------------------|----------------------|--------------------------|
| Finished goods | ₩ 1,068,182 | 965,643 |
| Work-in-process | 789,972 | 748,592 |
| Raw materials | 394,018 | 344,997 |
| Supplies | 178,135 | 290,852 |
| | ₩ 2,430,307 | 2,350,084 |

For the six-month periods ended June 30, 2018 and 2017, 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 are as follows:

| <i>(In millions of won)</i> | 2018 | 2017 |
|--|--------------|-------------|
| Inventories recognized as cost of sales | ₩ 10,277,585 | 10,457,900 |
| Including: inventory write-downs | 261,036 | 234,880 |
| Including: reversal and usage of inventory write-downs | (206,127) | (204,123) |

Table of Contents**8. Investments in Equity Accounted Investees**

Associates as of June 30, 2018 are as follows:

(In millions of won)

| Associates | Location | Fiscal year end | Date of incorporation | Business | 2018 | | 2017 | |
|---------------------------------------|-----------------------|-----------------|-----------------------|---|-------------------------|-----------------|-------------------------|-----------------|
| | | | | | Percentage of ownership | Carrying amount | Percentage of ownership | Carrying amount |
| Paju Electric Glass Co., Ltd. | Paju, South Korea | December 31 | January 2005 | Manufacture electric glass for FPDs | 40% | ₩ 46,165 | 40% | ₩ 46,511 |
| INVENIA Co., Ltd. | Seongnam, South Korea | December 31 | January 2001 | Develop and manufacture equipment for FPDs | 13% | 2,788 | 13% | 2,887 |
| WooRee E&L Co., Ltd. | Ansan, South Korea | December 31 | June 2008 | Manufacture LED back light unit packages | 14% | 3,607 | 14% | 7,270 |
| LB Gemini New Growth Fund No. 16 (*1) | Seoul, South Korea | December 31 | December 2009 | Invest in small and middle sized companies and benefit from M&A opportunities | 31% | 4,509 | 31% | 5,910 |
| YAS Co., Ltd. | Paju, South Korea | December 31 | April 2002 | Develop and manufacture deposition equipment for OLEDs | 18% | 16,423 | 15% | 15,888 |
| AVATEC Co., Ltd. | Daegu, South Korea | December 31 | August 2000 | Process and sell electric glass for FPDs | 17% | 23,009 | 17% | 23,732 |
| Arctic Sentinel, Inc. | Los Angeles, U.S.A. | March 31 | June 2008 | Develop and manufacture tablet for kids | 10% | | 10% | |

Table of Contents8. Investments in Equity Accounted Investees, Continued

(In millions of won)

| Associates | Location | Fiscal year end | Date of incorporation | Business | 2018 | | 2017 | |
|---------------------------------|--------------------|-----------------|-----------------------|--|-------------------------|-----------------|-------------------------|-----------------|
| | | | | | Percentage of ownership | Carrying amount | Percentage of ownership | Carrying amount |
| CYNORA GmbH | Bruchsal, Germany | December 31 | March 2003 | Develop organic emitting materials for displays and lighting devices | 14% | ₩ 20,309 | 14% | ₩ 20,309 |
| Material Science Co., Ltd. (*2) | Seoul, South Korea | December 31 | January 2014 | Develop, manufacture, and sell materials for display | 10% | 3,954 | | |
| Nanosys Inc. (*3) | Milpitas, U.S.A. | December 31 | July 2001 | Develop, manufacture, and sell materials for display | 4% | 10,732 | | |
| | | | | | | ₩ 131,496 | | ₩ 122,507 |

Although the Controlling Company's share interests in INVENIA Co., Ltd., WooRee E&L Co., Ltd., YAS Co., Ltd., AVATEC Co., Ltd., Arctic Sentinel, Inc., Cynora GmbH, Material Science and Nanosys 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. Accordingly, the investments in these investees have been accounted for using the equity method.

(*1) The Controlling Company is a member of a limited partnership in the LB Gemini New Growth Fund No.16 (the Fund). On the other hand, a resolution to dissolve the fund was approved at the general meeting and the fund is in process of liquidation as of June 30, 2018.

(*2) In March 2018, the Controlling Company invested ₩4,000 million and acquired 10,767 shares of common stock with voting rights in Material Science Co., Ltd. As of June 30, 2018, the Controlling Company's ownership percentage in Material Science Co., Ltd. is 10% and the Controlling Company has the right to appoint a director to the board of directors of the investee.

(*3)

In May 2018, the Controlling Company invested ₩10,732 million and acquired 5,699,954 shares of preferred stock with voting rights in Nanosys Inc. As of June 30, 2018, the Controlling Company's ownership percentage in Nanosys Inc. is 4% and the Controlling Company has the right to appoint a director to the board of directors of the investee.

Table of Contents**8. Investments in Equity Accounted Investees, Continued**

Dividends received from equity method investees for the six-month periods ended June 30, 2018 and 2017 amounted to ₩5,272 million and ₩8,639 million, respectively.

9. Property, Plant and Equipment

For the six-month periods ended June 30, 2018 and 2017, the Group purchased property, plant and equipment of ₩4,267,244 million and ₩3,531,056 million, respectively. The capitalized borrowing costs and the annualized capitalization rate were ₩54,323 million and 2.67%, and ₩16,983 million and 1.93% for the six-month periods ended June 30, 2018 and 2017, respectively. Also, for the six-month periods ended June 30, 2018 and 2017, the Group disposed of property, plant and equipment with carrying amounts of ₩66,931 million and ₩30,445 million, respectively, and recognized ₩4,330 million and ₩10,568 million as gain and loss, respectively, on disposal of property, plant and equipment for the six-month period ended June 30, 2018 (gain and loss for the six-month period ended June 30, 2017: ₩13,352 million and ₩5,370 million, respectively).

10. Intangible Assets

- (a) The Group capitalizes expenditures related to development activities, such as expenditures incurred on designing, manufacturing and testing of products after those related activities meet the capitalization criteria of development costs including technical feasibility, future economic benefits and others. The balances of capitalized development costs as of June 30, 2018 and December 31, 2017 are ₩352,694 million and ₩296,760 million, respectively.

- (b) Development of new projects are divided into research activities and development activities. Expenditures on research activities are recognized in profit or loss and qualifying development expenditures are capitalized, respectively.

Table of Contents**11. Financial Liabilities**

(a) Financial liabilities as of June 30, 2018 and December 31, 2017 are as follows:

| <i>(In millions of won)</i> | June 30, 2018 | December 31, 2017 |
|---|----------------------|--------------------------|
| Current | | |
| Current portion of long-term borrowings and bonds | ₩ 2,182,368 | 1,452,926 |
| Non-current | | |
| Won denominated borrowings | ₩ 1,980,933 | 1,251,258 |
| Foreign currency denominated borrowings | 1,657,827 | 1,392,931 |
| Bonds | 1,745,325 | 1,506,003 |
| | ₩ 5,384,085 | 4,150,192 |

(b) Won denominated long-term borrowings as of June 30, 2018 and December 31, 2017 are as follows:

| <i>(In millions of won)</i> | Annual interest rate | | |
|--|------------------------------|-----------------|---------------------|
| | as of | June 30, | December 31, |
| Lender | June 30, 2018 (%) | 2018 | 2017 |
| Woori Bank | 2.75 | ₩ 1,584 | 1,922 |
| Shinhan Bank | CD rate (91days) + 0.30 | 200,000 | 200,000 |
| Korea Development Bank and others | CD rate (91days) + 0.64~0.74 | | |
| | 2.28~3.25 | 2,480,000 | 1,250,000 |
| Less current portion of long-term borrowings | | (700,651) | (200,664) |
| | | ₩ 1,980,933 | 1,251,258 |

Table of Contents11. Financial Liabilities, Continued

(c) Foreign currency denominated long-term borrowings as of June 30, 2018 and December 31, 2017 are as follows:

| <i>(In millions of won, USD and CNY)</i> | Annual interest rate as of June 30, 2018 (%) (*) | June 30, 2018 | December 31, 2017 |
|--|---|----------------------|------------------------------|
| Lender | | | |
| The Export Import Bank of Korea | 3ML+0.55~1.04 | ₩ 790,799 | 755,337 |
| China Construction Bank and others | USD: 3ML+0.80~2.00 | | |
| | CNY: PBOC X 0.90 | 1,974,038 | 1,385,097 |
| Foreign currency equivalent | | USD 2,170 | USD 1,500 |
| | | CNY 1,954 | CNY 3,263 |
| Less current portion of long-term borrowings | | ₩ (1,107,010) | (747,503) |
| | | ₩ 1,657,827 | 1,392,931 |

(*) ML represents Month LIBOR (London Inter-Bank Offered Rates) and PBOC represents People's Bank of China.

(d) Details of bonds issued and outstanding as of June 30, 2018 and December 31, 2017 are as follows:

| <i>(In millions of won)</i> | Maturity | Annual interest rate as of June 30, 2018 (%) | June 30, 2018 | December 31, 2017 |
|------------------------------|-----------------|---|----------------------|--------------------------|
| Won denominated bonds | | | | |
| (*) | | | | |
| Publicly issued bonds | November 2018 ~ | | | |
| | February 2023 | 1.80~3.73 | ₩ 2,015,000 | 2,015,000 |
| Privately placed bonds | May 2025 ~ | | | |
| | May 2033 | 3.25~4.25 | 110,000 | |
| Less discount on bonds | | | (4,968) | (4,238) |
| Less current portion | | | (374,707) | (504,759) |
| | | | ₩ 1,745,325 | 1,506,003 |

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

Table of Contents**12. 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 or certain subsidiaries.

(a) Net defined benefit liabilities recognized as of June 30, 2018 and December 31, 2017 are as follows:

| <i>(In millions of won)</i> | June 30, 2018 | December 31, 2017 |
|---|----------------------|--------------------------|
| Present value of partially funded defined benefit obligations | ₩ 1,633,438 | 1,562,424 |
| Fair value of plan assets | (1,428,011) | (1,466,977) |
| | ₩ 205,427 | 95,447 |

(b) Expenses recognized in profit or loss for the three-month and six-month periods ended June 30, 2018 and 2017 are as follows:

| <i>(In millions of won)</i> | For the three-month periods ended June 30, | | For the six-month periods ended June 30, | |
|-----------------------------|---|-------------|---|-------------|
| | 2018 | 2017 | 2018 | 2017 |
| Current service cost | ₩ 51,628 | 49,100 | 103,187 | 97,851 |
| Net interest cost | 242 | 598 | 484 | 1,196 |
| | ₩ 51,870 | 49,698 | 103,671 | 99,047 |

(c) Plan assets as of June 30, 2018 and December 31, 2017 are as follows:

| <i>(In millions of won)</i> | June 30, 2018 | December 31, 2017 |
|------------------------------|----------------------|--------------------------|
| Guaranteed deposits in banks | ₩ 1,428,011 | 1,466,977 |

As of June 30, 2018, the Controlling Company maintains the plan assets primarily with Mirae Asset Daewoo Co., Ltd., Shinhan Bank and others.

(d) Remeasurements of the net defined benefit liabilities (assets) included in other comprehensive income (loss) for the three-month and six-month periods ended June 30, 2018 and 2017 are as follows:

| <i>(In millions of won)</i> | For the three-month periods ended June 30, | | For the six-month periods ended June 30, | |
|---|---|-------------|---|-------------|
| | 2018 | 2017 | 2018 | 2017 |
| Remeasurements of net defined benefit liabilities | ₩ (4,973) | (3,599) | (11,392) | (8,324) |
| Tax effect | 1,330 | 871 | 3,626 | 2,014 |
| Remeasurements of net defined benefit liabilities, net of income tax | ₩ (3,643) | (2,728) | (7,766) | (6,310) |

Table of Contents13. Provisions and Other Liabilities

(a) Changes in provisions for the six-month period ended June 30, 2018 are as follows:

| <i>(In millions of won)</i> | Litigations and claims | Warranties (*) | Others | Total |
|--|---------------------------------------|-----------------------|---------------|--------------|
| Balance at January 1, 2018 | ₩ 43 | 102,450 | 1,835 | 104,328 |
| Adjustment from adoption of K-IFRS No. 1115 | | | 9,789 | 9,789 |
| Additions (reversals) | | 92,062 | (5,744) | 86,318 |
| Usage | | (98,523) | | (98,523) |
| Balance at June 30, 2018 | ₩ 43 | 95,989 | 5,880 | 101,912 |
| Current | ₩ 43 | 73,801 | 5,880 | 79,724 |
| Non-current | ₩ | 22,188 | | 22,188 |

(*) The provision for warranties covers defective products and is normally applicable for 18 months from the date of purchase. The warranty liability is calculated by using historical and anticipated rates of warranty claims, and costs per claim to satisfy the Group's warranty obligation.

(b) Other liabilities as of June 30, 2018 and December 31, 2017 are as follows:

| <i>(In millions of won)</i> | June 30, 2018 | December 31, 2017 |
|----------------------------------|----------------------|--------------------------|
| Current liabilities | | |
| Withholdings | ₩ 51,741 | 63,766 |
| Unearned revenues | 8,823 | 12,225 |
| Security deposits | 1,020 | |
| Dividends payable | 52,616 | |
| | ₩ 114,200 | 75,991 |
| Non-current liabilities | | |
| Long-term accrued expenses | ₩ 79,392 | 70,561 |
| Security deposits | 5,664 | |
| Long-term other accounts payable | 1 | 2 |
| | ₩ 85,057 | 70,563 |

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14. Contingencies and Commitments

(a) Legal Proceedings

Anti-trust litigations

Argos Limited and affiliated companies (Argos) filed a Notice of Claim against the Controlling Company and LG Display Taiwan Co., Ltd. in the High Court of Justice in London alleging infringement of Treaty on the Functioning of the European Union and Agreement on the European Economic Area. Prior to Argos' filing of Particulars of Claim and service, the Controlling Company and LG Display Taiwan Co., Ltd. reached a settlement in principle with Argos in December 2017. The parties expect to execute a settlement agreement in 2018.

Others

The Group is defending against various claims in addition to pending proceedings described above. The Group does not have a present obligation for these matters and has not recognized any provision at June 30, 2018.

(b) 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 1,743 million (₩1,955,662 million) in connection with the Controlling Company's export sales transactions with its subsidiaries. As of June 30, 2018, 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.

Table of Contents14. Contingencies and Commitments, Continued

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 | | | |
| Controlling Company | Shinhan Bank | KRW | 90,000 | | 90,000 | | | |
| | Sumitomo Mitsui Banking Corporation | USD | 20 | | 22,434 | | | |
| | Bank of Tokyo-Mitsubishi UFJ | USD | 70 | 78,519 | USD 47 | 49,904 | | |
| | BNP Paribas | USD | 150 | | 168,255 | | | |
| | ING Bank | USD | 150 | | 168,255 | | | |
| | | | USD | 390 | | USD 47 | | |
| | | | KRW | 90,000 | 527,463 | | 49,904 | |
| Subsidiaries | | | | | | | | |
| LG Display Singapore | | | | | | | | |
| Pte. Ltd. | Standard Chartered Bank | USD | 300 | 336,510 | USD 110 | 123,387 | | |
| LG Display Taiwan | | | | | | | | |
| Co., Ltd. | BNP Paribas | USD | 82 | | | 91,979 | | |
| | Hongkong & Shanghai Banking Corp. | USD | 50 | | | 56,085 | | |
| | Taishin International Bank | USD | 289 | | | 324,171 | | |
| LG Display Germany GmbH | | | | | | | | |
| | Citibank | USD | 160 | | | 179,472 | | |
| | BNP Paribas | USD | 75 | | | 84,128 | | |
| LG Display America, Inc. | | | | | | | | |
| | Hongkong & Shanghai Banking Corp. | USD | 400 | 448,680 | USD 400 | 448,678 | | |
| | Standard Chartered Bank | USD | 400 | | | 448,680 | | |
| | Sumitomo Mitsui | USD | 250 | | | 280,425 | USD 40 | 44,869 |

Banking Corporation

LG Display Japan Co., Ltd. Sumitomo Mitsui

Banking Corporation USD 90 100,953

LG Display Guangzhou Industrial and Commercial
Trading Co., Ltd. Bank of China

USD 64 71,789

USD 2,160 2,422,872 USD 550 616,934

USD 2,550 USD 597

KRW 90,000 2,950,335 666,838

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

Table of Contents**14. Contingencies and Commitments, Continued****Letters of credit**

As of June 30, 2018, the Controlling Company has agreements in relation to the opening of letters of credit up to USD 30 million (₩33,651 million) with KEB Hana Bank, USD 80 million (₩89,736 million) with Bank of China and USD 50 million (₩56,085 million) with Sumitomo Mitsui Banking Corporation.

Payment guarantees

The Controlling Company obtained payment guarantees amounting to USD 1,600 million (₩1,794,720 million) from KEB Hana Bank and others for advances received related to the long-term supply agreements and USD 8.5 million (₩9,534 million) from Shinhan Bank for value added tax payments in Poland.

LG Display (China) Co., Ltd. and other subsidiaries are provided with payment guarantees from the China Construction Bank Corporation and other various banks amounting to CNY 1,030 million (₩174,492 million), JPY 900 million (₩9,133 million), EUR 2.5 million (₩3,243 million), VND 38,167 million (₩1,866 million), USD 0.5 million (₩561 million), PLN 0.2 million (₩59 million) and, respectively, for their local tax payments and utility payments.

License agreements

As of June 30, 2018, 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.

Long-term supply agreement

As of June 30, 2018, in connection with long-term supply agreements with customers, the Controlling Company recognized USD 1,600 million (₩1,794,720 million) in advances received. The advances received will be offset against outstanding accounts receivable balances after a given period of time, as well as those arising from the supply of products thereafter. The Controlling Company received payment guarantees amounting to USD 1,600 million (₩1,794,720 million) from KEB Hana Bank and other various banks relating to advances received.

Pledged assets

Regarding the secured bank borrowing amounting to USD 270 million (₩302,648 million) and CNY 655 million (₩110,896 million) from China Construction Bank, as of June 30, 2018, the Group provided its property, plant and equipment and others with carrying amount of ₩215,979 million as pledged assets.

Table of Contents15. 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 June 30, 2018 and December 31, 2017, the number of issued common shares is 357,815,700. There have been no changes in the capital stock from January 1, 2017 to June 30, 2018.

(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.

Other comprehensive income (loss) from associates

The other comprehensive income (loss) from associates comprises the amount related to change in equity of investments in equity accounted investees.

Reserves as of June 30, 2018 and December 31, 2017 are as follows:

| <i>(In millions of won)</i> | June 30, 2018 | December 31, 2017 |
|---|----------------------|--------------------------|
| Foreign currency translation differences for foreign operations | ₩ (141,844) | (259,749) |
| Other comprehensive loss from associates (excluding remeasurements) | (27,842) | (28,531) |
| | ₩ (169,686) | (288,280) |

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16. Revenue

Details of revenue for the three-month and six-month periods ended June 30, 2018 and 2017 are as follows:

| <i>(In millions of won)</i> | For the three-month periods ended | | For the six-month periods ended | |
|-----------------------------|-----------------------------------|-----------|---------------------------------|------------|
| | June 30 | | June 30 | |
| | 2018 | 2017 | 2018 | 2017 |
| Sales of goods | ₩ 5,601,749 | 6,613,513 | 11,266,199 | 13,664,421 |
| Royalties | 4,167 | 4,671 | 9,575 | 11,215 |
| Others | 5,332 | 10,702 | 10,638 | 15,412 |
| | ₩ 5,611,248 | 6,628,886 | 11,286,412 | 13,691,048 |

17. 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 six-month periods ended June 30, 2018 and 2017.

(a) Revenue by geography

| <i>(In millions of won)</i> | For the three-month periods | | For the six-month periods | |
|-----------------------------|-----------------------------|-----------|---------------------------|------------|
| | ended June 30, | | ended June 30, | |
| | 2018 | 2017 | 2018 | 2017 |
| Region | | | | |
| Domestic | ₩ 437,277 | 461,735 | 871,390 | 1,004,946 |
| Foreign | | | | |
| China | 3,431,123 | 4,282,599 | 7,027,414 | 8,932,091 |
| Asia (excluding China) | 577,441 | 641,251 | 979,715 | 1,218,970 |
| United States | 579,967 | 645,817 | 1,193,880 | 1,293,694 |
| Europe (excluding Poland) | 347,324 | 343,802 | 693,376 | 626,115 |
| Poland | 238,116 | 253,682 | 520,637 | 615,232 |
| Sub total | ₩ 5,173,971 | 6,167,151 | 10,415,022 | 12,686,102 |
| Total | ₩ 5,611,248 | 6,628,886 | 11,286,412 | 13,691,048 |

Sales to Company A and Company B amount to ₩3,290,397 million and ₩2,692,462 million, respectively, for the six-month period ended June 30, 2018 (the six-month period ended June 30, 2017: ₩4,041,690 million and ₩3,251,702 million). The Group's top ten end-brand customers together accounted for 77% of sales for the six-month period ended June 30, 2018 (the six-month period ended June 30, 2017: 80%).

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17. Geographic and Other Information, Continued

(b) Non-current assets by geography

| <i>(In millions of won)</i> | June 30, 2018 | | December 31, 2017 | |
|-----------------------------|--|------------------------------|--|------------------------------|
| | Property, plant and equipment | Intangible assets | Property, plant and equipment | Intangible assets |
| Region | | | | |
| Domestic | ₩ 14,589,582 | 770,962 | 12,487,111 | 731,373 |
| Foreign | | | | |
| China | 3,078,244 | 13,507 | 2,929,739 | 17,244 |
| Others | 1,364,856 | 161,957 | 785,110 | 164,204 |
| Sub total | 4,443,100 | 175,464 | 3,714,849 | 181,448 |
| Total | ₩ 19,032,682 | 946,426 | 16,201,960 | 912,821 |

(c) Revenue by product and services

| <i>(In millions of won)</i> | For the three-month periods ended June 30, | | For the six-month periods ended June 30, | |
|-----------------------------|---|------------------|---|-------------------|
| | 2018 | 2017 | 2018 | 2017 |
| Product | | | | |
| Televisions | ₩ 2,331,519 | 3,043,029 | 4,745,269 | 6,042,653 |
| Desktop monitors | 982,871 | 1,137,471 | 1,918,902 | 2,210,563 |
| Tablet products | 411,583 | 487,030 | 887,712 | 1,071,873 |
| Notebook computers | 629,432 | 538,723 | 1,219,131 | 1,114,345 |
| Mobile and others | 1,255,843 | 1,422,633 | 2,515,398 | 3,251,614 |
| | ₩ 5,611,248 | 6,628,886 | 11,286,412 | 13,691,048 |

Table of Contents**18. The Nature of Expenses and Others**

The classification of expenses by nature for the three-month and six-month periods ended June 30, 2018 and 2017 are as follows:

| <i>(In millions of won)</i> | For the three-month periods ended June 30, | | For the six-month periods ended June 30, | |
|---|---|------------------|---|-------------------|
| | 2018 | 2017 | 2018 | 2017 |
| Changes in inventories | ₩ (79,923) | (60,215) | (80,224) | (55,599) |
| Purchases of raw materials, merchandise and others | 2,982,655 | 3,067,295 | 5,810,279 | 6,401,079 |
| Depreciation and amortization | 909,036 | 779,132 | 1,819,111 | 1,494,996 |
| Outsourcing fees | 191,551 | 171,439 | 381,773 | 354,239 |
| Labor costs | 834,508 | 758,912 | 1,692,192 | 1,529,602 |
| Supplies and others | 249,089 | 300,563 | 493,253 | 552,278 |
| Utility | 211,048 | 199,841 | 432,317 | 400,342 |
| Fees and commissions | 177,621 | 175,486 | 369,327 | 337,219 |
| Shipping costs | 58,878 | 66,102 | 113,303 | 122,429 |
| Advertising | 23,584 | 44,969 | 38,528 | 89,458 |
| Warranty expenses | 56,415 | 50,402 | 92,062 | 126,252 |
| Taxes and dues | 37,942 | 29,760 | 66,629 | 50,860 |
| Travel | 26,040 | 22,792 | 52,170 | 41,731 |
| Others | 197,932 | 229,333 | 379,452 | 432,840 |
| | ₩ 5,876,376 | 5,835,811 | 11,660,172 | 11,877,726 |

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

Table of Contents**19. Selling and Administrative Expenses**

Details of selling and administrative expenses for the three-month and six-month periods ended June 30, 2018 and 2017 are as follows:

| <i>(In millions of won)</i> | For the three-month periods ended June 30, | | For the six-month periods ended June 30, | |
|---|---|-------------|---|-------------|
| | 2018 | 2017 | 2018 | 2017 |
| Salaries and wages | ₩ 89,529 | 77,190 | 180,592 | 158,440 |
| Expenses related to defined benefit plans | 7,578 | 6,917 | 15,062 | 13,801 |
| Other employee benefits | 23,648 | 22,300 | 46,720 | 45,007 |
| Shipping costs | 48,795 | 57,751 | 94,666 | 106,340 |
| Fees and commissions | 51,138 | 48,290 | 99,835 | 95,274 |
| Depreciation | 41,029 | 33,930 | 80,824 | 68,699 |
| Taxes and dues | 24,788 | 19,170 | 37,895 | 28,131 |
| Advertising | 23,584 | 44,969 | 38,528 | 89,458 |
| Warranty expenses | 56,415 | 50,402 | 92,062 | 126,252 |
| Rent | 6,541 | 5,836 | 13,190 | 13,859 |
| Insurance | 2,994 | 3,339 | 5,877 | 6,234 |
| Travel | 5,545 | 7,172 | 11,723 | 13,657 |
| Training | 3,986 | 4,910 | 6,553 | 8,456 |
| Others | 14,366 | 15,807 | 31,697 | 32,528 |
| | ₩ 399,936 | 397,983 | 755,224 | 806,136 |

20. Personnel Expenses

Details of personnel expenses for the three-month and six-month periods ended June 30, 2018 and 2017 are as follows:

| <i>(In millions of won)</i> | For the three-month periods ended June 30, | | For the six-month periods ended June 30, | |
|--|---|-------------|---|-------------|
| | 2018 | 2017 | 2018 | 2017 |
| Salaries and wages | ₩ 710,725 | 638,553 | 1,424,159 | 1,268,889 |
| Other employee benefits | 120,974 | 107,817 | 259,158 | 227,561 |
| Contributions to National Pension plan | 18,673 | 17,835 | 37,480 | 35,752 |
| Expenses related to defined benefit plan | 51,870 | 49,698 | 103,671 | 99,047 |
| | ₩ 902,242 | 813,903 | 1,824,468 | 1,631,249 |

Table of Contents21. Other Non-operating Income and Other Non-operating Expenses

- (a) Details of other non-operating income for the three-month and six-month periods ended June 30, 2018 and 2017 are as follows:

| <i>(In millions of won)</i> | For the three-month periods ended June 30, | | For the six-month periods ended June 30, | |
|---|---|-------------|---|-------------|
| | 2018 | 2017 | 2018 | 2017 |
| Foreign currency gain | ₩ 369,413 | 152,169 | 589,883 | 519,128 |
| Gain on disposal of property, plant and equipment | 324 | 1,792 | 4,330 | 13,352 |
| Gain on disposal of intangible assets | | 308 | 239 | 308 |
| Reversal of impairment loss on intangible assets | | | 36 | |
| Rental income | 254 | 1,276 | 587 | 2,689 |
| Others | 522 | 578 | 2,986 | 5,005 |
| | ₩ 370,513 | 156,123 | 598,061 | 540,482 |

- (b) Details of other non-operating expenses for the three-month and six-month periods ended June 30, 2018 and 2017 are as follows:

| <i>(In millions of won)</i> | For the three-month periods ended June 30, | | For the six-month periods ended June 30, | |
|---|---|-------------|---|-------------|
| | 2018 | 2017 | 2018 | 2017 |
| Foreign currency loss | ₩ 418,035 | 76,331 | 620,469 | 650,194 |
| Loss on disposal of property, plant and equipment | 2,257 | 3,139 | 10,568 | 5,370 |
| Impairment loss on property, plant and equipment | 27,491 | | 27,491 | |
| Impairment loss on intangible assets | 265 | | 301 | 1,677 |
| Donations | 1,207 | 8,078 | 3,073 | 10,452 |
| Other bad debt expenses | | | 28 | 78 |
| Others | 5,800 | 10 | 5,868 | 250 |
| | ₩ 455,055 | 87,558 | 667,798 | 668,021 |

Table of Contents22. Finance Income and Finance Costs

- (a) Finance income and costs recognized in profit and loss for the three-month and six-month periods ended June 30, 2018 and 2017 are as follows:

| <i>(In millions of won)</i> | For the three-month periods ended June 30, | | For the six-month periods ended June 30, | |
|---|---|-------------|---|-------------|
| | 2018 | 2017 | 2018 | 2017 |
| Finance income | | | | |
| Interest income | ₩ 20,099 | 12,185 | 39,568 | 24,293 |
| Foreign currency gain | 12,710 | 33,005 | 114,202 | 100,770 |
| Gain on transaction of derivatives | 77 | 3,106 | 113 | 3,106 |
| Gain on valuation of derivatives | | 50 | | 255 |
| | ₩ 32,886 | 48,346 | 153,883 | 128,424 |
| Finance costs | | | | |
| Interest expense | ₩ 21,529 | 21,529 | 44,288 | 47,286 |
| Foreign currency loss | 37,878 | 46,956 | 144,182 | 51,214 |
| Loss on disposal of investments in equity accounted investees | | 18,823 | | 42,023 |
| Loss on impairment of investments in equity accounted investees | | 4,234 | | 4,234 |
| Loss on impairment of available-for-sale financial assets | | 1,298 | | 1,298 |
| Loss on sale of trade accounts and notes receivable | 1,391 | 119 | 1,736 | 149 |
| Loss on transaction of derivatives | 5 | 110 | 43 | 211 |
| Loss on valuation of derivatives | 259 | 593 | 501 | |
| Other | 904 | 364 | 1,577 | 592 |
| | ₩ 61,966 | 94,026 | 192,327 | 147,007 |

- (b) Finance income and costs recognized in other comprehensive income or loss for the three-month and six-month periods ended June 30, 2018 and 2017 are as follows:

| <i>(In millions of won)</i> | For the three-month periods ended June 30, | | For the six-month periods ended June 30, | |
|---|---|-------------|---|-------------|
| | 2018 | 2017 | 2018 | 2017 |
| Foreign currency translation differences for foreign operations | ₩ 12,042 | 138,890 | 139,932 | (110,787) |

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| | | | | |
|---|---------------------|---------|---------|-----------|
| Finance income (costs) recognized in other comprehensive income or loss after tax | ₩ 12,042 | 138,890 | 139,932 | (110,787) |
|---|---------------------|---------|---------|-----------|

Table of Contents23. Income Taxes

- (a) Details of income tax expense (benefit) for the three-month and six-month periods ended June 30, 2018 and 2017 are as follows:

| <i>(In millions of won)</i> | For the three-month periods ended June 30, | | For the six-month periods ended June 30, | |
|-------------------------------------|---|---------------|---|----------------|
| | 2018 | 2017 | 2018 | 2017 |
| Current tax expense | 42,789 | 190,016 | 92,173 | 313,986 |
| Deferred tax benefit | (82,266) | (94,865) | (178,443) | (40,212) |
| Income tax expense (benefit) | ₩ (39,477) | 95,151 | (86,270) | 273,774 |

(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 June 30, 2018 and December 31, 2017 are attributable to the following:

| <i>(In millions of won)</i> | Assets | | Liabilities | | Total | |
|---|--------------------------|-------------------------------|--------------------------|-------------------------------|--------------------------|-------------------------------|
| | June 30, 2018 | December, 31, 2017 | June 30, 2018 | December, 31, 2017 | June 30, 2018 | December, 31, 2017 |
| Other accounts receivable, net | ₩ | | (518) | (1,441) | (518) | (1,441) |
| Inventories, net | 36,757 | 34,550 | | | 36,757 | 34,550 |
| Defined benefit liabilities, net | 33,311 | 2,375 | | | 33,311 | 2,375 |
| Investments in subsidiaries and associates | 21,146 | 29,061 | | | 21,146 | 29,061 |
| Accrued expenses | 139,457 | 183,903 | | | 139,457 | 183,903 |
| Property, plant and equipment | 448,170 | 409,928 | | | 448,170 | 409,928 |
| Intangible assets | 3,336 | 3,457 | (15,854) | (24,646) | (12,518) | (21,189) |
| Provisions | 25,132 | 27,018 | | | 25,132 | 27,018 |
| Gain or loss on foreign currency translation, net | 13 | 13 | | | 13 | 13 |
| Others | 23,268 | 27,562 | | | 23,268 | 27,562 |
| Tax loss carryforwards | 173,793 | | | | 173,793 | |
| Tax credit carryforwards | 254,763 | 268,926 | | | 254,763 | 268,926 |
| Deferred tax assets (liabilities) | ₩ 1,159,146 | 986,793 | (16,372) | (26,087) | 1,142,774 | 960,706 |

Table of Contents**23. Income Taxes, Continued**

Statutory tax rate applicable to the Controlling Company was 24.2% for the year ended December 31, 2017. During the year ended December 31 2017, certain amendments to corporate income tax rules in the Republic of Korea were enacted and effective on January 1, 2018 that resulted in application of 27.5% for taxable income in excess of ₩300,000 million. Deferred taxes as of June 30, 2018 and December 31, 2017 have been measured using the applicable tax rates from the amendment.

Meanwhile, effective tax rate for the six-month period ended June 30, 2018 differs from statutory tax rate primarily due to change of the probability of utilizing deferred tax assets including tax credit carryforwards.

24. Earnings (Loss) Per Share

- (a) Basic earnings (loss) per share for the three-month and six-month periods ended June 30, 2018 and 2017 are as follows:

| <i>(In won and number of shares)</i> | For the three-month periods ended June 30, | | For the six-month periods ended June 30, | |
|--|---|-----------------|---|-------------------|
| | 2018 | 2017 | 2018 | 2017 |
| Profit (loss) attributable to owners of the Controlling Company | ₩ (297,385,160,764) | 690,300,682,980 | (356,839,048,265) | 1,323,790,377,205 |
| Weighted-average number of common stocks outstanding | 357,815,700 | 357,815,700 | 357,815,700 | 357,815,700 |
| Earnings (loss) per share | ₩ (831) | 1,929 | (997) | 3,700 |

For the three-month and six-month periods ended June 30, 2018 and 2017, 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 three-month and six-month periods ended June 30, 2018 and 2017 are not calculated since there was no potential common stock.

Table of Contents25. Financial Risk Management

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

(a) Market risk

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

(i) Currency risk

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

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

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

i) Exposure to currency risk

The Group's exposure to foreign currency risk based on notional amounts as of June 30, 2018 and December 31, 2017 is as follows:

| <i>(In millions)</i> | June 30, 2018 | | | | | | |
|--|----------------------|-----------------|--------------|------------|------------|------------|------------------|
| | USD | JPY | CNY | TWD | EUR | PLN | VND |
| Cash and cash equivalents | 695 | 238 | 6,710 | 72 | 1 | 185 | 3,345,966 |
| Deposits in banks | | | 400 | | | | |
| Trade accounts and notes receivable | 2,758 | 2 | 331 | | | | |
| Non-trade receivable | 69 | 815 | 139 | 4 | 3 | | 11,893 |
| Other assets denominated in foreign currencies | 33 | 713 | 4,589 | 88 | 6 | 31 | 2,373 |
| Trade accounts and notes payable | (1,078) | (13,149) | (2,931) | | | | (126,466) |
| Other accounts payable | (447) | (10,253) | (3,592) | (4) | (6) | (3) | (1,171,563) |
| Borrowings | (2,170) | | (1,954) | | | | |
| Net exposure | (140) | (21,634) | 3,692 | 160 | 4 | 213 | 2,062,203 |

Table of Contents25. Financial Risk Management, Continued

| <i>(In millions)</i> | December 31, 2017 | | | | | | |
|--|--------------------------|-----------------|--------------|------------|------------|------------|--------------------|
| | USD | JPY | CNY | TWD | EUR | PLN | VND |
| Cash and cash equivalents | 1,228 | 152 | 6,940 | 16 | 3 | 165 | 342,063 |
| Deposits in banks | | | 750 | | | | |
| Trade accounts and notes receivable | 3,316 | 11 | 1,453 | | | | |
| Non-trade receivable | 62 | 1,340 | 136 | 2 | 9 | | 13,405 |
| Other assets denominated in foreign currencies | 1 | 206 | 596 | 7 | | | 1,882 |
| Trade accounts and notes payable | (1,345) | (14,898) | (2,843) | | | | (102,398) |
| Other accounts payable | (285) | (14,653) | (2,403) | (11) | (8) | (4) | (2,138,370) |
| Borrowings | (1,500) | | (3,263) | | | | |
| Net exposure | 1,477 | (27,842) | 1,366 | 14 | 4 | 161 | (1,883,418) |

Average exchange rates applied for the six-month periods ended June 30, 2018 and 2017 and the exchange rates at June 30, 2018 and December 31, 2017 are as follows:

| <i>(In won)</i> | Average rate | | Reporting date spot rate | |
|-----------------|---------------------|-------------|---------------------------------|--------------------------|
| | 2018 | 2017 | June 30, 2018 | December 31, 2017 |
| USD | ₩ 1,075.44 | 1,141.76 | ₩ 1,121.70 | 1,071.40 |
| JPY | 9.89 | 10.16 | 10.15 | 9.49 |
| CNY | 168.98 | 166.41 | 169.41 | 163.65 |
| TWD | 36.42 | 37.21 | 36.67 | 35.92 |
| EUR | 1,301.51 | 1,235.32 | 1,297.02 | 1,279.25 |
| PLN | 308.55 | 289.34 | 297.32 | 306.07 |
| VND | 0.0472 | 0.0503 | 0.0489 | 0.0472 |

Table of Contents25. Financial Risk Management, Continuedii) 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 June 30, 2018 and December 31, 2017, would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considers to be reasonably possible as of the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, would remain constant. The changes in equity and profit or loss would have been as follows:

| <i>(In millions of won)</i> | June 30, 2018 | | December 31, 2017 | |
|-----------------------------|----------------------|-----------------------|--------------------------|-----------------------|
| | Equity | Profit or loss | Equity | Profit or loss |
| USD (5 percent weakening) | ₩ (25,011) | 45,226 | 50,040 | 91,238 |
| JPY (5 percent weakening) | (8,252) | (7,185) | (10,294) | (9,141) |
| CNY (5 percent weakening) | 29,398 | 4,957 | 13,212 | (6,396) |
| TWD (5 percent weakening) | 293 | | 23 | 1 |
| EUR (5 percent weakening) | 235 | (51) | 16 | 594 |
| PLN (5 percent weakening) | 3,229 | (151) | 2,515 | (120) |
| VND (5 percent weakening) | 5,042 | | (4,445) | |

A stronger won against the above currencies as of June 30, 2018 and December 31, 2017 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.

(ii) Interest rate risk

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

i) Profile

The interest rate profile of the Group's interest-bearing financial instruments as of June 30, 2018 and December 31, 2017 is as follows:

| <i>(In millions of won)</i> | June 30, 2018 | December 31, 2017 |
|-------------------------------|----------------------|--------------------------|
| Fixed rate instruments | | |
| Financial assets | ₩ 3,197,803 | 3,360,800 |
| Financial liabilities | (4,301,616) | (2,962,671) |
| | ₩ (1,103,813) | 398,129 |

| | | |
|----------------------------------|---------------|-------------|
| Variable rate instruments | | |
| Financial liabilities | ₩ (3,264,837) | (2,640,447) |

Table of Contents25. Financial Risk Management, Continuedii) Equity and profit or loss sensitivity analysis for variable rate instruments

As of June 30, 2018 and December 31, 2017, 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> | Equity | | Profit or loss | |
|------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | 1%p increase | 1%p decrease | 1%p increase | 1%p decrease |
| June 30, 2018 | | | | |
| Variable rate instruments(*) | ₩ (21,133) | 21,133 | (21,133) | 21,133 |
| December 31, 2017 | | | | |
| Variable rate instruments(*) | ₩ (17,362) | 17,362 | (17,362) | 17,362 |

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

Table of Contents25. Financial Risk Management, Continued

(b) Credit risk

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

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

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

In relation to the impairment of financial assets, the Group recognizes expected credit loss and its changes at each reporting date subsequent to initial recognition of financial asset according to an expected credit loss impairment model.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as of June 30, 2018 and December 31, 2017 are as follows:

i) As of June 30, 2018

| <i>(In millions of won)</i> | June 30, 2018 |
|--|--------------------------|
| Financial assets carried at amortized cost | |
| Cash and cash equivalents | ₩ 2,851,481 |
| Deposits in banks | 346,175 |
| Trade accounts and notes receivable | 3,491,024 |
| Non-trade receivable | 142,991 |
| Accrued income | 11,605 |
| Deposits | 23,597 |
| Short-term loans | 13,147 |
| Long-term loans | 43,967 |
| Long-term non-trade receivable | 631 |
| | ₩ 6,924,618 |
| Financial assets at fair value through profit or loss | |
| Convertible bonds | ₩ 1,552 |
| Derivatives | 341 |
| | ₩ 1,893 |

**Financial assets at fair value through other
comprehensive income**

| | | |
|-----------------|---|-----|
| Debt instrument | ₩ | 158 |
|-----------------|---|-----|

₩ 6,926,669

Table of Contents25. Financial Risk Management, Continued

ii) As of December 31, 2017

| <i>(In millions of won)</i> | December 31, 2017 | |
|---|--------------------------|------------------|
| Cash and cash equivalents | ₩ | 2,602,560 |
| Deposits in banks | | 758,089 |
| Trade accounts and notes receivable | | 4,325,120 |
| Non-trade receivable | | 150,554 |
| Accrued income | | 14,273 |
| Available-for-sale financial assets | | 162 |
| Financial assets at fair value through profit or loss | | 1,552 |
| Deposits | | 30,378 |
| Short-term loans | | 16,766 |
| Long-term loans | | 32,408 |
| Long-term non-trade receivable | | 8,738 |
| Derivatives | | 842 |
| | ₩ | 7,941,442 |

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 Contents25. Financial Risk Management, Continued

(c) Liquidity risk

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

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

The following are the contractual maturities of financial liabilities, including estimated interest payments, as of June 30, 2018.

| <i>(In millions of won)</i> | Carrying amount | Total | Contractual cash flows | | | | | |
|---|-----------------|------------|------------------------|-------------|-----------|-----------|-------------------|--|
| | | | 6 months or less | 6-12 months | 1-2 years | 2-5 years | More than 5 years | |
| Non-derivative financial liabilities : | | | | | | | | |
| Secured bank borrowings | ₩ 413,544 | 406,782 | 148,403 | 258,379 | | | | |
| Unsecured bank borrowings | 5,032,877 | 5,339,567 | 633,903 | 863,633 | 638,043 | 2,809,430 | 394,558 | |
| Unsecured bond issues | 2,120,032 | 2,305,514 | 142,383 | 285,239 | 600,283 | 1,135,296 | 142,313 | |
| Trade accounts and notes payable | 2,969,607 | 2,969,607 | 2,969,607 | | | | | |
| Other accounts payable | 3,244,839 | 3,244,839 | 3,244,839 | | | | | |
| Long-term other accounts payable | 1 | 1 | | | 1 | | | |
| Security deposits | 6,684 | 6,684 | 1,020 | | 5,664 | | | |
| | ₩ 13,787,584 | 14,272,994 | 7,140,155 | 1,407,251 | 1,243,991 | 3,944,726 | 536,871 | |

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

Table of Contents25. Financial Risk Management, Continued

(d) 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.

| <i>(In millions of won)</i> | June 30, 2018 | December 31, 2017 |
|-------------------------------------|----------------------|--------------------------|
| Total liabilities | ₩ 16,911,363 | 14,178,177 |
| Total equity | 14,532,848 | 14,981,510 |
| Cash and deposits in banks (*1) | 3,197,645 | 3,360,638 |
| Borrowings (including bonds) | 7,566,453 | 5,603,118 |
| Total liabilities to equity ratio | 116% | 95% |
| Net borrowings to equity ratio (*2) | 30% | 15% |

(*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.

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25. Financial Risk Management, Continued

(e) Determination of fair value

(i) Measurement of fair value

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

i) Current Assets and Liabilities

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

ii) Trade Receivables and Other Receivables

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

iii) Investments in Equity and Debt Instruments

The fair value of marketable financial assets at fair value through profit or loss and at fair value through other comprehensive income is determined by reference to their quoted closing bid price at the reporting date. The fair value of non-marketable instruments is determined using valuation methods.

iv) Non-derivative Financial Liabilities

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

Table of Contents25. Financial Risk Management, Continued

(ii) 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 as of June 30, 2018 and December 31, 2017 are as follows:

i) As of June 30, 2018

| <i>(In millions of won)</i> | June 30, 2018 | |
|--|-------------------------|--------------------|
| | Carrying amounts | Fair Values |
| Financial assets carried at amortized cost | | |
| Cash and cash equivalents | ₩ 2,851,481 | (*) |
| Deposits in banks | 346,175 | (*) |
| Trade accounts and notes receivable | 3,491,024 | (*) |
| Non-trade receivable | 142,991 | (*) |
| Accrued income | 11,605 | (*) |
| Deposits | 23,597 | (*) |
| Short-term loans | 13,147 | (*) |
| Long-term loans | 43,967 | (*) |
| Long-term non-trade receivable | 631 | (*) |
| Financial assets at fair value through profit or loss | | |
| Equity instrument | ₩ 5,480 | 5,480 |
| Convertible bonds | 1,552 | 1,552 |
| Derivatives | 341 | 341 |
| Financial assets at fair value through other comprehensive income | | |
| Debt instrument | ₩ 158 | 158 |
| Liabilities carried at amortized cost | | |
| Secured bank borrowings | ₩ 413,544 | 413,544 |
| Unsecured bank borrowings | 5,032,877 | 5,059,174 |
| Unsecured bond issues | 2,120,032 | 2,141,129 |
| Trade accounts and notes payable | 2,969,607 | (*) |
| Other accounts payable | 3,244,839 | 3,244,886 |
| Long-term other accounts payable | 1 | (*) |
| Security deposits | 6,684 | (*) |

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

Table of Contents25. Financial Risk Management, Continued

ii) As of December 31, 2017

| <i>(In millions of won)</i> | December 31, 2017 | |
|--|--------------------------|--------------------|
| | Carrying amounts | Fair Values |
| Assets carried at fair value | | |
| Available-for-sale financial assets | ₩ 162 | 162 |
| Financial asset at fair value through profit or loss | 1,552 | 1,552 |
| Derivatives | 842 | 842 |
| Assets carried at amortized cost | | |
| Cash and cash equivalents | ₩ 2,602,560 | (*) |
| Deposits in banks | 758,089 | (*) |
| Trade accounts and notes receivable | 4,325,120 | (*) |
| Non-trade receivable | 150,554 | (*) |
| Accrued income | 14,273 | (*) |
| Deposits | 30,378 | (*) |
| Short-term loans | 16,766 | (*) |
| Long-term loans | 32,408 | (*) |
| Long-term non-trade receivable | 8,738 | (*) |
| Liabilities carried at amortized cost | | |
| Secured bank borrowings | ₩ 642,172 | 642,172 |
| Unsecured bank borrowings | 2,950,184 | 2,955,399 |
| Unsecured bond issues | 2,010,762 | 2,016,086 |
| Trade accounts and notes payable | 2,875,090 | (*) |
| Other accounts payable | 3,169,937 | 3,170,147 |
| Long-term other accounts payable | 2 | (*) |

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

Table of Contents25. Financial Risk Management, Continued

(iii) Fair values of financial assets and liabilities

i) Fair value hierarchy

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

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

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

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

ii) Financial instruments measured at fair value

Fair value hierarchy classifications of the financial instruments that are measured at fair value as of June 30, 2018 and December 31, 2017 are as follows:

| <i>(In millions of won)</i> | Level 1 | Level 2 | Level 3 | Total |
|---|---------|---------|---------|-------|
| June 30, 2018 | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Available-for-sale financial assets | ₩ | | 5,480 | 5,480 |
| Financial assets at fair value through profit or loss | | | 1,552 | 1,552 |
| Derivatives | | | 341 | 341 |
| Financial asset at fair value through other comprehensive income | | | | |
| Debt instrument | 158 | | | 158 |

| <i>(In millions of won)</i> | Level 1 | Level 2 | Level 3 | Total |
|---|---------|---------|---------|-------|
| December 31, 2017 | | | | |
| Available-for-sale financial assets | ₩ 162 | | | 162 |
| Financial assets at fair value through profit or loss | | | 1,552 | 1,552 |
| Derivatives | | | 842 | 842 |

Table of Contents25. Financial Risk Management, 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 June 30, 2018 and December 31, 2017 are as follows:

| <i>(In millions of won)</i> Classification | June 30, 2018 | | | Valuation technique | Input |
|---|---------------|---------|-----------|----------------------|---------------|
| | Level 1 | Level 2 | Level 3 | | |
| Liabilities | | | | | |
| Secured bank borrowings | ₩ | | 413,544 | Discounted cash flow | Discount rate |
| Unsecured bank borrowings | | | 5,059,174 | Discounted cash flow | Discount rate |
| Unsecured bond issues | | | 2,141,129 | Discounted cash flow | Discount rate |
| Other accounts payable | | | 3,244,886 | Discounted cash flow | Discount rate |

| <i>(In millions of won)</i> Classification | December 31, 2017 | | | Valuation technique | Input |
|---|-------------------|---------|-----------|----------------------|---------------|
| | Level 1 | Level 2 | Level 3 | | |
| Liabilities | | | | | |
| Secured bank borrowings | ₩ | | 642,172 | Discounted cash flow | Discount rate |
| Unsecured bank borrowings | | | 2,955,399 | Discounted cash flow | Discount rate |
| Unsecured bond issues | | | 2,016,086 | Discounted cash flow | Discount rate |
| Other accounts payable | | | 3,170,147 | Discounted cash flow | Discount rate |

iv) The interest rates applied for determination of the above fair value as of June 30, 2018 and December 31, 2017 are as follows:

| | June 30, 2018 | December 31, 2017 |
|------------------------------|---------------|-------------------|
| Borrowings, bonds and others | 1.55~3.83% | 1.57~2.92% |

Table of Contents26. Changes in liabilities arising from financing activities

Changes in liabilities arising from financing activities for the six-month period ended June 30, 2018 are as follows:

| <i>(In millions of won)</i> | January 1, 2018 | Cash flows from financing activities | Dividends declared | Non-cash transactions | | June 30, 2018 | |
|--|--------------------|--|-----------------------|-----------------------|--|------------------|-------------------------------------|
| | | | | Reclassification | Gain or loss on foreign currency translation | | Effective interest adjustment |
| Current portion of long-term borrowings and bonds | ₩ 1,452,926 | (646,476) | | 1,317,052 | 58,602 | 264 | 2,182,368 |
| Long-term borrowings | 2,644,189 | 1,982,289 | | (1,057,367) | 69,649 | | 3,638,760 |
| Bonds | 1,506,003 | 498,170 | | (259,685) | | 837 | 1,745,325 |
| Dividends payable | | | 53,107 | | (491) | | 52,616 |
| | ₩ 5,603,118 | 1,833,983 | 53,107 | | 127,760 | 1,101 | 7,619,069 |

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27. Related Parties and Others

(a) Related parties

Related parties as of June 30, 2018 are as follows:

| Classification | Description |
|--|--|
| Associates(*) | Paju Electric Glass Co., Ltd. and others |
| Subsidiaries of Associates | AVATEC Electronics Yantai 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 8.

Table of Contents27. Related Parties and Others, Continued

- (b) 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 six-month periods ended June 30, 2018 and 2017 are as follows:

For the three-month period ended June 30, 2018
Purchase and others

| <i>(In millions of won)</i> | Sales and others | Dividend income | Purchase of raw materials and others | Acquisition of property, plant and equipment | Outsourcing fees | Other costs |
|---|---------------------|--------------------|--|---|---------------------|-------------|
| Associates and their subsidiaries | | | | | | |
| INVENIA Co., Ltd. | ₩ | | 499 | 13,972 | | 206 |
| AVATEC Co., Ltd. | | | | | 17,306 | 104 |
| Paju Electric Glass Co., Ltd. | | | 91,301 | | | 923 |
| WooRee E&L Co., Ltd. | | | 38 | | | 39 |
| YAS Co., Ltd. | | | 1,421 | 5,135 | | 722 |
| LB Gemini New Growth Fund No. 16 | | | | | | |
| | ₩ | | 93,259 | 19,107 | 17,306 | 1,994 |
| Entity that has significant influence over the Controlling Company | | | | | | |
| LG Electronics Inc. | ₩ | 336,637 | 12,427 | 335,653 | | 29,554 |
| Subsidiaries of the entity that has significant influence over the Controlling Company | | | | | | |
| LG Electronics India Pvt. Ltd. | ₩ | 15,419 | | | | 13 |
| LG Electronics Vietnam Haiphong Co., Ltd. | | 37,248 | | 201 | | 3 |

Table of Contents27. Related Parties and Others, Continued

| <i>(In millions of won)</i> | For the three-month period ended June 30, 2018 | | | | | |
|--|---|----------------------------|-----------------------|--------------------------|-----------------------------|--------------------|
| | Sales and others | Dividend income | and others | and equipment | Outsourcing fees | Other costs |
| LG Electronics Nanjing New Technology Co., Ltd. | ₩ 50,101 | | | | | 1,221 |
| LG Electronics RUS, LLC | 24,052 | | | | | 779 |
| LG Electronics do Brasil Ltda. | 38,694 | | | | | 60 |
| LG Innotek Co., Ltd. | 10,098 | | 33,022 | | | 16,970 |
| Qingdao LG Inspur Digital Communication Co., Ltd. | 12,430 | | | | | |
| Inspur LG Digital Mobile Communications Co., Ltd. | 41,059 | | | | | |
| LG Electronics Mexicali, S.A. DE C.V. | 45,185 | | | | | 11 |
| LG Electronics Mlawa Sp. z o.o. | 189,415 | | | | | 242 |
| LG Hitachi Water Solutions Co., Ltd. | | | | 86,247 | | 5,770 |
| LG Electronics Reynosa, S.A. DE C.V. | 246,502 | | | | | 398 |
| HiEntech Co., Ltd. | | | | 1,132 | | 6,931 |
| HiEntech (Tianjin) Co., Ltd. | | | | 5,619 | | 4,294 |
| LG Electronics Air-Conditioning (Shandong) Co., Ltd. | | | 122 | 1,803 | | 17,348 |
| LG Electronics Almaty Kazakhstan | 782 | | | | | 13 |
| LG Electronics Egypt S.A.E. | 14,881 | | | | | 16 |
| LG Electronics S.A. (Pty) Ltd. | 2,038 | | | | | 4 |
| LG Electronics Taiwan Taipei Co., Ltd. | 3,062 | | | | | 64 |
| Others | 751 | | 9 | 1 | | 3,065 |
| | ₩ 731,717 | | 33,153 | 95,003 | | 57,202 |
| | ₩ 1,068,354 | | 138,839 | 449,763 | 17,306 | 88,750 |

Table of Contents27. Related Parties and Others, Continued*(In millions of won)***For the six-month period ended June 30, 2018**

| <i>(In millions of won)</i> | Sales and others | Dividend income | Purchase of material and others | Acquisition of property, plant and equipment | Purchase and others Outsourcing fees | Other costs |
|---|-----------------------------|----------------------------|--|---|---|--------------------|
| Associates and their subsidiaries | | | | | | |
| INVENIA Co., Ltd. | ₩ | 30 | 769 | 21,874 | | 278 |
| AVATEC Co., Ltd. | | 530 | | | 35,079 | 223 |
| Paju Electric Glass Co., Ltd. | | 4,172 | 183,798 | | | 1,843 |
| WooRee E&L Co., Ltd. | | | 38 | | | 86 |
| YAS Co., Ltd. | | | 2,181 | 17,552 | | 1,516 |
| LB Gemini New Growth Fund No. 16 | | 540 | | | | |
| | ₩ | 5,272 | 186,786 | 39,426 | 35,079 | 3,946 |
| Entity that has significant influence over the Controlling Company | | | | | | |
| LG Electronics Inc. | ₩ | 700,336 | 23,540 | 557,024 | | 48,668 |
| Subsidiaries of the entity that has significant influence over the Controlling Company | | | | | | |
| LG Electronics India Pvt. Ltd. | ₩ | 23,774 | | | | 26 |
| LG Electronics Vietnam Haiphong Co., Ltd. | | 70,236 | | 1,415 | | 5 |
| LG Electronics Nanjing New Technology Co., Ltd. | | 121,584 | | 18 | | 1,346 |
| LG Electronics RUS, LLC | | 39,380 | | | | 1,099 |
| LG Electronics do Brasil Ltda. | | 124,699 | | | | 164 |
| LG Innotek Co., Ltd. | | 17,048 | 72,638 | | | 28,052 |

Table of Contents27. Related Parties and Others, Continued

| <i>(In millions of won)</i> | For the six-month period ended June 30, 2018 | | | | | |
|---|--|--------------------|---------------|--|---|-------------|
| | Sales and others | Dividend income | and others | Acquisition of raw material and equipment | Purchase and others and Outsourcing fees | Other costs |
| Qingdao LG Inspur Digital Communication Co., Ltd. | ₩ 20,086 | | | | | |
| Inspur LG Digital Mobile Communications Co., Ltd. | 75,046 | | | | | |
| LG Electronics Mexicali, S.A. DE C.V. | 100,213 | | | | | 65 |
| LG Electronics Mlawa Sp. z o.o. | 362,037 | | | | | 314 |
| LG Hitachi Water Solutions Co., Ltd. | | | | 205,784 | | 6,261 |
| LG Electronics Reynosa, S.A. DE C.V. | 493,430 | | | | | 1,296 |
| HiEntech Co., Ltd. | | | | 6,362 | | 14,866 |
| HiEntech (Tianjin) Co., Ltd. | | | | 13,160 | | 14,537 |
| LG Electronics Air-Conditioning (Shandong) Co., Ltd. | | | 128 | 1,803 | | 19,416 |
| LG Electronics Almaty Kazakhstan | 3,207 | | | | | 21 |
| LG Electronics Egypt S.A.E. | 14,881 | | | | | 16 |
| LG Electronics S.A. (Pty) Ltd. | 4,435 | | | | | 6 |
| LG Electronics Taiwan Taipei Co., Ltd. | 6,738 | | | | | 192 |
| Others | 790 | | 9 | 1 | | 3,726 |
| | ₩ 1,477,584 | | 72,775 | 228,543 | | 91,408 |
| | ₩ 2,177,920 | 5,272 | 283,101 | 824,993 | 35,079 | 144,022 |

Table of Contents27. Related Parties and Others, Continued

| <i>(In millions of won)</i> | For the three-month period ended June 30, 2017 | | | | | |
|---|---|------------------------|--|---|---|--------------------|
| | Sales and others | Dividend income | Purchase of raw material and others | Acquisition of property, plant and equipment | Purchase and others Outsourcing fees | Other costs |
| Associates and their subsidiaries | | | | | | |
| New Optics Ltd.(*) | ₩ | | | | | |
| INVENIA Co., Ltd. | | 10 | 159 | 27,298 | | 38 |
| AVATEC Co., Ltd. | | | | | 21,397 | 247 |
| Paju Electric Glass Co., Ltd. | | | 96,031 | | | 1,096 |
| Shinbo Electric Co., Ltd.(*) | | | | | | |
| Narenanotech Corporation(*) | | | 53 | 4,852 | | 19 |
| WooRee E&L Co., Ltd. | | | | | | 12 |
| YAS Co., Ltd. | | | 900 | 25,070 | | 1,090 |
| | ₩ | 10 | 97,143 | 57,220 | 21,397 | 2,502 |
| Entity that has significant influence over the Controlling Company | | | | | | |
| LG Electronics Inc. | ₩ | 376,993 | 8,910 | 264,818 | | 24,770 |
| Subsidiaries of the entity that has significant influence over the Controlling Company | | | | | | |
| LG Electronics India Pvt. Ltd. | ₩ | 15,943 | | | | 24 |
| LG Electronics Vietnam Haiphong Co., Ltd. | | 46,767 | | | | 31 |

Table of Contents27. Related Parties and Others, Continued

| | For the three-month period ended June 30, 2017 | | | | |
|---|--|--------------------|---|--|--|
| | Sales and others | Dividend income | Purchase of raw material and others | Acquisition of property, plant and equipment | Purchase and others Outsourcing fees Other costs |
| <i>(In millions of won)</i> | | | | | |
| LG Electronics Nanjing New Technology Co., Ltd. | ₩ 72,433 | | | 42 | 264 |
| LG Electronics RUS, LLC | 15,308 | | | | 165 |
| LG Electronics do Brasil Ltda. | 57,647 | | | | 142 |
| LG Innotek Co., Ltd. | 2,239 | | 47,633 | | 3,515 |
| Qingdao LG Inspur Digital Communication Co., Ltd. | 18,722 | | | | |
| Inspur LG Digital Mobile Communications Co., Ltd. | 50,372 | | | | |
| LG Electronics Mexicali, S.A. DE C.V. | 85,286 | | | | 18 |
| LG Electronics Mlawa Sp. z o.o. | 201,698 | | | | 138 |
| LG Electronics Taiwan Taipei Co., Ltd. | 3,455 | | | | 16 |
| LG Hitachi Water Solutions Co., Ltd. | | | | 46,094 | 1,632 |
| LG Electronics Reynosa, S.A. DE C.V. | 289,939 | | | | 515 |
| LG Electronics Almaty Kazakhstan | 3,236 | | | | 12 |
| HiEntech Co., Ltd. | | | | 1,800 | 6,315 |
| HiEntech (Tianjin) Co., Ltd. | | | | 4,395 | 3,859 |
| LG Electronics S.A. (Pty) Ltd. | 4,351 | | | | 11 |
| LG Electronics Air-Conditioning (Shandong) Co., Ltd. | | | | 3,167 | 1,338 |
| Hi M Solutek | | | 2 | | 743 |
| Others | 12 | | | | 563 |
| | ₩ 867,408 | | 47,635 | 55,498 | 19,301 |
| | ₩ 1,244,411 | | 153,688 | 377,536 | 21,397 46,573 |

Table of Contents27. Related Parties and Others, Continued

| | For the six-month period ended June 30, 2017 | | | | | |
|---|--|--------------------|--|---|---------------------|------------------------------------|
| | Sales and others | Dividend income | Purchase of raw material and others | Acquisition of property, plant and equipment | Outsourcing fees | Purchase and others Other costs |
| <i>(In millions of won)</i> | | | | | | |
| Associates and their subsidiaries | | | | | | |
| New Optics Ltd.(*) | ₩ 1 | | | | 4 | 6 |
| INVENIA Co., Ltd. | 10 | | 613 | 47,388 | | 151 |
| AVATEC Co., Ltd. | | 530 | | | 41,214 | 498 |
| Paju Electric Glass Co., Ltd. | | 8,109 | 194,794 | | | 2,193 |
| Shinbo Electric Co., Ltd.(*) | 15,812 | | | | | 21 |
| Narenanotech Corporation(*) | | | 279 | 21,727 | | 244 |
| WooRee E&L Co., Ltd. | | | | | | 88 |
| YAS Co., Ltd. | | | 1,730 | 44,278 | | 1,482 |
| | ₩ 15,823 | 8,639 | 197,416 | 113,393 | 41,218 | 4,683 |
| Entity that has significant influence over the Controlling Company | | | | | | |
| LG Electronics Inc. | ₩ 853,914 | | 15,956 | 496,697 | | 60,262 |
| Subsidiaries of the entity that has significant influence over the Controlling Company | | | | | | |
| LG Electronics India Pvt. Ltd. | ₩ 38,219 | | | | | 53 |
| LG Electronics Vietnam Haiphong Co., Ltd. | 99,723 | | | 4,813 | | 124 |
| LG Electronics Nanjing New Technology Co., Ltd. | 149,327 | | | 42 | | 371 |

Table of Contents27. Related Parties and Others, Continued

| <i>(In millions of won)</i> | For the six-month period ended June 30, 2017 | | | | | |
|---|--|--------------------|---------------|--|---------------------|-------------|
| | Sales and others | Dividend income | and others | Acquisition of material property, plant and equipment | Outsourcing fees | Other costs |
| LG Electronics RUS, LLC | ₩ 44,283 | | | | | 451 |
| LG Electronics do Brasil Ltda. | 120,263 | | | | | 233 |
| LG Innotek Co., Ltd. | 6,513 | | 88,956 | | | 10,967 |
| Qingdao LG Inspur Digital Communication Co., Ltd. | 34,685 | | | | | |
| Inspur LG Digital Mobile Communications Co., Ltd. | 122,336 | | | | | |
| LG Electronics Mexicali, S.A. DE C.V. | 163,620 | | | | | 69 |
| LG Electronics Mlawa Sp. z o.o. | 492,435 | | | | | 440 |
| LG Electronics Taiwan Taipei Co., Ltd. | 7,053 | | | | | 39 |
| LG Hitachi Water Solutions Co., Ltd. | | | | 75,824 | | 3,016 |
| LG Electronics Reynosa, S.A. DE C.V. | 594,449 | | | | | 840 |
| LG Electronics Almaty Kazakhstan | 7,279 | | | | | 12 |
| HiEntech Co., Ltd. | | | | 1,800 | | 18,826 |
| HiEntech (Tianjin) Co., Ltd. | | | | 9,077 | | 10,459 |
| LG Electronics S.A. (Pty) Ltd. | 9,533 | | | | | 14 |
| LG Electronics Air-Conditioning (Shandong) Co., Ltd. | | | | 3,676 | | 1,338 |
| Hi M Solutek | | | 2 | | | 1,530 |
| Others | 26 | | | | | 1,442 |
| | ₩ 1,889,744 | | 88,958 | 95,232 | | 50,224 |
| | ₩ 2,759,481 | 8,639 | 302,330 | 705,322 | 41,218 | 115,169 |

(*) Represents transactions occurred prior to disposal of the entire investments.

Table of Contents27. Related Parties and Others, Continued

(c) Trade accounts and notes receivable and payable as of June 30, 2018 and December 31, 2017 are as follows:

| <i>(In millions of won)</i> | Trade accounts and notes receivable and others | | Trade accounts and notes payable and others | |
|---|---|--------------------------|--|--------------------------|
| | June 30, 2018 | December 31, 2017 | June 30, 2018 | December 31, 2017 |
| Associates | | | | |
| INVENIA Co., Ltd. | ₩ 2,125 | 2,375 | 7,536 | 18,662 |
| AVATEC Co., Ltd. | | | 4,706 | 2,949 |
| Paju Electric Glass Co., Ltd. | | | 65,051 | 60,141 |
| WooRee E&L Co., Ltd. | | | 74 | 61 |
| YAS Co., Ltd. | 125 | 375 | 5,934 | 6,474 |
| | ₩ 2,250 | 2,750 | 83,301 | 88,287 |
| Entity that has significant influence over the Controlling Company | | | | |
| LG Electronics Inc. | ₩ 311,356 | 550,335 | 359,580 | 257,071 |
| Subsidiaries of the entity that has significant influence over the Controlling Company | | | | |
| LG Electronics India Pvt. Ltd. | ₩ 12,499 | 3,030 | 2 | |
| LG Electronics Vietnam Haiphong Co., Ltd. | 27,744 | 36,017 | 314 | 3,917 |
| LG Electronics Nanjing New Technology Co., Ltd. | 33,020 | 46,373 | 37 | 699 |
| LG Electronics RUS, LLC | 13,891 | 25,102 | 8 | 80 |
| LG Electronics do Brasil Ltda. | 10,863 | 19,091 | | 10 |

Table of Contents27. Related Parties and Others, Continued

| <i>(In millions of won)</i> | Trade accounts and notes receivable and others | | Trade accounts and notes payable and others | |
|--|---|--------------------------|--|--------------------------|
| | June 30, 2018 | December 31, 2017 | June 30, 2018 | December 31, 2017 |
| LG Innotek Co., Ltd. | ₩ 6,652 | 407 | 49,179 | 62,675 |
| Qingdao LG Inspur Digital Communication Co., Ltd. | 8,901 | 13,061 | | |
| Inspur LG Digital Mobile Communications Co., Ltd. | 44,549 | 55,278 | | |
| LG Electronics Mexicali, S.A. DE C.V. | 28,926 | 29,440 | | |
| LG Electronics Mlawa Sp. z o.o. | 127,508 | 136,874 | 5 | 25 |
| LG Hitachi Water Solutions Co., Ltd. | | | 154,137 | 154,864 |
| LG Electronics Reynosa, S.A. DE C.V. | 108,493 | 137,413 | | 82 |
| HiEntech Co., Ltd. | | | 5,194 | 6,679 |
| HiEntech (Tianjin) Co., Ltd. | | | 9,325 | 5,600 |
| LG Electronics Egypt S.A.E. | 15,103 | | | 1 |
| Others | 5,197 | 7,618 | 4,678 | 1,714 |
| | ₩ 443,346 | 509,704 | 222,879 | 236,346 |
| | ₩ 756,952 | 1,062,789 | 665,760 | 581,704 |

Table of Contents27. Related Parties and Others, Continued

- (d) 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 six-month periods ended June 30, 2018 and 2017 are as follows:

| <i>(In millions of won)</i> | 2018 | | 2017 | |
|-----------------------------|--------------|--------------------------------|--------------|--------------------------------|
| | Loans | Collection of loans | Loans | Collection of loans |
| Associates | | | | |
| INVENIA Co., Ltd. | ₩ | 250 | | 208 |
| YAS Co., Ltd. | | 250 | | 208 |
| | ₩ | 500 | | 416 |

Table of Contents27. Related Parties and Others, Continued

(e) Conglomerate Transactions

Transactions, trade accounts and notes receivable and payable, and others between the Group and certain companies and their subsidiaries, which are included in LG Group, one of conglomerates according to the Monopoly Regulation and Fair Trade Act for the three-month and six-month periods ended June 30, 2018 and 2017 and as of June 30, 2018 and December 31, 2017 are as follows. These entities are not related parties according to K-IFRS No. 1024, *Related Party Disclosures*.

| | For the three-month period ended June 30, 2018 | | For the six-month period ended June 30, 2018 | | June 30, 2018 | |
|--|---|------------------------|---|------------------------|--|--|
| | Sales and others | Purchase and others | Sales and others | Purchase and others | Trade accounts and notes receivable and others | Trade accounts and notes payable and others |
| <i>(In millions of won)</i> | | | | | | |
| LG Chem Ltd. and its subsidiaries | ₩ | 279,505 | 1,564 | 576,206 | 152 | 200,538 |
| LG Household & Health Care and its subsidiaries | | 13 | | 25 | | 1 |
| LG Hausys Ltd | | | 1,110 | 1 | | |
| Serveone and its subsidiaries | 104 | 521,406 | 208 | 997,374 | 21,307 | 614,627 |
| Silicon Works Co., Ltd | | 160,546 | | 303,841 | | 110,868 |
| LG CNS Co., Ltd. and its subsidiaries | | 48,152 | | 85,965 | 1 | 41,743 |
| LG Holdings Japan Co., Ltd. | | 456 | | 912 | 2,040 | |
| LG International Corp. and its subsidiaries(*) | 203,365 | 147,486 | 387,758 | 320,473 | 158,173 | 258,957 |
| LG Management Development Institute | | 2,305 | | 5,118 | 3,480 | 367 |
| G2R Inc. and its subsidiaries | | 36,171 | | 40,212 | | 35,145 |
| LG Corp. | | 12,578 | | 25,369 | 9,810 | 5,583 |
| LG Uplus Corp. | 21 | 396 | 21 | 620 | | 34 |
| | ₩ 203,490 | 1,208,714 | 390,661 | 2,356,116 | 194,963 | 1,267,863 |

Table of Contents27. Related Parties and Others, Continued

(*) For transactions which LG International and its subsidiaries act as an agent of the Group and receive commission revenue from the Group, above transaction amount only include commission revenue recognized by LG International and its subsidiaries. For prior year comparative purpose, gross sales and others for the three-month and six-month periods ended June 30, 2018 amount to ₩213,854 million and ₩414,482 million, respectively, and gross purchase and others for the three-month and six-month periods ended June 30, 2018 amount to ₩261,929 million and ₩675,765 million, respectively.

| <i>(In millions of won)</i> | For the three-month period ended June 30, 2017 | | For the six-month period ended June 30, 2017 | | December 31, 2017 | |
|--|---|------------------------|---|------------------------|--|---|
| | Sales and others | Purchase and others | Sales and others | Purchase and others | Trade accounts and notes receivable and others | Trade accounts and notes payable and others |
| LG Chem Ltd. and its subsidiaries | ₩ 7 | 319,718 | 12 | 649,940 | 8,684 | 246,491 |
| LG Household & Health Care and its subsidiaries | | 33 | | 95 | | 3 |
| LG Hausys Ltd | 418 | | 836 | 44 | | 374 |
| Serveone and its subsidiaries | 134 | 419,479 | 249 | 790,879 | 21,567 | 645,847 |
| Silicon Works Co., Ltd | | 138,450 | | 285,467 | | 120,031 |
| SK Siltron Co., Ltd. (formerly, Siltron Co., Ltd.)(*)) | | | 10 | | | |
| LG CNS Co., Ltd. and its subsidiaries | 102 | 55,155 | 139 | 85,785 | 4 | 115,899 |
| LG Holdings Japan Co., Ltd. | | 468 | | 936 | 1,908 | |
| LG International Corp. and its subsidiaries | 185,311 | 486,001 | 361,377 | 882,023 | 112,200 | 230,179 |
| LG Management Development Institute | | 2,372 | | 4,382 | 3,480 | 699 |
| G2R Inc. and its subsidiaries | | 6,747 | | 7,576 | | 14,785 |
| LG Corp. | | 15,259 | | 30,958 | 4,700 | 1,523 |
| Lusem Co., Ltd.(*)) | 3 | 132 | 8 | 631 | 1 | 53 |
| LG Uplus Corp. | 47 | 134 | 98 | 320 | | 1,505 |
| | ₩ 186,022 | 1,443,948 | 362,729 | 2,739,036 | 152,544 | 1,377,389 |

(*) Represents transactions occurred prior to disposal of the entire investments.

Table of Contents27. Related Parties and Others, Continued

(f) Key management personnel compensation

Compensation costs of key management for the three-month and six-month periods ended June 30, 2018 and 2017 are as follows:

| <i>(In millions of won)</i> | For the three-month periods ended June 30, | | For the six-month periods ended June 30, | |
|--|---|-------------|---|-------------|
| | 2018 | 2017 | 2018 | 2017 |
| Short-term benefits | ₩ 928 | 691 | 1,816 | 2,008 |
| Expenses related to the defined benefit plan | 314 | 204 | 587 | 297 |
| | ₩ 1,242 | 895 | 2,403 | 2,305 |

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

28. Subsequent Event

In July 2018, the Group established LG Display(China) High-tech,Co., Ltd. in Guangzhou, China to manufacture display products and the Group has a 70% equity interest of this subsidiary.

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LG DISPLAY CO., LTD.

Condensed Separate Interim Financial Statements

(Unaudited)

June 30, 2018 and 2017

(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 June 30, 2018, the condensed separate interim statements of comprehensive income (loss) for each of the three-month and six-month periods ended June 30, 2018 and 2017, and statements of changes in equity and cash flows for the six-month periods ended June 30, 2018 and 2017, 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 Korean Standards on Auditing 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, 2017, 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 22, 2018, expressed an unqualified opinion. The accompanying condensed separate statement of financial position of the Company as of December 31, 2017, 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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KPMG Samjong Accounting Corp.

Seoul, Korea

August 10, 2018

This report is effective as of August 10, 2018, 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 June 30, 2018 and December 31, 2017

| <i>(In millions of won)</i> | Note | Jun 30, 2018 | December 31, 2017 |
|--|------------|--------------|-------------------|
| Assets | | | |
| Cash and cash equivalents | 4,24 | ₩ 547,561 | 566,408 |
| Deposits in banks | 4,24 | 277,200 | 580,770 |
| Trade accounts and notes receivable, net | 5,14,24,26 | 3,563,489 | 4,673,570 |
| Other accounts receivable, net | 5,24 | 704,417 | 687,109 |
| Other current financial assets | 6,24 | 9,759 | 13,499 |
| Inventories | 7 | 1,740,091 | 1,682,245 |
| Prepaid income tax | | 1,261 | |
| Other current assets | 5 | 236,416 | 177,473 |
| Total current assets | | 7,080,194 | 8,381,074 |
| Deposits in banks | 4,24 | 11 | 11 |
| Investments | 8 | 3,234,203 | 2,683,941 |
| Other non-current financial assets | 6,24 | 80,421 | 64,772 |
| Property, plant and equipment, net | 9 | 14,589,494 | 12,487,001 |
| Intangible assets, net | 10 | 770,962 | 731,373 |
| Deferred tax assets | 22 | 860,531 | 727,248 |
| Other non-current assets | 5 | 326,356 | 333,995 |
| Total non-current assets | | 19,861,978 | 17,028,341 |
| Total assets | | ₩ 26,942,172 | 25,409,415 |
| Liabilities | | | |
| Trade accounts and notes payable | 24,26 | ₩ 3,099,418 | 2,391,493 |
| Current financial liabilities | 11,24 | 1,747,281 | 1,060,735 |
| Other accounts payable | 24 | 2,281,510 | 2,701,823 |
| Accrued expenses | | 584,884 | 755,062 |
| Income tax payable | | | 235,593 |
| Provisions | 13 | 77,168 | 73,685 |
| Advances received | 14 | 376,000 | 142,700 |
| Other current liabilities | 13 | 24,888 | 33,514 |
| Total current liabilities | | 8,191,149 | 7,394,605 |
| Non-current financial liabilities | 11,24 | 3,866,748 | 3,165,413 |
| Non-current provisions | 13 | 22,188 | 28,312 |
| Defined benefit liabilities, net | 12 | 204,385 | 94,535 |

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| | | | |
|--------------------------------------|----|--------------|------------|
| Long-term advances received | 14 | 1,430,168 | 830,335 |
| Other non-current liabilities | 13 | 82,552 | 66,956 |
| Total non-current liabilities | | 5,606,041 | 4,185,551 |
| Total liabilities | | 13,797,190 | 11,580,156 |
| Equity | | | |
| Share capital | 15 | 1,789,079 | 1,789,079 |
| Share premium | | 2,251,113 | 2,251,113 |
| Retained earnings | | 9,104,790 | 9,789,067 |
| Total equity | | 13,144,982 | 13,829,259 |
| Total liabilities and equity | | ₩ 26,942,172 | 25,409,415 |

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 (Loss)

(Unaudited)

For the three-month and six-month periods ended June 30, 2018 and 2017

| <i>(In millions of won, except earnings per share)</i> | Note | For the three-month period ended June 30 | | For the six-month period ended June 30 | |
|---|---------|--|-------------|--|--------------|
| | | 2018 | 2017 | 2018 | 2017 |
| Revenue | 16,26 | ₩ 5,034,966 | 6,022,851 | ₩ 10,189,227 | 12,565,798 |
| Cost of sales | 7,17,26 | (4,896,707) | (4,927,871) | (9,799,231) | (10,146,804) |
| Gross profit | | 138,259 | 1,094,980 | 389,996 | 2,418,994 |
| Selling expenses | 18 | (130,361) | (136,546) | (229,574) | (303,451) |
| Administrative expenses | 18 | (126,262) | (115,198) | (250,917) | (233,000) |
| Research and development expenses | | (290,704) | (307,006) | (572,194) | (587,302) |
| Operating profit (loss) | | (409,068) | 536,230 | (662,689) | 1,295,241 |
| Finance income | 21 | 5,784 | 23,806 | 111,479 | 95,638 |
| Finance costs | 21 | (43,201) | (69,048) | (60,111) | (65,955) |
| Other non-operating income | 20 | 245,892 | 82,575 | 362,802 | 386,724 |
| Other non-operating expenses | 20 | (274,612) | (25,291) | (386,933) | (514,830) |
| Profit (loss) before income tax | | (475,205) | 548,272 | (635,452) | 1,196,818 |
| Income tax expense (benefit) | 22 | (57,966) | 70,417 | (137,849) | 204,851 |
| Profit (loss) for the period | | (417,239) | 477,855 | (497,603) | 991,967 |
| Other comprehensive income (loss) | | | | | |
| Items that will never be reclassified to profit or loss | | | | | |
| Remeasurements of net defined benefit liabilities | 12 | (4,973) | (3,599) | (11,392) | (8,324) |
| Related income tax | 12 | 1,330 | 871 | 3,626 | 2,014 |
| | | (3,643) | (2,728) | (7,766) | (6,310) |
| Other comprehensive loss for the period, net of income tax | | (3,643) | (2,728) | (7,766) | (6,310) |
| Total comprehensive income (loss) for the period | | ₩ (420,882) | 475,127 | ₩ (505,369) | 985,657 |

Earnings (loss) per share (In Won)

| | | | | | | | |
|-----------------------------------|----|---|---------|-------|---|---------|-------|
| Basic earnings (loss) per share | 23 | ₩ | (1,166) | 1,335 | ₩ | (1,391) | 2,772 |
| Diluted earnings (loss) per share | 23 | ₩ | (1,166) | 1,335 | ₩ | (1,391) | 2,772 |

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 six-month periods ended June 30, 2018 and 2017

| <i>(In millions of won)</i> | Share capital | Share premium | Retained earnings | Total equity |
|---|--------------------------|--------------------------|------------------------------|-------------------------|
| Balances at January 1, 2017 | ₩ 1,789,079 | 2,251,113 | 8,195,255 | 12,235,447 |
| Total comprehensive income for the period | | | | |
| Profit for the period | | | 991,967 | 991,967 |
| Other comprehensive loss | | | | |
| Remeasurements of net defined benefit liabilities, net of tax | | | (6,310) | (6,310) |
| Total other comprehensive loss | | | (6,310) | (6,310) |
| Total comprehensive income for the period | ₩ | | 985,657 | 985,657 |
| Transaction with owners, recognized directly in equity | | | | |
| Dividends to equity holders | | | (178,908) | (178,908) |
| Balances at June 30, 2017 | ₩ 1,789,079 | 2,251,113 | 9,002,004 | 13,042,196 |
| Balances at January 1, 2018 | ₩ 1,789,079 | 2,251,113 | 9,789,067 | 13,829,259 |
| Total comprehensive loss for the period | | | | |
| Loss for the period | | | (497,603) | (497,603) |
| Other comprehensive loss | | | | |
| Remeasurements of net defined benefit liabilities, net of tax | | | (7,766) | (7,766) |
| Total other comprehensive loss | | | (7,766) | (7,766) |
| Total comprehensive loss for the period | ₩ | | (505,369) | (505,369) |
| Transaction with owners, recognized directly in equity | | | | |
| Dividends to equity holders | | | (178,908) | (178,908) |
| Balances at June 30, 2018 | ₩ 1,789,079 | 2,251,113 | 9,104,790 | 13,144,982 |

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 six-month periods ended Jun 30, 2018 and 2017

| <i>(In millions of won)</i> | Note | 2018 | 2017 |
|--|-------------|-------------|-------------|
| Cash flows from operating activities: | | | |
| Profit (loss) for the period | | ₩ (497,603) | 991,967 |
| Adjustments for: | | | |
| Income tax expense (benefit) | 22 | (137,849) | 204,851 |
| Depreciation | 17 | 974,417 | 810,712 |
| Amortization of intangible assets | 17 | 196,301 | 201,071 |
| Gain on foreign currency translation | | (163,645) | (54,055) |
| Loss on foreign currency translation | | 182,923 | 36,777 |
| Expenses related to defined benefit plans | 12 | 102,702 | 98,427 |
| Gain on disposal of property, plant and equipment | | (27,019) | (45,817) |
| Loss on disposal of property, plant and equipment | | 4,597 | 3,208 |
| Impairment loss on disposal of property, plant and equipment | | 27,491 | |
| Gain on disposal of intangible assets | | (239) | (308) |
| Impairment loss on intangible assets | | 301 | 1,677 |
| Reversal of impairment loss on intangible assets | | (36) | |
| Warranty expenses | | 80,411 | 113,174 |
| Finance income | | (106,070) | (75,808) |
| Finance costs | | 57,271 | 57,782 |
| Other income | | (2,173) | (16,444) |
| Other expenses | | 683 | 249 |
| | | 1,190,066 | 1,335,496 |
| Changes in | | | |
| Trade accounts and notes receivable | | 1,252,507 | 367,949 |
| Other accounts receivable | | 33,743 | (6,546) |
| Inventories | | (144,794) | 20,121 |
| Other current assets | | (22,256) | (59,155) |
| Other non-current assets | | (30,775) | (93,161) |
| Trade accounts and notes payable | | 602,544 | (573,009) |
| Other accounts payable | | (202,574) | (79,699) |
| Accrued expenses | | (174,139) | (86,658) |
| Provisions | | (92,841) | (76,219) |
| Other current liabilities | | (2,559) | (7,714) |
| Defined benefit liabilities, net | | (4,244) | (4,080) |
| Long-term advances received | | 767,830 | 565,950 |
| Other non-current liabilities | | 13,289 | 3,308 |

| | | |
|--|--------------------|------------------|
| | 1,995,731 | (28,913) |
| Cash generated from operating activities | 2,688,194 | 2,298,550 |
| Income taxes paid | (225,644) | (168,071) |
| Interests received | 12,443 | 12,816 |
| Interests paid | (64,486) | (44,920) |
| Net cash provided by operating activities | ₩ 2,410,507 | 2,098,375 |

See accompanying notes to the separate interim financial statements.

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LG DISPLAY CO., LTD.

Condensed Separate Interim Statements of Cash Flows, Continued

(Unaudited)

For the six-month periods ended Jun 30, 2018 and 2017

| <i>(In millions of won)</i> | Note | 2018 | 2017 |
|---|-------------|--------------------|--------------------|
| Cash flows from investing activities: | | | |
| Dividends received | | ₩ 24,136 | 316,469 |
| Increase in deposits in banks | | (241,180) | (941,180) |
| Proceeds from withdrawal of deposits in banks | | 544,395 | 1,040,501 |
| Acquisition of available-for-sale financial assets | | | (4) |
| Acquisition of financial asset at fair value through profit or loss | | (285) | |
| Proceeds from disposal of financial assets at fair value through other comprehensive income | | 6 | |
| Acquisition of investments | | (550,262) | (51,500) |
| Proceeds from disposal of investments | | 2,382 | 6,697 |
| Acquisition of property, plant and equipment | | (3,260,303) | (2,229,875) |
| Proceeds from disposal of property, plant and equipment | | 144,530 | 109,212 |
| Acquisition of intangible assets | | (251,736) | (203,509) |
| Proceeds from disposal of intangible assets | | 960 | 750 |
| Government grants received | | 1,210 | 1,505 |
| Receipt from settlement of derivatives | | 71 | 2,895 |
| Proceeds from collection of short-term loans | | 6,271 | 430 |
| Increase in long-term loans | | (19,420) | (300) |
| Increase in deposits | | (349) | (1,357) |
| Decrease in deposits | | 300 | 626 |
| Proceeds from disposal of emission rights | | 10,200 | |
| Net cash used in investing activities | | (3,589,074) | (1,948,640) |
| Cash flows from financing activities: | | | |
| | 25 | | |
| Repayments of short-term borrowings | | | (113,209) |
| Proceeds from issuance of debentures | | 498,170 | 298,780 |
| Proceeds from long-term borrowings | | 1,230,000 | 200,000 |
| Repayments of current portion of long-term borrowings and bonds | | (390,339) | (364,431) |
| Payment guarantee fee received | | 797 | |
| Dividends paid | | (178,908) | (178,908) |
| Net cash provided by (used in) financing activities | | 1,159,720 | (157,768) |
| Net decrease in cash and cash equivalents | | (18,847) | (8,033) |
| Cash and cash equivalents at January 1 | | 566,408 | 259,467 |

| | | | |
|--|---|---------|---------|
| Cash and cash equivalents at Jun 30 | ₩ | 547,561 | 251,434 |
|--|---|---------|---------|

See accompanying notes to the separate interim financial statements.

Table of Contents
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 June 30, 2018, the Company is operating Thin Film Transistor Liquid Crystal Display (TFT-LCD) and Organic Light Emitting Diode (OLED) panel manufacturing plants in Gumi, Paju and China and TFT-LCD and OLED module manufacturing plants in Gumi, Paju, China, Poland and Vietnam. 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 June 30, 2018, 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 June 30, 2018, there are 357,815,700 shares of common stock outstanding. The Company's common stock is also listed on the New York Stock Exchange in the form of American Depository Shares (ADSs) under the symbol LPL. One ADS represents one-half of one share of common stock. As of June 30, 2018, there are 20,572,122 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 separate financial statements of the Company as of and for the year ended December 31, 2017.

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, 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.

This is the first set of the Company's financial statements where K-IFRS No. 1109, K-IFRS No. 1115, and K-IFRS No. 2122 have been applied. Changes to significant accounting policies are described in Note 3.

(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:

financial assets at fair value through profit or loss (FVTPL) and financial asset at fair value through other comprehensive income (FVOCI) and net defined benefit liabilities are recognized as the present value of defined benefit obligations less the fair value of plan assets

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

(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.

During the six-month period ended June 30, 2018, based on the review of the past accumulated usage information that became available, the Company management reassessed the economic useful life of the Mask and Mold which had previously been classified as inventory. The balances of such Mask and Mold inventories amounted to ₩90,955 million as of December 31, 2017. Based on the results of the reassessment, the Company changed useful lives of Mask and Mold to two years and accounted for the change as a change in accounting estimate. The Company also changed the classification of Mask and Mold to property, plant and equipment.

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 the last annual financial statements, except for new significant judgments and key sources of estimation uncertainty related to the application of K-IFRS No. 1109, K-IFRS No. 1115 in Note 3 and the change in useful life of Mask and Mold.

Table of Contents**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 separate financial statements as of and for the year ended December 31, 2017, except for the application of K-IFRS No. 1034, *Interim Financial Reporting* and the amended accounting standards explained below. The changes in accounting policies are also expected to be reflected in the Company's separate financial statements as at and for the year ending December 31, 2018.

(a) Changes in Accounting Policies

The Company has initially adopted K-IFRS No. 1115, *Revenue from Contracts with Customers*, K-IFRS No. 1109, *Financial Instruments*, and K-IFRS No. 2122, *Foreign Currency Transactions and Advance Consideration*, from January 1, 2018.

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

K-IFRS No. 1109 set out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standards replaces K-IFRS No. 1039 *Financial Instruments: Recognition and Measurement*. The Company adopted K-IFRS No. 1109, *Financial Instruments*, from January 1, 2018, and the Company has taken an exemption not to restate the financial statements for prior years with respects to transition requirements.

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below. There is no impact on the opening balance of retained earnings at January 1, 2018.

i) Classification and measurement of financial assets and financial liabilities

K-IFRS No. 1109 largely retains the existing requirements in K-IFRS No. 1039 for the classification and measurement of financial liabilities. However, it eliminates the previous K-IFRS No. 1039 categories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption K-IFRS No. 1109 has not had a significant effect on the Company's accounting policies related to financial liabilities and derivative financial instruments. The impact of K-IFRS No. 1109 on the classification and measurement of financial assets is set out below.

Under K-IFRS No. 1109, on initial recognition, a financial asset is classified as measured at: amortized cost; FVOCI-debt investment; FVOCI-equity investment; or FVTPL. The classification of financial assets under K-IFRS 1109 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

It is held within a business model whose objective is to hold assets to collect contractual cash flow; and

its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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3. Summary of Significant Accounting Policies, Continued

(a) Changes in Accounting Policies, Continued

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets.

| | |
|------------------------------------|--|
| Financial assets at FVTPL | These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss. |
| Financial assets at amortized cost | These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss. |
| Debt investments at FVOCI | These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net |

gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

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

The following table below explain the original measurement categories under K-IFRS No. 1039 and the changes in measurement categories under K-IFRS No. 1109 for each class of the Company's financial assets as at January 1, 2018 are as below.

| <i>(In millions of won)</i> | Classification under K-IFRS No. 1039 | Classification under K-IFRS No. 1109 | Carrying amount under K-IFRS No. 1039 | Carrying amount under K-IFRS No. 1109 | Difference |
|-------------------------------|--|--|--|--|------------|
| Financial assets | | | | | |
| Cash and cash equivalents | Loans and | | | | |
| | receivables | Amortized cost | ₩ 566,408 | 566,408 | |
| Deposits | Loans and | | | | |
| | receivables | Amortized cost | 580,781 | 580,781 | |
| Trade | Loans and | | | | |
| receivables | receivables | Amortized cost | 4,673,570 | 4,673,570 | |
| Other receivables | Loans and | | | | |
| | receivables | Amortized cost | 687,109 | 687,109 | |
| Debt | | | | | |
| instrument | Available-for-sale | FVOCI-debt instrument | 162 | 162 | |
| Equity instrument | | Mandatorily at | | | |
| | Available-for-sale | FVTPL | 2,697 | 2,697 | |
| Convertible bonds | Designated as at FVTPL | Mandatorily at FVTPL | 1,552 | 1,552 | |
| Derivatives | Designated as at FVTPL | Mandatorily at FVTPL | 842 | 842 | |
| Others | Loans and | | | | |
| | receivables | Amortized cost | 73,018 | 73,018 | |
| Total financial assets | | | ₩ 6,586,139 | 6,586,139 | |

As of January 1, 2018, there was no financial liabilities measured at FVTPL.

ii) Impairment of financial assets

K-IFRS No. 1109 replaces the incurred loss model in K-IFRS No. 1039 with an expected credit loss (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under K-IFRS No. 1109, credit losses are recognized earlier than under K-IFRS No. 1039.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt instruments at FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt instruments at FVOCI, the loss allowance is recognized in OCI, instead of reducing the carrying amount of the asset.

As a result of applying the loss allowances model under K-IFRS No. 1109, as of January 1, 2018, there are no additional loss allowances as compared with the loss allowances under K-IFRS No. 1039.

iii) Hedge Accounting

When initially applying K-IFRS No. 1109, the Company elected as its accounting policy to continue to apply hedge accounting requirements under K-IFRS No. 1039 instead of the requirements in K-IFRS No. 1109. As of January 1, 2018, there is no impact on the condensed separate interim financial statement of the Company resulting from the application of the requirements in K-IFRS No. 1109.

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

K-IFRS No. 1115, *Revenue from contracts with customers*, establishes a comprehensive framework for determining whether, how much and when revenue is recognized. K-IFRS No. 1115 replaces existing revenue recognition guidance, including K-IFRS No. 1018 *Revenue*, K-IFRS No. 1011, *Construction Contracts*, K-IFRS No. 2031, *Revenue: Barter Transactions Involving Advertising Services*, K-IFRS No. 2113, *Customer Loyalty Programmes*, K-IFRS No. 2115, *Agreements for the Construction of Real Estate* and K-IFRS No. 2118, *Transfers of Assets from Customers*.

The Company has initially applied K-IFRS No. 1115, *Revenue from contracts with customers*, from January 1, 2018. Regarding transition to K-IFRS No. 1115, the Company has decided to apply the cumulative effect method, i.e. recognizing the cumulative effect of applying K-IFRS No. 1115 at the date of initial application, which is January 1, 2018, without restatement of the comparative periods presented. The impact on its condensed separate interim financial statements resulting from the application of the new standard is as follows.

Variable Consideration

The consideration received from customers may be variable as the Company allows its customers to return their products according to the contracts. For the year-ended December 31, 2017, the Company recognizes a provision measured at the gross profit for products sold which are expected to be returned. Under K-IFRS No. 1115, the Company shall estimate an amount of variable consideration by using the expected value or the most likely amount, depending on which method the entity expects to better predict the amount of consideration to which it will be entitled and include in the transaction price some or all of an amount of variable consideration estimated only to the extent that is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when return period expires. The Company shall recognize refund liability measured at the amount of consideration received (or receivable) to which the Company does not expect to be entitled and a new asset for the right to recover returned goods. As a result of this change, the refund liability and a new asset for the right to recover returned goods increased

by ₩9,789 million, respectively, as of January 1, 2018. There is no impact on the opening balance of retained earnings at January 1, 2018. (Note 5(d), 13(a))

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

The effect of the application of K-IFRS No. 1115 on the Company's separate interim statement of financial position as of June 30, 2018 is as follows. There is no impact on the condensed separate interim statement of comprehensive income and the cash flows for the six-month period ended June 30, 2018.

(In millions of won)

| Categories | Adoption of K-IFRS No. 1115 | Adjustments | Adoption of K-IFRS No. 1018 |
|----------------------------|--------------------------------|-------------|--------------------------------|
| Current Assets | | | |
| Other current assets | ₩ 236,416 | (5,360) | 231,056 |
| Current Liabilities | | | |
| Provisions | ₩ 77,168 | (5,360) | 71,808 |

(iii) K-IFRS No. 2122, Foreign Currency Transactions and Advance Consideration

According to the new interpretation, K-IFRS No. 2122, *Foreign Currency Transactions and Advance Consideration*, the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. There is no significant impact on the condensed separate interim financial statements of the Company.

(b) New Standards and Amendments Not Yet Adopted

The following new standard is effective for annual periods beginning after January 1, 2018 and earlier application is permitted; however, the Company has not early adopted the following new standard in preparing these condensed separate interim financial statements.

(i) K-IFRS No. 1116, Leases

The Company plans to adopt K-IFRS No. 1116, *Leases*, in its separate financial statements for annual period beginning on January 1, 2019, assess the financial impact of the adoption of K-IFRS No. 1116 and disclose the results in its separate financial statements for the year ending December 31, 2018. As of June 30, 2018, other than the potential impacts described in the separate financial statements as of and for the year ended December 31, 2017, there are no significant changes in relation to preparation for the adoption of this new standard.

Table of Contents4. Cash and Cash Equivalents and Deposits in Banks

Cash and cash equivalents and deposits in banks as of June 30, 2018 and December 31, 2017 are as follows:

| <i>(In millions of won)</i> | June 30, 2018 | December 31, 2017 |
|----------------------------------|----------------------|--------------------------|
| Current assets | | |
| Cash and cash equivalents | | |
| Demand deposits | ₩ 547,561 | 566,408 |
| Deposits in banks | | |
| Time deposits | ₩ 203,118 | 507,930 |
| Restricted cash (*) | 74,082 | 72,840 |
| | ₩ 277,200 | 580,770 |
| Non-current assets | | |
| Deposits in banks | | |
| Restricted cash (*) | ₩ 11 | 11 |
| | ₩ 824,772 | 1,147,189 |

(*) Restricted cash includes mutual growth fund to aid LG Group's second and third-tier suppliers, pledge to enforce investment plans according to the receipt of subsidies from Gumi city and Gyeongsangbuk-do and others.

Table of Contents5. Receivables and Other Assets

(a) Trade accounts and notes receivable as of June 30, 2018 and December 31, 2017 are as follows:

| <i>(In millions of won)</i> | June 30, 2018 | December 31, 2017 |
|-----------------------------|--------------------------|--------------------------|
| Trade, net | ₩ 310,701 | 355,332 |
| Due from related parties | 3,252,788 | 4,318,238 |
| | ₩ 3,563,489 | 4,673,570 |

(b) Other accounts receivable as of June 30, 2018 and December 31, 2017 are as follows:

| <i>(In millions of won)</i> | June 30, 2018 | December 31, 2017 |
|-----------------------------|----------------------|--------------------------|
| Non-trade receivable, net | ₩ 699,824 | 678,454 |
| Accrued income | 4,593 | 8,655 |
| | ₩ 704,417 | 687,109 |

Due from related parties included in other accounts receivable, as of June 30, 2018 and December 31, 2017 are ₩608,263 million and ₩567,996 million, respectively.

Table of Contents5. Receivables and Other Assets, Continued

- (c) The aging of trade accounts and note receivable, other accounts receivable and long-term non-trade receivable as of June 30, 2018 and December 31, 2017 are as follows:

| | Book value | | June 30, 2018 | | | |
|-----------------------------|---|------------------------------------|--------------------------------------|----------------------------|------------------------------------|--------------------------------------|
| | Trade accounts and notes receivable | Other accounts receivable(*) | Trade accounts | | Impairment loss | |
| | | | Long-term non-trade receivable | and notes receivable | Other accounts receivable(*) | Long-term non-trade receivable |
| <i>(In millions of won)</i> | | | | | | |
| Not past due | ₩ 3,533,495 | 686,537 | 17,740 | (4) | (239) | (6) |
| Past due 1-15 days | 2,495 | 1,915 | | | (3) | |
| Past due 16-30 days | 27,491 | 1,338 | | | | |
| Past due 31-60 days | 12 | 284 | | | (2) | |
| Past due more than 60 days | | 15,132 | | | (545) | |
| | ₩ 3,563,493 | 705,206 | 17,740 | (4) | (789) | (6) |

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

Table of Contents5. Receivables and Other Assets, Continued

| | December 31, 2017 | | | | | |
|-----------------------------|---|------------------------------------|--------------------------------------|--|------------------------------------|--------------------------------------|
| | Book value | | Impairment loss | | | |
| | Trade accounts and notes receivable | Other accounts receivable(*) | Long-term non-trade receivable | Trade accounts and notes receivable | Other accounts receivable(*) | Long-term non-trade receivable |
| <i>(In millions of won)</i> | | | | | | |
| Not past due | ₩ 4,673,660 | 686,837 | 15,115 | (570) | (686) | |
| Past due 1-15 days | 341 | 482 | | | (3) | |
| Past due 16-30 days | 135 | 53 | | | (1) | |
| Past due 31-60 days | | 207 | | | (2) | |
| Past due more than 60 days | 4 | 622 | | | (400) | |
| | ₩ 4,674,140 | 688,201 | 15,115 | (570) | (1,092) | |

The movement in the allowance for impairment in respect of trade accounts and notes receivable, other accounts receivable and long-term non-trade receivable for the six-month periods ended June 30, 2018 and the year ended December 31, 2017 are as follows:

| | 2018 | | | 2017 | | |
|--|--|---------------------------------|--------------------------------------|--|---------------------------------|--------------------------------------|
| | Trade accounts and notes receivable | Other accounts receivable | Long-term non-trade receivable | Trade accounts and notes receivable | Other accounts receivable | Long-term non-trade receivable |
| | <i>(In millions of won)</i> | | | | | |
| Balance at the beginning of the period | ₩ 570 | 1,092 | | 520 | 804 | 23 |
| (Reversal of) bad debt expense | (566) | (303) | 6 | 50 | 288 | (23) |
| Balance at the reporting date | ₩ 4 | 789 | 6 | 570 | 1,092 | |

Table of Contents5. Receivables and Other Assets, Continued

(d) Other assets as of June 30, 2018 and December 31, 2017 are as follows:

(In millions of won)

| | June 30, 2018 | December 31, 2017 |
|------------------------------------|----------------------|--------------------------|
| Current assets | | |
| Advance payments | ₩ 3,632 | 3,597 |
| Prepaid expenses | 148,194 | 76,129 |
| Value added tax refundable | 79,230 | 95,769 |
| Emission rights | | 1,978 |
| Right to recover returned goods(*) | 5,360 | |
| | ₩ 236,416 | 177,473 |
| Non-current assets | | |
| Long-term prepaid expenses | ₩ 326,356 | 333,995 |
| | ₩ 326,356 | 333,995 |

(*) As a result from the initial application of K-IFRS No. 1115, the Company recognized an asset for right to recover returned goods returned by the customer.

Table of Contents6. Other Financial Assets

(a) Other financial assets as of June 30, 2018 are as follows:

| <i>(In millions of won)</i> | June 30, 2018 |
|---|----------------------|
| Current assets | |
| Financial asset carried at amortized cost | |
| Short-term loans | ₩ 9,759 |
| | ₩ 9,759 |
| Non-current assets | |
| Financial asset at fair value through profit or loss | |
| Equity instrument | |
| Intellectual Discovery, Ltd. | ₩ 729 |
| Kyulux, Inc | 1,968 |
| Fineeva Co., Ltd. | 285 |
| | ₩ 2,982 |
| Convertible bonds | ₩ 1,552 |
| Derivatives(*) | 341 |
| Financial asset at fair value through other comprehensive income | |
| Debt instrument | |
| Government bonds | ₩ 158 |
| Financial asset carried at amortized cost | |
| Deposits | ₩ 13,687 |
| Long-term loans | 43,967 |
| Long-term non-trade receivable | 17,734 |
| | ₩ 80,421 |

(*) Represents interest rate swap contracts related to borrowings with variable interest rate.

Table of Contents6. Other Financial Assets, Continued

(b) Other financial assets as of December 31, 2017 are as follows:

| <i>(In millions of won)</i> | December 31, 2017 | |
|---|--------------------------|--------|
| Current assets | | |
| Available-for-sale financial assets | | |
| Debt instrument | | |
| Government bonds | ₩ | 6 |
| Short-term loans | | 13,493 |
| | ₩ | 13,499 |
| Non-current assets | | |
| Financial asset at fair value through profit or loss | ₩ | 1,552 |
| Available-for-sale financial assets | | |
| Debt instrument | | |
| Government bonds | ₩ | 156 |
| Equity instrument | | |
| Intellectual Discovery, Ltd. | ₩ | 729 |
| Kyulux, Inc | | 1,968 |
| | ₩ | 2,697 |
| Deposits | ₩ | 13,638 |
| Long-term loans | | 30,772 |
| Long-term non-trade receivable | | 15,115 |
| Derivatives(*) | | 842 |
| | ₩ | 64,772 |

(*) Represents interest rate swap contracts related to borrowings with variable interest rate. Other financial assets of related parties as of June 30, 2018 and December 31, 2017 are ₩2,250 million and ₩2,750 million, respectively.

Table of Contents7. Inventories

Inventories as of June 30, 2018 and December 31, 2017 are as follows:

| <i>(In millions of won)</i> | June 30, 2018 | December 31, 2017 |
|-----------------------------|----------------------|--------------------------|
| Finished goods | ₩ 567,646 | 491,330 |
| Work-in-process | 713,546 | 675,324 |
| Raw materials | 334,064 | 286,934 |
| Supplies | 124,835 | 228,657 |
| | ₩ 1,740,091 | 1,682,245 |

For the six-month periods ended June 30, 2018 and 2017, 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 are as follows:

| <i>(In millions of won)</i> | 2018 | 2017 |
|--|-------------|-------------|
| Inventories recognized as cost of sales | ₩ 9,799,231 | 10,146,804 |
| Including: inventory write-downs | 237,232 | 215,927 |
| Including: reversal and usage of inventory write-downs | (184,139) | (185,454) |

Table of Contents8. Investments

(a) Investments in subsidiaries consist of the following:

| <i>(In millions of won)</i> | | | June 30, 2018 | | December 31, 2017 | |
|---|-------------------|--|--------------------------------|-------------------|--------------------------------|-------------------|
| Overseas Subsidiaries | Location | Business | Percentage of ownership | Book value | 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 | Eschborn, 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% | 593,726 | 100% | 593,726 |
| 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 |
| Nanumnuri Co., Ltd. | Gumi, South Korea | Janitorial services | 100% | 800 | 100% | 800 |

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| | | | | | | |
|---|--------------------|--|------|-------------|------|-------------|
| LG Display (China) Co., Ltd. | Guangzhou, China | Manufacture and Sell Display products | 51% | 723,086 | 51% | 723,086 |
| 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.(*1) | Haiphong, Vietnam | Manufacture Display Products | 100% | 329,978 | 100% | 117,378 |
| Suzhou Lehui Display Co., Ltd. | Suzhou, China | Manufacture and sell LCD module and LCD monitor sets | 100% | 121,640 | 100% | 121,640 |
| LG DISPLAY FUND I LLC(*2) | Wilmington, U.S.A. | Invest in venture business and obtain technologies | 100% | | | |
| Money Market Trust(*3) | Seoul, South Korea | Money market trust | 100% | 384,401 | 100% | 61,471 |
| | | | | ₩ 3,116,441 | | ₩ 2,580,911 |

Table of Contents8. Investments, Continued

(*1) For the six-month period ended June 30, 2018, the Company contributed ₩212,600 million in cash for the capital increase of LG Display Vietnam Haiphong Co., Ltd. (LGDVN). There was no change in the Company's ownership percentage in LGDVN as a result of this additional investment.

(*2) For the six-month period ended June 30, 2018, the Company established LG DISPLAY FUND I LLC in Wilmington, U.S.A. to invest in venture business and the Company has a 100% equity interest of this subsidiary.

(*3) For the six-month period ended June 30, 2018, the Company acquired and disposed interests in Money Market Trust (MMT) and the MMT amount as of June 30, 2018 is ₩384,401 million.

(b) Investments in associates consist of the following:

(In millions of won)

| Associates | Location | Business | June 30, 2018 | | December 31, 2017 | |
|--------------------------------------|-----------------------|---|-------------------------|------------|-------------------------|------------|
| | | | Percentage of ownership | Book Value | Percentage of ownership | Book Value |
| Paju Electric Glass Co., Ltd. | Paju, South Korea | Manufacture electric glass for FPDs | 40% | ₩45,089 | 40% | ₩ 45,089 |
| INVENIA Co., Ltd. | Seongnam, South Korea | Develop and manufacture the equipment for FPDs | 13% | 6,330 | 13% | 6,330 |
| WooRee E&L Co., Ltd. | Ansan, South Korea | Manufacture LED back light unit packages | 14% | 10,268 | 14% | 10,268 |
| LB Gemini New Growth Fund No.16 (*1) | Seoul, South Korea | Invest in small and middle sized companies and benefit from M&A opportunities | 31% | 434 | 31% | 434 |
| YAS Co., Ltd. | Paju, South Korea | Develop and manufacture deposition equipment for OLEDs | 15% | 10,000 | 15% | 10,000 |
| AVATEC Co., Ltd. | Daegu, South Korea | Process and sell electric glass for FPDs | 17% | 10,600 | 17% | 10,600 |
| Arctic Sentinel, Inc. | Los Angeles, U.S.A. | Develop and manufacture tablet for kids | 10% | | 10% | |
| CYNORA GmbH | Bruchsal, Germany | Develop organic emitting materials for displays and lighting devices | 14% | 20,309 | 14% | 20,309 |
| | Seoul, | | 10% | 4,000 | | |

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| | | | | | |
|---------------------------------|------------------|--|----|-----------|-----------|
| Material Science Co., Ltd. (*2) | South Korea | Develop, manufacture and sell material for display | | | |
| Nanosys Inc. (*3) | Milpitas, U.S.A. | Develop, manufacture and sell material for display | 4% | 10,732 | |
| | | | | ₩ 117,762 | ₩ 103,030 |

Table of Contents**8. Investments, Continued**

(*1) The Company is a member of a limited partnership in the LB Gemini New Growth Fund No.16 (the Fund). On the other hand, a resolution to dissolve the fund was approved at the general meeting and the fund is in process of liquidation as of June 30, 2018.

(*2) In March 2018, the Company invested ₩4,000 million and acquired 10,767 shares of common stock with voting rights in Material Science Co., Ltd. As of June 30, 2018, the Company's ownership percentage in Material Science Co., Ltd. is 10% and the Company has the right to appoint a director to the board of directors of the investee.

(*3) In May 2018, the Company invested ₩10,732 million and acquired 5,699,954 shares of preferred stock with voting rights in Nanosys Inc. As of June 30, 2018, the Company's ownership percentage in Nanosys Inc. is 4% and the Company has the right to appoint a director to the board of directors of the investee.

For the six-month periods ended June 30, 2018 and 2017, the aggregate amount of received dividends from subsidiaries and associates are ₩95,553 million and ₩8,639 million, respectively.

9. Property, Plant and Equipment

For the six-month periods ended June 30, 2018 and 2017, the Company purchased property, plant and equipment of ₩3,106,611 million and ₩2,400,858 million, respectively. The capitalized borrowing costs and the annualized capitalization rate were ₩47,291 million and 2.64%, and ₩15,525 million and 1.83% for the six-month periods ended June 30, 2018 and 2017, respectively. Also, for the six-month periods ended June 30, 2018 and 2017, the Company disposed of property, plant and equipment with carrying amounts of ₩87,948 million and ₩28,525 million, respectively, and recognized ₩27,019 million and ₩4,597 million, respectively, as gain and loss on disposal of property, plant and equipment for the six-month period ended June 30, 2018 (gain and loss for the six-month period ended June 30, 2017: ₩45,817 million and ₩3,208 million, respectively).

10. Intangible Assets

- (a) The Company capitalizes expenditures related to development activities, such as expenditures incurred on designing, manufacturing and testing of products after those related activities meet the capitalization criteria of development costs including technical feasibility, future economic benefits and others. The balances of capitalized development costs as of June 30, 2018 and December 31, 2017, are ₩352,694 million and ₩296,760 million, respectively.
- (b) Development of new projects are divided into research activities and development activities. Expenditures on research activities are recognized in profit or loss and qualifying development expenditures are capitalized, respectively.

Table of Contents**11. Financial Liabilities**

(a) Financial liabilities as of June 30, 2018 and December 31, 2017 are as follows:

| <i>(In millions of won)</i> | June 30, 2018 | December 31, 2017 |
|---|----------------------|--------------------------|
| Current | | |
| Current portion of long-term borrowings and bonds | ₩ 1,742,770 | 1,058,985 |
| Current portion of payment guarantee liabilities | 4,511 | 1,750 |
| | ₩ 1,747,281 | 1,060,735 |
| Non-current | | |
| Won denominated borrowings | ₩ 1,980,933 | 1,251,258 |
| Foreign currency denominated borrowings | 123,387 | 401,775 |
| Bonds | 1,745,325 | 1,506,003 |
| Payment guarantee liabilities | 17,103 | 6,377 |
| | ₩ 3,866,748 | 3,165,413 |

(b) Won denominated long-term borrowings as of June 30, 2018 and December 31, 2017 are as follows:

| <i>(In millions of won)</i> | Annual interest rate as of | June 30, | December 31, |
|--|--|-----------------|---------------------|
| Lender | June 30, | 2018 | 2017 |
| | 2018 (%) | | |
| Woori Bank | 2.75 | ₩ 1,584 | 1,922 |
| Shinhan Bank | CD rate (91days) + 0.30 | 200,000 | 200,000 |
| Korea Development Bank and others | CD rate (91days) + 0.64~0.74, 2.28~3.25 | 2,480,000 | 1,250,000 |
| Less current portion of long-term borrowings | | (700,651) | (200,664) |
| | | ₩ 1,980,933 | 1,251,258 |

(c) Foreign currency denominated long-term borrowings as of June 30, 2018 and December 31, 2017 are as follows:

| <i>(In millions of won and USD)</i> | Annual interest rate as of | June 30, | December 31, |
|-------------------------------------|-----------------------------------|-----------------|---------------------|
| Lender | June 30, 2018 | 2018 | 2017 |
| | (%)(*) | | |
| | | | |

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| | | | |
|---|----------------|-----------|-----------|
| The Export-Import Bank of Korea and Others | 3ML+0.55 ~1.04 | ₩ 790,799 | 755,337 |
| Foreign currency equivalent | | USD 705 | USD 705 |
| Less current portion of long-term borrowings | | (667,412) | (353,562) |
| | | ₩ 123,387 | 401,775 |

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

Table of Contents11. Financial Liabilities, Continued

(d) Details of bonds issued and outstanding as of June 30, 2018 and December 31, 2017 are as follows:

| <i>(In millions of won)</i> | Maturity | Annual interest | | June 30, 2018 | December 31, 2017 |
|-----------------------------|----------------------------------|--------------------------|---|----------------------|--------------------------|
| | | rate as of | | | |
| | | June 30, 2018 (%) | | | |
| Won denominated | | | | | |
| bonds(*) | | | | | |
| Publicly issued bonds | November 2018 ~ February 2023 | 1.80~3.73 | ₩ | 2,015,000 | 2,015,000 |
| Privately placed bonds | May 2025 ~ May 2033 | 3.25~4.25 | | 110,000 | |
| Less discount on bonds | | | | (4,968) | (4,238) |
| Less current portion | | | | (374,707) | (504,759) |
| | | | ₩ | 1,745,325 | 1,506,003 |

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

Table of Contents**12. 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) Net defined benefit liabilities recognized as of June 30, 2018 and December 31, 2017 are as follows:

| <i>(In millions of won)</i> | June 30, 2018 | December 31, 2017 |
|---|----------------------|--------------------------|
| Present value of partially funded defined benefit obligations | ₩ 1,630,721 | 1,560,525 |
| Fair value of plan assets | (1,426,336) | (1,465,990) |
| | ₩ 204,385 | 94,535 |

(b) Expenses recognized in profit or loss for the three-month and six-month periods ended June 30, 2018 and 2017 are as follows:

| <i>(In millions of won)</i> | For the three-month periods ended June 30 | | For the six-month periods ended June 30 | |
|-----------------------------|--|-------------|--|-------------|
| | 2018 | 2017 | 2018 | 2017 |
| Current service cost | ₩ 51,109 | 48,616 | 102,218 | 97,231 |
| Net interest cost | 242 | 598 | 484 | 1,196 |
| | ₩ 51,351 | 49,214 | 102,702 | 98,427 |

(c) Plan assets as of June 30, 2018 and December 31, 2017 are as follows:

| <i>(In millions of won)</i> | June 30, 2018 | December 31, 2017 |
|------------------------------|----------------------|--------------------------|
| Guaranteed deposits in banks | ₩ 1,426,336 | 1,465,990 |

As of June 30, 2018, the Company maintains the plan assets primarily with Mirae Asset Daewoo Co., Ltd., Shinhan Bank and others.

(d) Remeasurements of the net defined benefit liabilities (assets) included in other comprehensive income (loss) for the three-month and six-month periods ended June 30, 2018 and 2017 are as follows:

| For the three-month periods ended June 30 | For the six-month periods ended June 30 |
|--|--|
|--|--|

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| <i>(In millions of won)</i> | 2018 | 2017 | 2018 | 2017 |
|--|-------------|-------------|-------------|-------------|
| Remeasurements of net defined benefit liabilities | ₩ (4,973) | (3,599) | (11,392) | (8,324) |
| Tax effect | 1,330 | 871 | 3,626 | 2,014 |
| Remeasurements of net defined benefit liabilities, net of income tax | ₩ (3,643) | (2,728) | (7,766) | (6,310) |

Table of Contents**13. Provisions and Other Liabilities**

(a) Changes in provisions for the six-month period ended June 30, 2018 are as follows:

| <i>(In millions of won)</i> | Litigations and | | Warranties (*) | Others | Total |
|-----------------------------|------------------------|---------------|-----------------------|---------------|--------------|
| | ₩ | claims | | | |
| Balance at January 1, 2018 | ₩ | 43 | 100,119 | 1,835 | 101,997 |
| Adjustment from adoption of | | | | | |
| K-IFRS 1115 | | | | 9,789 | 9,789 |
| Additions (reversals) | | | 80,411 | (5,744) | 74,667 |
| Usage | | | (87,097) | | (87,097) |
| Balance at June 30, 2018 | ₩ | 43 | 93,433 | 5,880 | 99,356 |
| Current | ₩ | 43 | 71,245 | 5,880 | 77,168 |
| Non-current | ₩ | | 22,188 | | 22,188 |

(*) The provision for warranties covers defective products and is normally applicable for 18 months from the date of purchase. The warranty liability is calculated by using historical and anticipated rates of warranty claims, and costs per claim to satisfy the Company's warranty obligation.

(b) Other liabilities as of June 30, 2018 and December 31, 2017 are as follows:

| <i>(In millions of won)</i> | June 30, 2018 | | December 31, 2017 | |
|--------------------------------|----------------------|--------|--------------------------|--------|
| Current liabilities | | | | |
| Withholdings | ₩ | 17,771 | | 23,948 |
| Unearned revenues | | 6,097 | | 9,566 |
| Security deposits | | 1,020 | | |
| | ₩ | 24,888 | | 33,514 |
| Non-current liabilities | | | | |
| Long-term accrued expenses | ₩ | 76,888 | | 66,956 |
| Security deposits | | 5,664 | | |
| | ₩ | 82,552 | | 66,956 |

Table of Contents**14. Contingencies and Commitments****(a) Legal Proceedings****Anti-trust litigations**

Argos Limited and affiliated companies (Argos) filed a Notice of Claim against the Company and LG Display Taiwan Co., Ltd. in the High Court of Justice in London alleging infringement of Treaty on the Functioning of the European Union and Agreement on the European Economic Area. Prior to Argos' filing of Particulars of Claim and service, the Company and LG Display Taiwan Co., Ltd. reached a settlement in principle with Argos in December 2017. The parties expect to execute a settlement agreement in 2018.

Others

The Company is defending against various claims in addition to pending proceedings described above. The Company does not have a present obligation for these matters and has not recognized any provision at June 30, 2018.

(b) 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 1,743 million (₩1,955,662 million) in connection with the Company's export sales transactions with its subsidiaries. As of June 30, 2018, 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 ₩527,463 million in connection with its domestic and export sales transactions and, as of June 30, 2018, ₩49,904 million 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 June 30, 2018, the Company has agreements in relation to the opening of letters of credit up to USD 30 million (₩33,651 million) with KEB Hana Bank, USD 80 million (₩89,736 million) with Bank of China and USD 50 million (₩56,085 million) with Sumitomo Mitsui Banking Corporation.

Payment guarantees

The Company provides a payment guarantee in connection with the term loan credit facilities of LG Display Vietnam Haiphong, Co., Ltd. amounting to USD 1,195 million (₩1,340,432 million) for principals.

In addition, the Company obtained payment guarantees amounting to USD 1,600 million (₩1,794,720 million) from KEB Hana Bank and others for advances received related to the long-term supply agreements and USD 8.5 million (₩9,534 million) from Shinhan Bank for value added tax payments in Poland.

Table of Contents**14. Contingencies and Commitments, Continued****License agreements**

As of June 30, 2018, 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.

Long-term supply agreement

As of June 30, 2018, in connection with long-term supply agreements with customers, the Company recognized USD 1,600 million (₩1,794,720 million) in advances received. The advances received will be offset against outstanding accounts receivable balances after a given period of time, as well as those arising from the supply of products thereafter. The Company received payment guarantees amounting to USD 1,600 million (₩1,794,720 million) from KEB Hana Bank and other various banks relating to advances received.

15. Share capital

The Company is authorized to issue 500,000,000 shares of capital stock (par value ₩ 5,000), and as of June 30, 2018 and December 31, 2017, the number of issued common shares is 357,815,700. There have been no changes in the capital stock from January 1, 2017 to June 30, 2018.

16. Revenue

Details of revenue for the three-month and six-month periods ended June 30, 2018 and 2017 are as follows:

| <i>(In millions of won)</i> | For the three-month periods ended June 30 | | For the six-month periods ended June 30 | |
|-----------------------------|--|-------------|--|-------------|
| | 2018 | 2017 | 2018 | 2017 |
| Sales of goods | ₩ 5,023,610 | 6,007,000 | 10,168,036 | 12,535,896 |
| Royalties | 4,139 | 4,256 | 7,865 | 8,856 |
| Others | 7,217 | 11,595 | 13,326 | 21,046 |
| | ₩ 5,034,966 | 6,022,851 | 10,189,227 | 12,565,798 |

Table of Contents**17. The Nature of Expenses and Others**

The classification of expenses by nature for the three-month and six-month periods ended June 30, 2018 and 2017 are as follows:

| <i>(In millions of won)</i> | For the three-month periods ended June 30 | | For the six-month periods ended June 30 | |
|--|--|-------------|--|-------------|
| | 2018 | 2017 | 2018 | 2017 |
| Changes in inventories | ₩ (90,035) | (79,955) | (57,846) | 20,121 |
| Purchases of raw materials, merchandise and others | 1,900,976 | 2,340,533 | 3,887,562 | 4,703,099 |
| Depreciation and amortization | 597,268 | 521,164 | 1,170,718 | 1,011,783 |
| Outsourcing fees | 1,570,819 | 1,202,085 | 2,909,586 | 2,565,267 |
| Labor costs | 677,964 | 633,077 | 1,374,209 | 1,266,212 |
| Supplies and others | 198,336 | 246,740 | 389,504 | 454,946 |
| Utility | 168,339 | 164,941 | 348,151 | 334,336 |
| Fees and commissions | 137,998 | 113,094 | 278,525 | 230,455 |
| Shipping costs | 23,212 | 29,068 | 50,520 | 56,242 |
| Advertising | 23,486 | 44,965 | 38,415 | 89,454 |
| Warranty expenses | 51,071 | 44,997 | 80,411 | 113,174 |
| Travel | 23,843 | 20,352 | 47,867 | 36,839 |
| Taxes and dues | 13,242 | 11,235 | 29,014 | 23,631 |
| Others | 183,215 | 203,771 | 346,650 | 380,726 |
| | ₩ 5,479,734 | 5,496,067 | 10,893,286 | 11,286,285 |

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

Table of Contents**18. Selling and Administrative Expenses**

Details of selling and administrative expenses for the three-month and six-month periods ended June 30, 2018 and 2017 are as follows:

| <i>(In millions of won)</i> | For the three-month periods ended June 30 | | For the six-month periods ended June 30 | |
|---|--|-------------|--|-------------|
| | 2018 | 2017 | 2018 | 2017 |
| | Salaries and wages | ₩ 62,776 | 52,943 | 125,571 |
| Expenses related to defined benefit plans | 7,058 | 6,557 | 14,092 | 13,112 |
| Other employee benefits | 10,568 | 10,913 | 22,649 | 25,561 |
| Shipping costs | 15,598 | 22,873 | 36,152 | 44,499 |
| Fees and commissions | 36,968 | 23,374 | 64,333 | 54,347 |
| Depreciation | 27,552 | 21,888 | 53,976 | 44,613 |
| Taxes and dues | 699 | 690 | 1,492 | 1,004 |
| Advertising | 23,486 | 44,965 | 38,415 | 89,454 |
| Warranty expenses | 51,071 | 44,997 | 80,411 | 113,174 |
| Rent | 2,678 | 2,500 | 5,316 | 5,007 |
| Insurance | 1,585 | 1,853 | 3,120 | 3,214 |
| Travel | 3,934 | 5,174 | 8,484 | 9,733 |
| Training | 3,356 | 4,191 | 5,557 | 7,358 |
| Others | 9,294 | 8,826 | 20,923 | 19,336 |
| | ₩ 256,623 | 251,744 | 480,491 | 536,451 |

19. Personnel Expenses

Details of personnel expenses for the three-month and six-month periods ended June 30, 2018 and 2017 are as follows:

| <i>(In millions of won)</i> | For the three-month periods ended June 30 | | For the six-month periods ended June 30 | |
|--|--|-------------|--|-------------|
| | 2018 | 2017 | 2018 | 2017 |
| | Salaries and wages | ₩ 600,257 | 550,153 | 1,198,813 |
| Other employee benefits | 75,419 | 70,867 | 167,491 | 148,160 |
| Contributions to National Pension plan | 18,673 | 17,835 | 37,480 | 35,752 |
| Expenses related to defined benefit plan | 51,351 | 49,214 | 102,702 | 98,427 |
| | ₩ 745,700 | 688,069 | 1,506,486 | 1,367,860 |

Table of Contents**20. Other Non-operating Income and Other Non-operating Expenses**

(a) Details of other non-operating income for the three-month and six-month periods ended June 30, 2018 and 2017 are as follows:

| <i>(In millions of won)</i> | For the three-month periods ended | | For the six-month periods ended | |
|---|--|-------------|--|-------------|
| | June 30 | | June 30 | |
| | 2018 | 2017 | 2018 | 2017 |
| Foreign currency gain | ₩ 231,717 | 65,563 | 332,436 | 334,649 |
| Gain on disposal of property, plant and equipment | 13,304 | 15,503 | 27,019 | 45,817 |
| Gain on disposal of intangible assets | | 308 | 239 | 308 |
| Reversal of impairment loss on intangible assets | | | 36 | |
| Rental income | 429 | 895 | 877 | 1,764 |
| Others | 442 | 306 | 2,195 | 4,186 |
| | ₩ 245,892 | 82,575 | 362,802 | 386,724 |

(b) Details of other non-operating expenses for the three-month and six-month periods ended June 30, 2018 and 2017 are as follows:

| <i>(In millions of won)</i> | For the three-month periods ended | | For the six-month periods ended | |
|---|--|-------------|--|-------------|
| | June 30 | | June 30 | |
| | 2018 | 2017 | 2018 | 2017 |
| Foreign currency loss | ₩ 238,912 | 15,845 | 345,563 | 499,102 |
| Loss on disposal of property, plant and equipment | 865 | 1,251 | 4,597 | 3,208 |
| Impairment loss on property, plant and equipment | 27,491 | | 27,491 | |
| Impairment loss on intangible assets | 264 | | 301 | 1,677 |
| Donations | 1,169 | 7,979 | 3,019 | 10,343 |
| Other bad debt expenses | 90 | 204 | 94 | 250 |
| Others | 5,821 | 12 | 5,868 | 250 |
| | ₩ 274,612 | 25,291 | 386,933 | 514,830 |

Table of Contents**21. Finance Income and Finance Costs**

Finance income and costs recognized in profit and loss for the three-month and six-month periods ended June 30, 2018 and 2017 are as follows:

| <i>(In millions of won)</i> | For the three-month periods ended June 30 | | For the six-month periods ended June 30 | |
|---|--|-------------|--|-------------|
| | 2018 | 2017 | 2018 | 2017 |
| Finance income | | | | |
| Interest income | ₩ 4,139 | 4,992 | 8,922 | 11,030 |
| Dividend income | | | 95,553 | 8,639 |
| Foreign currency gain | 603 | 15,658 | 5,410 | 68,405 |
| Gain on disposal of investments | | | | 4,203 |
| Gain on transaction of derivatives | 77 | 3,106 | 113 | 3,106 |
| Gain on valuation of derivatives | | 50 | | 255 |
| Other | 965 | | 1,481 | |
| | ₩ 5,784 | 23,806 | 111,479 | 95,638 |
| Finance costs | | | | |
| Interest expense | ₩ 9,924 | 12,445 | 20,911 | 28,367 |
| Foreign currency loss | 32,008 | 25,255 | 36,974 | 7,262 |
| Loss on disposal of investments | | 23,281 | | 22,401 |
| Loss on impairment of investments | | 5,504 | | 5,504 |
| Loss on sale of trade accounts and notes receivable | 68 | 25 | 68 | 25 |
| Loss on impairment of available-for-sale financial assets | | 1,298 | | 1,298 |
| Loss on transaction of derivatives | 5 | 110 | 43 | 211 |
| Loss on valuation of derivatives | 259 | 593 | 501 | |
| Other | 937 | 537 | 1,614 | 887 |
| | ₩ 43,201 | 69,048 | 60,111 | 65,955 |

Table of Contents22. Income Taxes

- (a) Details of income tax expense (benefit) for the three-month and six-month periods ended June 30, 2018 and 2017 are as follows:

| <i>(In millions of won)</i> | For the three-month periods ended June 30 | | For the six-month periods ended June 30 | |
|-------------------------------|--|----------|---|----------|
| | 2018 | 2017 | 2018 | 2017 |
| Current tax expense (benefit) | ₩ 1,112 | 133,672 | (8,192) | 229,777 |
| Deferred tax benefit | (59,078) | (63,255) | (129,657) | (24,926) |
| Income tax expense (benefit) | ₩ (57,966) | 70,417 | (137,849) | 204,851 |

- (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 June 30, 2018 and December 31, 2017 are attributable to the following:

| <i>(In millions of won)</i> | Assets | | Liabilities | | Total | |
|--|------------------|----------------------|------------------|----------------------|------------------|----------------------|
| | June 30, 2018 | December 31, 2017 | June 30, 2018 | December 31, 2017 | June 30, 2018 | December 31, 2017 |
| Other accounts receivable, net | ₩ | | (508) | (1,378) | (508) | (1,378) |
| Inventories, net | 32,710 | 30,688 | | | 32,710 | 30,688 |
| Defined benefit liabilities, net | 33,311 | 2,375 | | | 33,311 | 2,375 |
| Accrued expenses | 135,830 | 179,112 | | | 135,830 | 179,112 |
| Property, plant and equipment | 200,209 | 206,900 | | | 200,209 | 206,900 |
| Intangible assets | 821 | 1,249 | | | 821 | 1,249 |
| Provisions | 25,132 | 27,018 | | | 25,132 | 27,018 |
| Gain or loss on foreign currency translation, net | 13 | 13 | | | 13 | 13 |
| Others | 10,893 | 12,345 | | | 10,893 | 12,345 |
| Tax loss carryforwards | 167,357 | | | | 167,357 | |
| Tax credit carryforwards | 254,763 | 268,926 | | | 254,763 | 268,926 |
| Deferred tax assets (liabilities) | ₩ 861,039 | 728,626 | (508) | (1,378) | 860,531 | 727,248 |

Statutory tax rate applicable to the Company was 24.2% for the year ended December 31, 2017. During the year-ended December 31, 2017, certain amendments to corporate income tax rules in the Republic of Korea were enacted and effective on January 1, 2018 that resulted in application of 27.5% for taxable income in excess of

₩300,000 million. Deferred taxes as of June 30, 2018 and December 31, 2017 have been measured using the applicable tax rates from the amendment.

Meanwhile, effective tax rate for the six-month period ended June 30, 2018 differs from statutory tax rate primarily due to change of the probability of utilizing deferred tax assets including tax credit carryforwards.

Table of Contents23. Earnings (Loss) Per Share

- (a) Basic earnings (loss) per share for the three-month and six-month periods ended June 30, 2018 and 2017 are as follows:

| <i>(In won and number of shares)</i> | For the three-month periods ended June 30 | | For the six-month periods ended June 30 | |
|--|--|-----------------|--|-----------------|
| | 2018 | 2017 | 2018 | 2017 |
| Profit (loss) for the period | ₩ (417,238,094,408) | 477,855,702,905 | (497,602,540,739) | 991,967,435,457 |
| Weighted-average number of common stocks outstanding | 357,815,700 | 357,815,700 | 357,815,700 | 357,815,700 |
| Earnings (loss) per share | ₩ (1,166) | 1,335 | (1,391) | 2,772 |

For the three-month and six-month periods ended June 30, 2018 and 2017, 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 three-month and six-month periods ended June 30, 2018 and 2017 are not calculated since there was no potential common stock.

Table of Contents**24. Financial Risk Management**

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

(a) Market risk

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

(i) Currency risk

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

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

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

i) Exposure to currency risk

The Company's exposure to foreign currency risk based on notional amounts as of June 30, 2018 and December 31, 2017 is as follows:

| <i>(In millions)</i> | June 30, 2018 | | | | |
|-------------------------------------|----------------------|-----------------|--------------|------------|------------|
| | USD | JPY | CNY | PLN | EUR |
| Cash and cash equivalents | 217 | 193 | | 2 | |
| Trade accounts and notes receivable | 2,844 | 2,400 | | | |
| Non-trade receivable | 81 | 812 | 3,358 | | |
| Trade accounts and notes payable | (1,647) | (12,067) | | | |
| Other accounts payable | (124) | (9,721) | (443) | (10) | (2) |
| Borrowings | (705) | | | | |
| Net exposure | 666 | (18,383) | 2,915 | (8) | (2) |

Table of Contents24. Financial Risk Management, Continued

| <i>(In millions)</i> | December 31, 2017 | | | | |
|-------------------------------------|--------------------------|-----------------|------------|------------|------------|
| | USD | JPY | CNY | PLN | EUR |
| Cash and cash equivalents | 482 | 77 | | 2 | |
| Trade accounts and notes receivable | 3,840 | 1,960 | | | |
| Non-trade receivable | 73 | 1,674 | 1,085 | | 9 |
| Trade accounts and notes payable | (1,337) | (13,659) | | | |
| Other accounts payable | (170) | (12,582) | (1,059) | (10) | (2) |
| Borrowings | (705) | | | | |
| Net exposure | 2,183 | (22,530) | 26 | (8) | 7 |

Average exchange rates applied for the six-month periods ended June 30, 2018 and 2017 and the exchange rates at June 30, 2018 and December 31, 2017 are as follows:

| <i>(In won)</i> | Average rate | | Reporting date spot rate | |
|-----------------|---------------------|-------------|---------------------------------|--------------------------|
| | 2018 | 2017 | June 30, 2018 | December 31, 2017 |
| USD | ₩ 1,075.44 | 1,141.76 | 1,121.70 | 1,071.40 |
| JPY | 9.89 | 10.16 | 10.15 | 9.49 |
| CNY | 168.98 | 166.41 | 169.41 | 163.65 |
| PLN | 308.55 | 289.34 | 297.32 | 306.07 |
| EUR | 1,301.51 | 1,235.32 | 1,297.02 | 1,279.25 |

Table of Contents24. Financial Risk Management, Continued

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 June 30, 2018 and December 31, 2017, would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considers to be reasonably possible as of the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, would remain constant. The changes in equity and profit or loss would have been as follows:

| <i>(In millions of won)</i> | June 30, 2018 | | December 31, 2017 | |
|-----------------------------|----------------------|-----------------------|--------------------------|-----------------------|
| | Equity | Profit or loss | Equity | Profit or loss |
| USD (5 percent weakening) | ₩ 27,081 | 27,081 | 88,643 | 88,643 |
| JPY (5 percent weakening) | (6,762) | (6,762) | (8,104) | (8,104) |
| CNY (5 percent weakening) | 17,901 | 17,901 | 161 | 161 |
| PLN (5 percent weakening) | (86) | (86) | (93) | (93) |
| EUR (5 percent weakening) | (94) | (94) | 339 | 339 |

A stronger won against the above currencies as of June 30, 2018 and December 31, 2017 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 Contents24. Financial Risk Management, Continued

(ii) Interest rate risk

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

i) Profile

The interest rate profile of the Company's interest-bearing financial instruments as of June 30, 2018 and December 31, 2017 is as follows:

| <i>(In millions of won)</i> | June 30, 2018 | December 31, 2017 |
|----------------------------------|--------------------------|--------------------------|
| Fixed rate instruments | | |
| Financial assets | ₩ 824,919 | 1,147,340 |
| Financial liabilities | (4,301,616) | (2,962,671) |
| | ₩(3,476,697) | (1,815,331) |
| Variable rate instruments | | |
| Financial liabilities | ₩(1,290,799) | (1,255,350) |

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

As of June 30, 2018 and December 31, 2017, 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> | Equity | | Profit or loss | |
|------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | 1%p increase | 1%p decrease | 1%p increase | 1%p decrease |
| June 30, 2018 | | | | |
| Variable rate instruments(*) | ₩(6,821) | 6,821 | (6,821) | 6,821 |
| December 31, 2017 | | | | |
| Variable rate instruments(*) | ₩(6,863) | 6,863 | (6,863) | 6,863 |

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

Table of Contents24. Financial Risk Management, Continued

(b) Credit risk

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

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

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

In relation to the impairment of financial assets, the Company recognizes expected credit loss and its changes at each reporting date subsequent to initial recognition of financial asset according to an expected credit loss impairment model.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as of June 30, 2018 and December 31, 2017 are as follows:

i) As of June 30, 2018

| <i>(In millions of won)</i> | June 30, 2018 |
|--|----------------------|
| Financial assets carried at amortized cost | |
| Cash and cash equivalents | ₩ 547,561 |
| Deposits in banks | 277,211 |
| Trade accounts and notes receivable | 3,563,489 |
| Non-trade receivable | 699,824 |
| Accrued income | 4,593 |
| Deposits | 13,687 |
| Short-term loans | 9,759 |
| Long-term loans | 43,967 |
| Long-term non-trade receivable | 17,734 |
| | ₩ 5,177,825 |
| Financial assets at fair value through profit or loss | |
| Convertible bonds | ₩ 1,552 |
| Derivatives | 341 |
| | ₩ 1,893 |

**Financial assets at fair value through other
comprehensive income**

| | | |
|-----------------|---|-----|
| Debt instrument | ₩ | 158 |
|-----------------|---|-----|

₩ 5,179,876

Table of Contents24. Financial Risk Management, Continued

ii) As of December 31, 2017

| <i>(In millions of won)</i> | December 31, 2017 |
|---|--------------------------|
| Cash and cash equivalents | ₩ 566,408 |
| Deposits in banks | 580,781 |
| Trade accounts and notes receivable | 4,673,570 |
| Non-trade receivable | 678,454 |
| Accrued income | 8,655 |
| Available-for-sale financial assets | 162 |
| Financial assets at fair value through profit or loss | 1,552 |
| Deposits | 13,638 |
| Short-term loans | 13,493 |
| Long-term loans | 30,772 |
| Long-term non-trade receivable | 15,115 |
| Derivatives | 842 |
| | ₩ 6,583,442 |

In addition to the financial assets above, as of June 30, 2018, the Company provides a payment guarantee of USD 1,195 million (₩1,340,432 million), for its subsidiary.

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 Contents24. Financial Risk Management, Continued

(c) Liquidity risk

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

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

The following are the contractual maturities of financial liabilities, including estimated interest payments, as of June 30, 2018.

| <i>(In millions of won)</i> | Carrying amount | Total | Contractual cash flows | | | | |
|---|-----------------|------------|------------------------|-------------|-----------|-----------|-------------------|
| | | | 6 months or less | 6-12 months | 1-2 years | 2-5 years | More than 5 years |
| Non-derivative financial liabilities | | | | | | | |
| Unsecured bank borrowings | ₩ 3,472,383 | 3,641,197 | 598,077 | 820,430 | 342,202 | 1,861,550 | 18,938 |
| Unsecured bond issues | 2,120,032 | 2,305,514 | 142,383 | 285,239 | 600,283 | 1,135,296 | 142,313 |
| Trade accounts and notes payable | 3,099,418 | 3,099,418 | 3,099,418 | | | | |
| Other accounts payable | 2,281,510 | 2,281,510 | 2,281,510 | | | | |
| Payment guarantee(*) | 21,614 | 1,530,272 | 30,798 | 38,893 | 77,489 | 989,552 | 393,540 |
| Security deposits | 6,684 | 6,684 | 1,020 | | 5,664 | | |
| | ₩ 11,001,641 | 12,864,595 | 6,153,206 | 1,144,562 | 1,025,638 | 3,986,398 | 554,791 |

(*) Contractual cash flows of payment guarantee is identical to timing of principal payment and represent the maximum amount that the Company could be required to pay the guarantee amount.

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

Table of Contents24. Financial Risk Management, Continued

(d) 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.

| <i>(In millions of won)</i> | June 30, 2018 | December 31, 2017 |
|-------------------------------------|--------------------------|--------------------------|
| Total liabilities | ₩ 13,797,190 | 11,580,156 |
| Total equity | 13,144,982 | 13,829,259 |
| Cash and deposits in banks (*1) | 824,761 | 1,147,178 |
| Borrowings (including bonds) | 5,592,415 | 4,218,021 |
| Total liabilities to equity ratio | 105% | 84% |
| Net borrowings to equity ratio (*2) | 36% | 22% |

(*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.

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24. Financial Risk Management, Continued

(e) Determination of fair value

(i) Measurement of fair value

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

i) Current Assets and Liabilities

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

ii) Trade Receivables and Other Receivables

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

iii) Investments in Equity and Debt Instruments

The fair value of marketable financial assets at fair value through profit or loss and at fair value through other comprehensive income is determined by reference to their quoted closing bid price at the reporting date. The fair value of non-marketable instruments is determined using valuation methods.

iv) Non-derivative Financial Liabilities

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

Table of Contents24. Financial Risk Management, Continued

(ii) 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 as of June 30, 2018 and December 31, 2017 are as follows:

i) As of June 30, 2018

| <i>(In millions of won)</i> | June 30, 2018 | |
|--|-------------------------|--------------------|
| | Carrying amounts | Fair Values |
| Financial assets carried at amortized cost | | |
| Cash and cash equivalents | ₩ 547,561 | (*) |
| Deposits in banks | 277,211 | (*) |
| Trade accounts and notes receivable | 3,563,489 | (*) |
| Non-trade receivable | 699,824 | (*) |
| Accrued income | 4,593 | (*) |
| Deposits | 13,687 | (*) |
| Short-term loans | 9,759 | (*) |
| Long-term loans | 43,967 | (*) |
| Long-term non-trade receivable | 17,734 | (*) |
| Financial assets at fair value through profit or loss | | |
| Equity instrument | ₩ 2,982 | 2,982 |
| Convertible bonds | 1,552 | 1,552 |
| Derivatives | 341 | 341 |
| Financial assets at fair value through other comprehensive income | | |
| Debt instrument | ₩ 158 | 158 |
| Liabilities carried at amortized cost | | |
| Unsecured bank borrowings | 3,472,383 | 3,498,679 |
| Unsecured bond issues | 2,120,032 | 2,141,129 |
| Trade accounts and notes payable | 3,099,418 | (*) |
| Other accounts payable | 2,281,510 | 2,281,558 |
| Long-term other accounts payable | 21,614 | (*) |
| Security deposits | 6,684 | (*) |

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

Table of Contents24. Financial Risk Management, Continued

ii) As of December 31, 2017

| <i>(In millions of won)</i> | December 31, 2017 | |
|--|--------------------------|--------------------|
| | Carrying amounts | Fair Values |
| Assets carried at fair value | | |
| Available-for-sale financial assets | ₩ 162 | 162 |
| Financial asset at fair value through profit or loss | 1,552 | 1,552 |
| Derivatives | 842 | 842 |
| Assets carried at amortized cost | | |
| Cash and cash equivalents | ₩ 566,408 | (*) |
| Deposits in banks | 580,781 | (*) |
| Trade accounts and notes receivable | 4,673,570 | (*) |
| Non-trade receivable | 678,454 | (*) |
| Accrued income | 8,655 | (*) |
| Deposits | 13,638 | (*) |
| Short-term loans | 13,493 | (*) |
| Long-term loans | 30,772 | (*) |
| Long-term non-trade receivable | 15,115 | (*) |
| Liabilities carried at amortized cost | | |
| Unsecured bank borrowings | ₩ 2,207,259 | 2,212,474 |
| Unsecured bond issues | 2,010,762 | 2,016,086 |
| Trade accounts and notes payable | 2,391,493 | (*) |
| Other accounts payable | 2,701,823 | 2,702,033 |
| Payment guarantee liabilities | 8,127 | (*) |

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

Table of Contents24. Financial Risk Management, Continued

(iii) Fair values of financial assets and liabilities

i) Fair value hierarchy

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

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

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

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

ii) Financial instruments measured at fair value

Fair value hierarchy classifications of the financial instruments that are measured at fair value as of June 30, 2018 and December 31, 2017 are as follows:

| <i>(In millions of won)</i> | Level 1 | Level 2 | Level 3 | Total |
|---|----------------|----------------|----------------|--------------|
| June 30, 2018 | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Equity instrument | ₩ | | 2,982 | 2,982 |
| Convertible bonds | | | 1,552 | 1,552 |
| Derivatives | | | 341 | 341 |
| Financial asset at fair value through other comprehensive income | | | | |
| Debt instrument | 158 | | | 158 |
| <i>(In millions of won)</i> | Level 1 | Level 2 | Level 3 | Total |
| December 31, 2017 | | | | |
| Available-for-sale financial assets | ₩ 162 | | | 162 |
| Financial assets at fair value through profit or loss | | | 1,552 | 1,552 |
| Derivatives | | | 842 | 842 |

Table of Contents24. Financial Risk Management, 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 June 30, 2018 and December 31, 2017 are as follows:

| <i>(In millions of won)</i> Classification | June 30, 2018 | | | Valuation technique | Input |
|---|---------------|---------|-----------|----------------------|---------------|
| | Level 1 | Level 2 | Level 3 | | |
| Liabilities | | | | | |
| Unsecured bank borrowings | | | | Discounted cash flow | Discount rate |
| | ₩ | | 3,498,679 | | |
| Unsecured bond issues | | | | Discounted cash flow | Discount rate |
| | | | 2,141,129 | | |
| Other accounts payable | | | | Discounted cash flow | Discount rate |
| | | | 2,281,558 | | |

| <i>(In millions of won)</i> Classification | December 31, 2017 | | | Valuation technique | Input |
|---|-------------------|---------|-----------|----------------------|---------------|
| | Level 1 | Level 2 | Level 3 | | |
| Liabilities | | | | | |
| Unsecured bank borrowings | | | | Discounted cash flow | Discount rate |
| | ₩ | | 2,212,474 | | |
| Unsecured bond issues | | | | Discounted cash flow | Discount rate |
| | | | 2,016,086 | | |
| Other accounts payable | | | | Discounted cash flow | Discount rate |
| | | | 2,702,033 | | |

iv) The interest rates applied for determination of the above fair value as of June 30, 2018 and December 31, 2017 are as follows:

| | June 30, 2018 | December 31, 2017 |
|------------------------------|---------------|-------------------|
| Borrowings, bonds and others | 1.55~3.83% | 1.57~2.92% |

Table of Contents25. Changes in liabilities arising from financing activities

Changes in liabilities arising from financing activities for the six-month period ended June 30, 2018 are as follows:

| <i>(In millions of won)</i> | January 1, 2018 | Cash flows from financing activities | Reclassification | Non-cash transactions Gain or loss on Effective foreign currency interest translation adjustment Others | | | June 30, 2018 |
|---|----------------------------|---|-------------------------|--|--------------|---------------|--------------------------|
| Current portion of long-term borrowings and bonds | ₩ 1,058,985 | (390,339) | 1,043,931 | 29,929 | 264 | | 1,742,770 |
| Payment Guarantee | 8,127 | 797 | | | | 12,690 | 21,614 |
| Long-term borrowings | 1,653,033 | 1,230,000 | (784,246) | 5,533 | | | 2,104,320 |
| Bonds | 1,506,003 | 498,170 | (259,685) | | 837 | | 1,745,325 |
| | ₩ 4,226,148 | 1,338,628 | | 35,462 | 1,101 | 12,690 | 5,614,029 |

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26. Related Parties and Others

(a) Related parties

Related parties as of June 30, 2018 are as follows:

| Classification | Description |
|--|--|
| Subsidiaries(*) | LG Display America, Inc. and others |
| Associates(*) | Paju Electric Glass Co., Ltd. and others |
| Subsidiaries of Associates | AVATEC Electronics Yantai 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 8.

Table of Contents26. Related Parties and Others, Continued

- (b) 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 six-month periods ended June 30, 2018 and 2017 are as follows:

| <i>(In millions of won)</i> | For the three-month period ended June 30, 2018 | | | | | |
|--|---|----------------------------|-----------------------|---|-----------------------------|------------------------|
| | Sales and others | Dividend income | and others | and acquisition of property, plant and equipment | Outsourcing fees | Other costs |
| Subsidiaries | | | | | | |
| LG Display America, Inc. | ₩ 1,810,086 | | | | | 1 |
| LG Display Japan Co., Ltd. | 556,822 | | | | | 1 |
| LG Display Germany GmbH | 400,805 | | | | | 489 |
| LG Display Taiwan Co., Ltd. | 322,871 | | | | | 179 |
| LG Display Nanjing Co., Ltd. | 5,295 | | 1,484 | | 381,049 | 6,838 |
| LG Display Shanghai Co., Ltd. | 218,961 | | | | | 33 |
| LG Display Poland Sp. z o.o. | 63 | | | | 8,930 | 4 |
| LG Display Guangzhou Co., Ltd. | 17,499 | | 3,298 | | 513,406 | 3,680 |
| LG Display Shenzhen Co., Ltd. | 367,312 | | | | | 4 |
| LG Display Yantai Co., Ltd. | 6,671 | | 3,122 | | 375,578 | 3,029 |
| LG Display (China) Co., Ltd. | 328 | | 316,418 | | | 318 |
| LG Display Singapore Pte. Ltd. | 240,695 | | | | | 6 |
| L&T Display Technology (Fujian) Limited | 104,586 | | | | | 31 |
| Nanumnuri Co., Ltd. | 44 | | | | | 5,048 |
| Global OLED Technology LLC | | | | | | 1,508 |
| LG Display Guangzhou Trading Co., Ltd. | 143,880 | | | | | |
| LG Display Vietnam Haiphong Co., Ltd. | 770 | | 6,690 | | 173,813 | 548 |
| Suzhou Lehui Display Co., Ltd. | 42,240 | | | | | |
| | ₩ 4,238,928 | | 331,012 | | 1,452,776 | 21,717 |

Table of Contents26. Related Parties and Others, Continued

| <i>(In millions of won)</i> | For the three-month period ended June 30, 2018 | | | | | | |
|---|---|------------------------|---|---|----------------------------|-------------------------|--------------------|
| | Sales and others | Dividend income | Purchase of raw materials and others | Acquisition of property, plant and equipment | Purchase and others | Outsourcing fees | Other costs |
| Associates and their subsidiaries | | | | | | | |
| WooRee E&L Co., Ltd. | ₩ | | 34 | | | | 39 |
| INVENIA Co., Ltd. | | | 499 | 13,838 | | | 184 |
| AVATEC Co., Ltd. | | | | | 17,306 | | 104 |
| Paju Electric Glass Co., Ltd. | | | 91,301 | | | | 923 |
| LB Gemini New Growth Fund No.16 | | | | | | | |
| YAS Co., Ltd. | | | 1,421 | 5,135 | | | 722 |
| | ₩ | | 93,255 | 18,973 | 17,306 | | 1,972 |
| Entity that has significant influence over the Company | | | | | | | |
| LG Electronics Inc. | ₩ | 335,012 | 11,394 | 153,463 | | | 30,341 |
| Subsidiaries of the entity that has significant influence over the Company | | | | | | | |
| LG Electronics India Pvt. Ltd. | ₩ | 15,419 | | | | | 13 |
| LG Electronics Vietnam Haiphong Co., Ltd. | | 37,248 | | | | | 3 |
| LG Electronics Reynosa S.A. DE C.V. | | 12,657 | | | | | 398 |
| LG Electronics Almaty Kazakhstan | | 782 | | | | | 13 |
| LG Electronics S.A. (Pty) Ltd | | 2,038 | | | | | 4 |
| LG Electronics Mexicali S.A.DE C.V. | | 220 | | | | | 11 |
| LG Electronics RUS, LLC | | 1,559 | | | | | 779 |

Table of Contents26. Related Parties and Others, Continued

| <i>(In millions of won)</i> | For the three-month period ended June 30, 2018 | | | | | |
|---|--|--------------------|---------------|---|---|-------------|
| | Sales and others | Dividend income | and others | Purchase of raw material and equipment | Acquisition of property, plant and Outsourcing fees | Other costs |
| Subsidiaries of the entity that has significant influence over the Company | | | | | | |
| LG Electronics Egypt S.A.E. | ₩ 14,881 | | | | | 16 |
| LG Innotek Co., Ltd. | 10,098 | | 30,506 | | | 16,970 |
| LG Hitachi Water Solutions Co., Ltd. | | | | 79,142 | | 5,770 |
| Inspur LG Digital Mobile Communications Co., Ltd. | 24,440 | | | | | |
| Qingdao LG Inspur Digital Communication Co., Ltd. | 12,430 | | | | | |
| HiEntech Co., Ltd. | | | | | | 6,931 |
| Others | 1,005 | | 9 | | | 2,116 |
| | ₩ 132,777 | | 30,515 | 79,142 | | 33,024 |
| | ₩ 4,706,717 | | 466,176 | 251,578 | 1,470,082 | 87,054 |

Table of Contents26. Related Parties and Others, Continued

| <i>(In millions of won)</i> | For the six-month period ended June 30, 2018 | | | | | |
|---|---|------------------------|-------------------|--|-----------------------------|--------------------|
| | Sales and others | Dividend income | and others | Purchase and acquisition of raw materials and equipment | and Outsourcing fees | Other costs |
| Subsidiaries | | | | | | |
| LG Display America, Inc. | ₩ 3,958,533 | | | | | 1 |
| LG Display Japan Co., Ltd. | 993,506 | | | | | 2,152 |
| LG Display Germany GmbH | 825,961 | | | | | 818 |
| LG Display Taiwan Co., Ltd. | 664,083 | | | | | 350 |
| LG Display Nanjing Co., Ltd. | 10,160 | | 1,752 | | 643,337 | 8,223 |
| LG Display Shanghai Co., Ltd. | 442,481 | | | | | 43 |
| LG Display Poland Sp. z o.o. | 204 | | | | 18,519 | 6 |
| LG Display Guangzhou Co., Ltd. | 22,948 | | 5,877 | | 955,037 | 7,148 |
| LG Display Shenzhen Co., Ltd. | 755,588 | | | | | 4 |
| LG Display Yantai Co., Ltd. | 14,330 | | 8,602 | | 771,523 | 8,572 |
| LG Display (China) Co., Ltd. | 328 | 90,281 | 675,639 | | | 742 |
| LG Display Singapore Pte. Ltd. | 434,959 | | | | | 19 |
| L&T Display Technology (Fujian) Limited | 186,603 | | | | 8 | 36 |
| Nanumnuri Co., Ltd. | 89 | | | | | 11,171 |
| Global OLED Technology LLC | | | | | | 3,002 |
| LG Display Guangzhou Trading Co., Ltd. | 233,400 | | | | | |
| LG Display Vietnam Haiphong Co., Ltd. | 36,510 | | 10,855 | | 285,482 | 617 |
| Suzhou Lehui Display Co., Ltd. | 77,963 | | | | | |
| | ₩ 8,657,646 | 90,281 | 702,725 | | 2,673,906 | 42,904 |

Table of Contents26. Related Parties and Others, Continued

| <i>(In millions of won)</i> | For the six-month period ended June 30, 2018 | | | | | |
|---|---|------------------------|---|---|-------------------------|--------------------|
| | Sales and others | Dividend income | Purchase of raw materials and others | Acquisition of property, plant and equipment | Outsourcing fees | Other costs |
| Associates and their subsidiaries | | | | | | |
| WooRee E&L Co., Ltd. | ₩ | | 34 | | | 86 |
| INVENIA Co., Ltd. | | 30 | 769 | 21,587 | | 256 |
| AVATEC Co., Ltd. | | 530 | | | 35,079 | 223 |
| Paju Electric Glass Co., Ltd. | | 4,172 | 183,798 | | | 1,843 |
| LB Gemini New Growth Fund No.16 | | 540 | | | | |
| YAS Co., Ltd. | | | 2,181 | 17,552 | | 1,516 |
| | ₩ | 5,272 | 186,782 | 39,139 | 35,079 | 3,924 |
| Entity that has significant influence over the Company | | | | | | |
| LG Electronics Inc. | ₩ | 696,056 | 21,580 | 305,953 | | 47,807 |
| Subsidiaries of the entity that has significant influence over the Company | | | | | | |
| LG Electronics India Pvt. Ltd. | ₩ | 23,774 | | | | 26 |
| LG Electronics Vietnam Haiphong Co., Ltd. | | 70,236 | | | | 5 |
| LG Electronics Reynosa S.A. DE C.V. | | 17,500 | | | | 1,296 |
| LG Electronics Almaty Kazakhstan | | 3,207 | | | | 21 |
| LG Electronics S.A. (Pty) Ltd | | 4,435 | | | | 6 |
| LG Electronics Mexicali S.A.DE C.V. | | 1,501 | | | | 65 |
| LG Electronics RUS, LLC | | 2,162 | | | | 1,099 |

Table of Contents26. Related Parties and Others, Continued

| <i>(In millions of won)</i> | For the six-month period ended June 30, 2018 | | | | | |
|---|--|--------------------|--|---|--|-------------|
| | Sales and others | Dividend income | Purchase of raw material and others | Acquisition of property, plant and equipment | Purchase and others Outsourcing fees | Other costs |
| Subsidiaries of the entity that has significant influence over the Company | | | | | | |
| LG Electronics Egypt S.A.E. | ₩ 14,881 | | | | | 16 |
| LG Innotek Co., Ltd. | 17,048 | | 65,132 | | | 28,052 |
| LG Hitachi Water Solutions Co., Ltd. | | | | 196,956 | | 6,261 |
| Inspur LG Digital Mobile Communications Co., Ltd. | 36,617 | | | | | |
| Qingdao LG Inspur Digital Communication Co., Ltd. | 20,086 | | | | | |
| HiEntech Co., Ltd. | | | | | | 14,866 |
| Others | 1,735 | | 9 | | | 4,029 |
| | ₩ 213,182 | | 65,141 | 196,956 | | 55,742 |
| | ₩ 9,566,884 | 95,553 | 976,228 | 542,048 | 2,708,985 | 150,377 |

Table of Contents26. Related Parties and Others, Continued

For the three-month period ended June 30, 2017

| <i>(In millions of won)</i> | Purchase and others | | | | | |
|--|---------------------|--------------------|---------------|--|---------------------|-------------|
| | Sales and others | Dividend income | and others | and acquisition of raw material property, plant and equipment | Outsourcing fees | Other costs |
| Subsidiaries | | | | | | |
| LG Display America, Inc. | ₩2,265,818 | | | | | 7 |
| LG Display Japan Co., Ltd. | 712,104 | | | | | 28 |
| LG Display Germany GmbH | 404,193 | | | | | |
| LG Display Taiwan Co., Ltd. | 446,068 | | | | | 99 |
| LG Display Nanjing Co., Ltd. | 7,413 | | | | 132,190 | |
| LG Display Shanghai Co., Ltd. | 352,300 | | | | | 133 |
| LG Display Poland Sp. z o.o. | 77 | | | | 8,978 | 2 |
| LG Display Guangzhou Co., Ltd. | 6,315 | | 1,893 | | 559,293 | 2,285 |
| LG Display Shenzhen Co., Ltd. | 444,723 | | | | | |
| LG Display Yantai Co., Ltd. | 10,771 | | 4,687 | | 392,785 | 4,563 |
| LG Display (China) Co., Ltd. | 204 | | 408,576 | | | |
| LG Display Singapore Pte LTD. | 249,235 | | | | | 643 |
| L&T Display Technology (Fujian) Limited | 131,869 | | 3 | | | 470 |
| Nanumnuri Co., Ltd. | 24 | | | | | 4,282 |
| Global OLED Technology LLC | | | | | | 1,500 |
| LG Display Guangzhou Trading Co., Ltd. | 192,044 | | | | | 180 |
| LG Display Vietnam Haiphong Co., Ltd. | 2,206 | | | | | |
| Suzhou Lehui Display Co., Ltd. | 59,068 | | | | | |
| | ₩5,284,432 | | 415,159 | | 1,093,246 | 14,192 |

Table of Contents**26. Related Parties and Others, Continued**

| <i>(In millions of won)</i> | For the three-month period ended June 30, 2017 | | | | | |
|---|--|-----------------|--------------------------------------|--|--------------------------------------|-------------|
| | Sales and others | Dividend income | Purchase of raw materials and others | Acquisition of property, plant and equipment | Purchase and others Outsourcing fees | Other costs |
| Associates and their subsidiaries | | | | | | |
| New Optics Ltd.(*) | ₩ | | | | | |
| WooRee E&L Co., Ltd. | | | | | | 12 |
| INVENIA Co., Ltd. | 10 | | 159 | 16,148 | | 37 |
| AVATEC Co., Ltd. | | | | | 21,398 | 247 |
| Paju Electric Glass Co., Ltd. | | | 96,031 | | | 1,096 |
| Narenanotech Corporation(*) | | | 53 | 1,798 | | 8 |
| YAS Co., Ltd. | | | 900 | 25,070 | | 1,090 |
| | ₩ | 10 | 97,143 | 43,016 | 21,398 | 2,490 |
| Entity that has significant influence over the Company | | | | | | |
| LG Electronics Inc. | ₩ | 374,859 | 8,910 | 182,690 | | 23,799 |
| Subsidiaries of the entity that has significant influence over the Company | | | | | | |
| LG Electronics India Pvt. Ltd. | ₩ | 15,943 | | | | 24 |
| LG Electronics Vietnam Haiphong Co., Ltd. | | 46,767 | | | | 87 |
| LG Electronics Reynosa S.A. DE C.V. | | 5,197 | | | | 515 |
| LG Electronics Almaty Kazakhstan | | 3,236 | | | | 12 |
| LG Electronics S.A. (Pty) Ltd. | | 4,351 | | | | 11 |
| LG Electronics Mexicali S.A.DE C.V. | | 2,853 | | | | 18 |
| LG Electronics RUS, LLC | | 1,746 | | | | 165 |

Table of Contents26. Related Parties and Others, Continued

| <i>(In millions of won)</i> | For the three-month period ended June 30, 2017 | | | | | |
|---|---|------------------------|---|---|-------------------------|--------------------|
| | Sales and others | Dividend income | Purchase of raw materials and others | Acquisition of property, plant and equipment | Outsourcing fees | Other costs |
| Subsidiaries of the entity that has significant influence over the Company | | | | | | |
| LG Innotek Co., Ltd. | ₩ 2,239 | | 46,953 | | | 675 |
| LG Hitachi Water Solutions Co., Ltd. | | | | 46,094 | | |
| Inspur LG Digital Mobile Communications Co., Ltd. | 28,421 | | | | | |
| Qingdao LG Inspur Digital Communication Co., Ltd. | 18,622 | | | | | |
| Hi Entech Co., Ltd. | | | | | | 6,398 |
| Others | 500 | | | | | 1,515 |
| | ₩ 129,875 | | 46,953 | 46,094 | | 9,420 |
| | ₩ 5,789,176 | | 568,165 | 271,800 | 1,114,644 | 49,901 |

Table of Contents26. Related Parties and Others, Continued

| <i>(In millions of won)</i> | For the six-month period ended June 30, 2017 | | | | | |
|--|---|----------------------------|-----------------------|--|-----------------------------|--------------------|
| | Sales and others | Dividend income | and others | and acquisition of raw material property, plant and equipment | Outsourcing fees | Other costs |
| Subsidiaries | | | | | | |
| LG Display America, Inc. | ₩ 5,037,675 | | | | | 7 |
| LG Display Japan Co., Ltd. | 1,276,165 | | | | | 40 |
| LG Display Germany GmbH | 925,482 | | | | | 6,313 |
| LG Display Taiwan Co., Ltd. | 856,116 | | | | | 450 |
| LG Display Nanjing Co., Ltd. | 10,922 | | | | 248,853 | |
| LG Display Shanghai Co., Ltd. | 687,535 | | | | | 158 |
| LG Display Poland Sp. z o.o. | 1,823 | | | | 17,386 | 33 |
| LG Display Guangzhou Co., Ltd. | 24,751 | | 3,724 | | 1,158,746 | 5,088 |
| LG Display Shenzhen Co., Ltd. | 872,707 | | | | | 1 |
| LG Display Yantai Co., Ltd. | 17,063 | | 9,281 | | 921,441 | 13,662 |
| LG Display (China) Co., Ltd. | 12,027 | | 624,682 | | | |
| LG Display Singapore Pte LTD. | 542,647 | | | | | 646 |
| L&T Display Technology (Fujian) Limited | 235,068 | | 15 | | | 765 |
| Nanumnuri Co., Ltd. | 48 | | | | | 8,902 |
| Global OLED Technology LLC | | | | | | 2,977 |
| LG Display Guangzhou Trading Co., Ltd. | 332,199 | | | | | 180 |
| LG Display Vietnam Haiphong Co., Ltd. | 2,318 | | | | | |
| Suzhou Lehui Display Co., Ltd. | 110,282 | | | | | |
| | ₩ 10,944,828 | | 637,702 | | 2,346,426 | 39,222 |

Table of Contents26. Related Parties and Others, Continued

| <i>(In millions of won)</i> | For the six-month period ended June 30, 2017 | | | | | |
|---|--|--------------------|---------------|--|--|-------------|
| | Sales and others | Dividend income | and others | Acquisition of raw material and equipment | Purchase and others property, plant and Outsourcing fees | Other costs |
| Associates and their subsidiaries | | | | | | |
| New Optics Ltd.(*) | ₩ 1 | | | | 4 | 6 |
| WooRee E&L Co., Ltd. | | | | | | 88 |
| INVENIA Co., Ltd. | 10 | | 613 | 18,906 | | 148 |
| AVATEC Co., Ltd. | | 530 | | | 41,214 | 498 |
| Paju Electric Glass Co., Ltd. | | 8,109 | 194,794 | | | 2,193 |
| Narenanotech Corporation(*) | | | 279 | 12,251 | | 177 |
| YAS Co., Ltd. | | | 1,729 | 44,278 | | 1,482 |
| | ₩ 11 | 8,639 | 197,415 | 75,435 | 41,218 | 4,592 |
| Entity that has significant influence over the Company | | | | | | |
| LG Electronics Inc. | ₩ 847,564 | | 15,956 | 369,036 | | 58,852 |
| Subsidiaries of the entity that has significant influence over the Company | | | | | | |
| LG Electronics India Pvt. Ltd. | ₩ 38,219 | | | | | 53 |
| LG Electronics Vietnam Haiphong Co., Ltd. | 99,723 | | | | | 124 |
| LG Electronics Reynosa S.A. DE C.V. | 41,998 | | | | | 840 |
| LG Electronics Almaty Kazakhstan | 7,279 | | | | | 12 |
| LG Electronics S.A. (Pty) Ltd. | 9,533 | | | | | 14 |
| LG Electronics Mexicali S.A.DE C.V. | 17,927 | | | | | 69 |
| LG Electronics RUS, LLC | 3,029 | | | | | 451 |

Table of Contents26. Related Parties and Others, Continued

| <i>(In millions of won)</i> | For the six-month period ended June 30, 2017 | | | | | |
|---|---|------------------------|---|---|-------------------------|--------------------|
| | Sales and others | Dividend income | Purchase of raw materials and others | Acquisition of property, plant and equipment | Outsourcing fees | Other costs |
| Subsidiaries of the entity that has significant influence over the Company | | | | | | |
| LG Innotek Co., Ltd. | ₩ 6,513 | | 88,071 | | | 3,818 |
| LG Hitachi Water Solutions Co., Ltd. | | | | 72,992 | | |
| Inspur LG Digital Mobile Communications Co., Ltd. | 67,965 | | | | | |
| Qingdao LG Inspur Digital Communication Co., Ltd. | 34,256 | | | | | |
| Hi Entech Co., Ltd. | | | | | | 13,380 |
| Others | 1,205 | | 3 | | | 3,228 |
| | ₩ 327,647 | | 88,074 | 72,992 | | 21,989 |
| | ₩ 12,120,050 | 8,639 | 939,147 | 517,463 | 2,387,644 | 124,655 |

(*) Represents transactions occurred prior to disposal of the entire investments.

Table of Contents26. Related Parties and Others, Continued

(c) Trade accounts and notes receivable and payable as of June 30, 2018 and December 31, 2017 are as follows:

| <i>(In millions of won)</i> | Trade accounts and notes receivable and others | | Trade accounts and notes payable and others | |
|--|---|--------------------------|--|--------------------------|
| | June 30, 2018 | December 31, 2017 | June 30, 2018 | December 31, 2017 |
| Subsidiaries | | | | |
| LG Display America, Inc. | ₩ 881,984 | 1,795,757 | | |
| LG Display Japan Co., Ltd. | 337,097 | 230,804 | | 2 |
| LG Display Germany GmbH | 395,005 | 497,677 | 2,931 | |
| LG Display Taiwan Co., Ltd. | 528,806 | 436,943 | 28 | 106 |
| LG Display Nanjing Co., Ltd. | 23,703 | 176 | 3,422 | 85,646 |
| LG Display Shanghai Co., Ltd. | 176,481 | 176,816 | | 74 |
| LG Display Poland Sp. z o.o. | 41 | 73 | 5,870 | 5,480 |
| LG Display Guangzhou Co., Ltd. | 363,346 | 345,212 | 207,773 | 189,996 |
| LG Display Guangzhou Trading Co., Ltd. | 132,701 | 88,876 | | |
| LG Display Shenzhen Co., Ltd. | 132,805 | 217,542 | | |
| LG Display Yantai Co., Ltd. | 127,260 | 123,059 | 166,855 | 30,397 |
| LG Display (China) Co., Ltd. | 85,468 | 55,309 | 353,800 | 150,933 |
| LG Display Singapore Pte. Ltd. | 129,074 | 187,420 | 6 | 1 |
| L&T Display Technology (Fujian) Limited | 71,356 | 57,545 | 192,555 | 177,487 |
| Nanumnuri Co., Ltd. | | | 1,843 | 2,453 |
| LG Display Vietnam Haiphong Co., Ltd. | 26,257 | 9,119 | 612,991 | 58,666 |
| Suzhou Lehui Display Co., Ltd. | 32,175 | 21,110 | 6,963 | 36,919 |
| | ₩ 3,443,559 | 4,243,438 | 1,555,037 | 738,160 |

Table of Contents26. Related Parties and Others, Continued

| <i>(In millions of won)</i> | Trade accounts and notes receivable and others | | Trade accounts and notes payable and others | |
|---|---|--------------------------|--|--------------------------|
| | June 30, 2018 | December 31, 2017 | June 30, 2018 | December 31, 2017 |
| Associates and their subsidiaries | | | | |
| WooRee E&L Co., Ltd. | | | 72 | 61 |
| INVENIA Co., Ltd. | 2,125 | 2,375 | 7,374 | 18,523 |
| AVATEC Co., Ltd. | | | 4,706 | 2,949 |
| Paju Electric Glass Co., Ltd. | | | 65,051 | 60,141 |
| YAS Co., Ltd. | 125 | 375 | 5,934 | 6,474 |
| | ₩ 2,250 | 2,750 | 83,137 | 88,148 |
| Entity that has significant influence over the Company | | | | |
| LG Electronics Inc. | ₩ 310,362 | 550,101 | 201,333 | 206,616 |

Table of Contents26. Related Parties and Others, Continued

| <i>(In millions of won)</i> | Trade accounts and notes receivable and others | | Trade accounts and notes payable and others | |
|---|---|--------------------------|--|--------------------------|
| | June 30, 2018 | December 31, 2017 | June 30, 2018 | December 31, 2017 |
| Subsidiaries of the entity that has significant influence over the Company | | | | |
| LG Innotek Co., Ltd. | ₩ 6,652 | 407 | 45,711 | 58,741 |
| LG Hitachi Water Solutions Co., Ltd. | | | 146,019 | 154,079 |
| HiEntech Co., Ltd. | | | 4,189 | 4,854 |
| Inspur LG Digital Mobile Communications Co., Ltd. | 25,247 | 20,953 | | |
| LG Electronics Reynosa S.A. DE C.V. | 6,672 | 11,494 | | 82 |
| LG Electronics India Pvt. Ltd. | 12,499 | 3,030 | 2 | |
| LG Electronics Vietnam Haiphong Co., Ltd. | 27,744 | 36,017 | 3 | 1 |
| LG Electronics S.A. (Pty) Ltd | 1,475 | 2,400 | 5 | 4 |
| LG Electronics Egypt S.A.E. | 15,103 | | | 1 |
| Qingdao LG Inspur Digital Communication Co., Ltd. | 8,901 | 9 | | 80 |
| Others | 2,837 | 18,385 | 1,004 | 1,308 |
| | ₩ 107,130 | 92,695 | 196,933 | 219,150 |
| | ₩ 3,863,301 | 4,888,984 | 2,036,440 | 1,252,074 |

Table of Contents26. Related Parties and Others, Continued

- (d) 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 six-month periods ended June 30, 2018 and 2017 are as follows:

| <i>(In millions of won)</i> | 2018 | | 2017 | |
|-----------------------------|-------|------------------------|-------|------------------------|
| | Loans | Collection of loans | Loans | Collection of loans |
| Associates | | | | |
| INVENIA Co., Ltd. | ₩ | 250 | | 208 |
| YAS Co., Ltd. | | 250 | | 208 |
| | ₩ | 500 | | 416 |

Table of Contents26. Related Parties and Others, Continued

(e) Conglomerate Transactions

Transactions, trade accounts and notes receivable and payable, and others between the Company and certain companies and their subsidiaries, which are included in LG Group, one of conglomerates according to the Monopoly Regulation and Fair Trade Act for the three-month and six-month periods ended June 30, 2018 and 2017 and as of June 30, 2018 and December 31, 2017 are as follows. These entities are not related parties according to K-IFRS No. 1024, *Related Party Disclosures*.

| | For the three-month period ended June 30, 2018 | | For the six-month period ended June 30, 2018 | | June 30, 2018 | |
|--|---|---------------------------|---|------------------------|--|--|
| | Sales and others | Purchase and others | Sales and others | Purchase and others | Trade accounts and notes receivable and others | Trade accounts and notes payable and others |
| <i>(In millions of won)</i> | | | | | | |
| LG International Corp. and its subsidiaries(*) | ₩ 203,335 | 41,987 | 387,592 | 96,539 | 158,142 | 127,225 |
| LG Uplus Corp. | 21 | 395 | 21 | 618 | | 34 |
| LG Chem Ltd. and its subsidiaries | | 175,568 | 1,564 | 369,120 | | 89,539 |
| Serveone and its subsidiaries | 98 | 350,253 | 195 | 686,552 | 21,307 | 416,570 |
| Silicon Works Co., Ltd | | 160,546 | | 303,841 | | 110,868 |
| LG Corp. | | 12,578 | | 25,369 | 9,810 | 5,583 |
| LG Management Development Institute | | 2,305 | | 5,118 | 3,480 | 367 |
| LG CNS Co., Ltd. and its subsidiaries | | 40,483 | | 71,254 | | 34,602 |
| LG Hausys Ltd | | | 1,110 | 1 | | |
| G2R Inc. and its subsidiaries | | 33,029 | | 37,070 | | 35,114 |
| | ₩ 203,454 | 817,144 | 390,482 | 1,595,482 | 192,739 | 819,902 |

(*) For transactions which LG International and its subsidiaries act as an agent of the Company and receive commission revenue from the Company, above transaction amount only include commission revenue recognized by LG International and its subsidiaries. For prior year comparative purpose, gross sales and others for the three-month and six-month periods ended June 30, 2018 amount to ₩203,335 million and ₩387,592 million, respectively, and gross purchase and others for the three-month and six-month periods ended June 30, 2018 amount to ₩101,800 million and ₩366,577 million, respectively.

Table of Contents26. Related Parties and Others, Continued

| | For the three-month period ended June 30, 2017 | | For the six-month period ended June 30, 2017 | | December 31, 2017 | |
|---|---|------------------------|---|------------------------|--|--|
| | Sales and others | Purchase and others | Sales and others | Purchase and others | Trade accounts and notes receivable and others | Trade accounts and notes payable and others |
| <i>(In millions of won)</i> | | | | | | |
| LG International Corp. and its subsidiaries | ₩ 146,741 | 360,281 | 277,655 | 638,189 | 110,786 | 186,799 |
| LG Household & Health Care and its subsidiaries | | 92 | | 92 | | |
| LG Uplus Corp. | 47 | 132 | 98 | 317 | | 1,505 |
| LG Chem Ltd. and its subsidiaries | 7 | 206,687 | 12 | 412,199 | 8,659 | 127,416 |
| SK Siltron Co., Ltd. (formerly, Siltron Co., Ltd.)(*) | | | 10 | | | |
| Lusem Co., Ltd.(*) | 3 | 132 | 8 | 631 | 1 | 53 |
| Serveone and its subsidiaries | 134 | 310,589 | 249 | 591,957 | 21,565 | 491,719 |
| Silicon Works Co., Ltd | | 138,450 | | 285,467 | | 120,031 |
| LG Corp. | | 15,259 | | 30,958 | 4,700 | 1,523 |
| LG Management Development Institute | | 2,361 | | 4,370 | 3,480 | 699 |
| LG CNS Co., Ltd. and its subsidiaries | 102 | 46,836 | 139 | 69,019 | | 90,374 |
| LG Hausys Ltd | 418 | | 836 | 44 | | 374 |
| G2R Inc. and its subsidiaries | | 6,747 | | 7,576 | | 14,275 |
| | ₩- 147,452 | 1,087,566 | 279,007 | 2,040,819 | 149,191 | 1,034,768 |

(*) Represents transactions occurred prior to disposal of the entire investments.

Table of Contents26. Related Parties and Others, Continued

(f) Key management personnel compensation

Compensation costs of key management for the three-month and six-month periods ended June 30, 2018 and 2017 are as follows:

| <i>(In millions of won)</i> | For the three-month periods ended June 30 | | For the six-month periods ended June 30 | |
|--|--|-------------|--|-------------|
| | 2018 | 2017 | 2018 | 2017 |
| Short-term benefits | ₩ 928 | 691 | 1,816 | 2,008 |
| Expenses related to the defined benefit plan | 314 | 204 | 587 | 297 |
| | ₩ 1,242 | 895 | 2,403 | 2,305 |

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

27. Subsequent Event

In July 2018, the Company established LG Display(China) High-tech,Co., Ltd. in Guangzhou China to manufacture display products and the company has a 69% equity interest of this subsidiary.

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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: August 14, 2018

By: /s/ Heeyeon Kim
(Signature)

Name: Heeyeon Kim
Title: Head of IR / Vice President

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