LG Display Co., Ltd.
Form 6-K
February 21, 2013

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 February 2013

LG Display Co., Ltd.

(Translation of Registrant s name into English)

128 Yeoui-dearo, Youngdungpo-gu, Seoul 150-721, Korea

(Address of principal executive offices)

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 x 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 x

I. Activities and Remuneration of Outside Directors, etc.

1. Attendance and Voting Record of Outside Directors, etc.

	Date	Agenda	Name of Outside Directors Tae Sik Ahn (Attendance rate: 86%)	William Y. Kim (Attendance rate: 86%)	Jin Jang (Attendance rate: 100%)	Dong Il Kwon (Attendance rate: 100%)
1	2012.01.26	1. Report on 2011 Q4 financial and operating results	-	-	-	Not applicable (Newly elected in March 2012)
		2. Report on operation of internal accounting controls	-	-	-	
		3. Approval of FY2011 financial statements	Absent	For	For	
		4. Approval of FY2011 annual business report	Absent	For	For	
2	2012.02.15	1. Report on operation and evaluation of internal accounting control system	-	-	-	
		2. Approval relating to convening the 27th Annual General Meeting of Shareholders (AGM)	For	For	For	
		3. Approval of 27th AGM agenda items	For	For	For	
		4. Approval of transaction limit with related parties	For	For	For	
		5. Approval of transactions with significant shareholders	For	For	For	
3	2012.03.09	1. Approval of representative director nomination	For	For	For	For
		2. Approval of matters relating to committee membership	For	For	For	For
		3. Approval relating to creation of Management Committee and adoption of the committee charter	For	For	For	For
		4. Approval of amendments to the committee charters	For	For	For	For
		5. Approval of remuneration for directors and executive officers	For	For	For	For
		6. Approval of limits on long-term borrowings, including issuance of debentures	For	For	For	For
		7. Approval of establishment of a domestic subsidiary	For	For	For	For
		8. Approval of LG Twin Tower lease agreement	For	For	For	For
4	2012.04.24	1. Report on 2012 Q1 financial and operating results	-	-	-	-

		2. Approval of transactions with significant shareholders	For	For	For-	For
		3. Approval of compliance officer nomination and adoption of compliance control standards	For	For	For	For
5	2012.07.25	1. Report on 2012 Q2 financial and operating results	-	-	-	-
		2. Report on medium- to long-term strategy	-	-	-	-
		3. Adoption of long-term mission for the CEO	For	For	For	For
		4. Approval of changes in short-term business goals	For	For	For	For
		5. Approval of investment in LTPS LCD	For	For	For	For
		6. Approval of brand-use license payments	For	For	For	For
		7. Approval of compliance officer nomination and executive officer appointments	For	For	For	For
6	2012.10.25	1. Report on 2012 Q3 financial and operating results	-	-	-	-
		2. Report on China Fab investment update	-	-	-	-
		3. Approval of terms of consulting agreements for retired executive officers	For	For	For	For
7	2012.11.28	1. Review of FY2012 performance and approval of business plan for FY2013	For	Absent	For	For
		2. Approval of brand-use license payments	For	Absent	For	For
		3. Approval of wind up of a subsidiary	For	Absent	For	For
		4. Approval of executive officer appointments	For	Absent	For	For

2. Activities of Outside Directors, etc. in Committees of the Board of Directors

	Member	Date	Activities Agenda	Remarks
Audit Committee	Tae Sik Ahn William Y. Kim Jin Jang	2012.01.19	1. Approval of 2011 Q4 financial statements	Approved
			2. Report on FY2011 financial statements and business report	Reported
			3. Report on internal accounting controls	Reported
			4. Approval of non-audit services by independent auditors	Approved
			5. Independent auditors report on progress of audit	Reported
			6. Report on compliance program	Reported
			7. Report on committee self-evaluation	Reported
		2012.02.15	1. Report on internal audit	Reported
			2. Approval of internal accounting controls evaluation	Approved
			3. Approval of internal monitoring system evaluation	Approved
			4. Approval of FY2011 audit report	Approved
			5. Review and approval of AGM agenda items	Approved
		2012.04.24	1. Approval of 2013 Q1 financial statements	Approved
			2. Report on post-filing matters relating to Form 20-F	Reported
			3. Audit progress report	Reported
			4. Report on whistleblowing	Reported
			5. Report on compliance	Reported
		2012.7.23	1. Approval of 2013 Q2 financial statements	Approved
			2. Audit progress report	Reported

			3. Report on whistleblowing	Reported
		2012.10.25	1. Approval of 2013 Q3 financial statements	Approved
			2. Audit progress report	Reported
Outside Director Nomination and Corporate Governance Committee	James (Hoyoung) Jeong	2012.01.26	1. Review of outside director candidates	-
	William Y. Kim	2012.02.15	1. Review of outside director candidates	Approved
			2. Review of committee membership proposals	Reported
	Jin Jang			
	James (Hoyoung) Jeong			-
	Dong Il Kwon	2012.11.28	1. Review of outside director candidates	
	Jin Jang			
Remuneration Committee	William Y. Kim	2012.03.08	1. Approval of funding for short- and long-term incentives for executive officers	Approved
			2. Approval of amendments to short- and long-term incentive schemes for executive officers	Approved
	James (Hoyoung) Jeong		3. Approval of long-term incentive goals for executive officers	Approved
	Tae Sik Ahn		4. Approval of 2012 terms for relating to consulting agreements for retired executive officers	Approved
		2012.07.23	1. Approval of long-term vision for the CEO	Approved
			2. Approval of change to long-term incentive goals for executive officers	Approved
Management Committee	Sang Beom Han	2012.10.08	1. Issue of Series No. 28-1 and No. 28-2 unguaranteed bonds	Approved

James (Hoyoung) Jeong

3. Remuneration of Outside Directors & Non-Standing Directors

(KRW Million)

	Number of Persons	Remuneration Limit*	Results	Average Payment per Person	Remarks
Outside Director	4	8,500	223	56	

* Remuneration limit for the total 7 directors, including 3 standing directors.

II. Accumulated Transaction Amount of LG Display Co., Ltd with each of Major Shareholders or Their Affiliates, which was equivalent to 5% or more of 2011 Total Assets.

(KRW Billion)

Transaction Type	Counterpart (Relationship)	Transaction Period	Transaction Amount	Ratio*(%)
Sales, etc.	LG Display America Inc. (Subsidiary)	Jan. 1, 2012 ~ Dec. 31, 2012	9,196	38.6
Sales, etc.	LG Display Germany GmbH (Subsidiary)	Jan. 1, 2012 ~ Dec. 31, 2012	4,315	18.1
Sales, etc.	LG Display Japan Co., Ltd. (Subsidiary)	Jan. 1, 2012 ~ Dec. 31, 2012	1,420	6.0
Sales, etc.	LG Display Taiwan Co., Ltd. (Subsidiary)	Jan. 1, 2012 ~ Dec. 31, 2012	1,851	7.8
Sales, etc.	LG Display Shanghai Co., Ltd. (Subsidiary)	Jan. 1, 2012 ~ Dec. 31, 2012	2,737	11.5
Sales, etc.	LG Display Singapore Pte. Ltd.(Subsidiary)	Jan. 1, 2012 ~ Dec. 31, 2012	1,405	5.9
Sales, etc.	LG Display Shenzhen Co., Ltd.(Subsidiary)	Jan. 1, 2012 ~ Dec. 31, 2012	1,987	8.3
Sales/Purchase	LG Display Guangzhou Co., Ltd.(Subsidiary)	Jan. 1, 2012 ~ Dec. 31, 2012	2,722	11.4
Sales/Purchase	LG Electronics Inc.(Affiliate)	Jan. 1, 2012 ~ Dec. 31, 2012	1,061	4.5
Purchase, etc.	LG Chem. Ltd. (Affiliate)	Jan. 1, 2012 ~ Dec. 31, 2012	2,316	9.7

* Out of total asset in FY 2011

III. Reference Relating to AGM

1. Matters Relating to the Annual General Meeting

A. **Date and Time: 9:30 A.M., March 8, 2013 (Friday)**

B. **Venue : Guest House, LG Display Paju Display Cluster. 1007, Deogeun-ri, Wollong-myeon, Paju-si, Gyeonggi-do, Korea**

2. Agenda for Meeting

A. **For Reporting**

(1) Audit Committee s Audit Report

(2) Fiscal Year 2012 Business Report

B. **For Approval**

(1) Consolidated and Separate Financial Statements as of and for the fiscal year ended December 31, 2012

(2) Amendment to the Articles of Incorporation

(3) Appointment of Directors

(4) Appointment of Audit Committee Members

(5) Remuneration Limit for Directors in 2013

3. Details of Agenda for Approval

A. Agenda 1: Consolidated and Separate Financial Statements as of and for the fiscal year ended December 31, 2012

(1) Business Performance in FY 2012

a. Business overview

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

As of December 31, 2012, we operated TFT-LCD and OLED production facilities in Paju and Gumi, Korea and a LCD research center in Paju, Korea. We have also established subsidiaries in the Americas, Europe and Asia.

As of December 31, 2012, our business consisted of the manufacture and sale of LCD and OLED panels and monitor products. Because our non-LCD business represented an extremely small portion of our assets and revenues as of and for the year ended December 31, 2012, we have included them as part of our LCD reporting business segment.

<u>2012 Financial highlights by business (based on K-IFRS)</u>

(Unit: In billions of Won)

2012	LCD business
Sales Revenue	29,430
Gross Profit	3,005
Operating Profit (Loss)	91

b. Major products

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

(Unit: In billions of Won, except percentages)

Business area	Sales Type	Items (Market)	Usage	Major trademark	Sales in 2012 (%)
TFT-LCD	Product/ Service/ Other Sales	TFT-LCD (Overseas (1))	Panels for Notebook Computer, Monitor, Television, etc	LG Display	27,280 (92.7%)
		TFT-LCD (Korea (1))	Panels for Notebook Computer, Monitor, Television, etc	LG Display	2,150 (7.3%)
Total					29,430 (100.0%)

(1) Based on ship-to-party.

(2) Consolidated Financial Statements

a. Consolidated Statements of Financial Position

LG DISPLAY CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Financial Position

As of December 31, 2012 and 2011

(In millions of won)	**December 31, 2012**	**December 31, 2011**
Assets		
Cash and cash equivalents	2,338,661	1,517,977
Deposits in banks	315,092	815,000
Trade accounts and notes receivable, net	3,334,341	2,740,107
Other accounts receivable, net	199,007	212,870
Other current financial assets	3,828	3,297
Inventories	2,390,007	2,317,370
Prepaid income taxes	8,483	8,522
Other current assets	325,266	242,922
Total current assets	8,914,685	7,858,065
Investments in equity accounted investees	402,158	385,145
Other non-current financial assets	86,432	84,548
Deferred tax assets	1,294,813	1,424,005
Property, plant and equipment, net	13,107,511	14,696,849
Intangible assets, net	497,602	535,114
Other non-current assets	152,310	179,205
Total non-current assets	15,540,826	17,304,866
Total assets	24,455,511	25,162,931
Liabilities		
Trade accounts and notes payable	4,147,036	3,782,627
Current financial liabilities	1,015,272	894,972
Other accounts payable	2,811,161	3,992,671
Accrued expenses	412,055	267,595
Income tax payable	56,521	58,259
Provisions	250,984	279,403
Advances received	485,468	616,351
Other current liabilities	27,661	19,556
Total current liabilities	9,206,158	9,911,434
Non-current financial liabilities	3,440,585	3,722,364
Non-current provisions	6,515	5,400
Deferred tax liabilities		240
Employee benefits	180,640	146,638
Long-term advances received	1,049,678	668,914
Other non-current liabilities	331,755	576,913
Total non-current liabilities	5,009,173	5,120,469
Total liabilities	14,215,331	15,031,903

Equity		
Share capital	1,789,079	1,789,079
Share premium	2,251,113	2,251,113
Reserves	(69,370)	12,181
Retained earnings	6,238,989	6,063,359
Total equity attributable to equity holders of the Company	10,209,811	10,115,732
Non-controlling interests	30,369	15,296
Total equity	10,240,180	10,131,028
Total liabilities and equity	24,455,511	25,162,931

See accompanying notes to the consolidated financial statements.

b. Consolidated Statements of Comprehensive Income (Loss)

LG DISPLAY CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income (Loss)

For the years ended December 31, 2012 and 2011

(In millions of won, except earnings per share)	**2012**	**2011**
Revenue	29,429,668	24,291,289
Cost of sales	(26,424,756)	(23,081,322)
Gross profit	3,004,912	1,209,967
Selling expenses	(813,742)	(728,419)
Administrative expenses	(493,691)	(429,042)
Research and development expenses	(785,111)	(816,054)
Operating profit (loss)	912,368	(763,548)
Finance income	293,172	207,266
Finance costs	(436,696)	(363,309)
Other non-operating income	1,260,942	1,223,076
Other non-operating expenses	(1,614,040)	(1,400,491)
Equity income on investments, net	42,779	16,047
Profit (loss) before income tax	458,525	(1,080,959)
Income tax expense (benefit)	222,180	(293,064)
Profit (loss) for the year	236,345	(787,895)
Other comprehensive income (loss)		
Net change in unrealized fair value of available-for-sale financial assets	4,764	2,700
Defined benefit plan actuarial losses	(75,899)	(23,732)
Cumulative translation differences	(86,320)	47,443
Loss on sales of own shares of associates accounted for using the equity method	(48)	(214)
Income tax benefit on other comprehensive income items	17,282	4,958
Other comprehensive income (loss) for the year, net of income tax	(140,221)	31,155
Total comprehensive income (loss) for the year	96,124	(756,740)
Profit (loss) attributable to:		
Owners of the Controlling Company	233,204	(771,223)
Non-controlling interests	3,141	(16,672)
Profit (loss) for the year	236,345	(787,895)
Total comprehensive income (loss) attributable to:		
Owners of the Controlling Company	94,079	(741,417)
Non-controlling interests	2,045	(15,323)

Total comprehensive income (loss) for the year	96,124	(756,740)
Earnings (loss) per share		
Basic and diluted earnings (loss) per share	652	(2,155)

See accompanying notes to the consolidated financial statements.

c. Consolidated Statements of Changes in Equity

LG DISPLAY CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2012 and 2011

	Attributable to owners of the Controlling Company							
(In millions of won)	Share capital	Share premium	Cumulative net gain on sales of own shares of associates	Translation reserve	Fair value reserve	Retained earnings	Non-controlling interest	Total equity
Balances at January 1, 2011	(Won) 1,789,079	2,251,113	810	(30,548)	(5,560)	7,031,163	24,910	11,060,967
Total comprehensive income (loss) for the year								
Loss for the year						(771,223)	(16,672)	(787,895)
Other comprehensive income (loss)								
Net change in fair value of available-for-sale financial assets, net of tax					1,704			1,704
Cumulative translation differences, net of tax				45,989			1,349	47,338
Defined benefit plan actuarial loss, net of tax						(17,673)		(17,673)
Loss on sales of own shares of associates accounted for using the equity method, net of tax			(214)					(214)
Total other comprehensive income (loss)			(214)	45,989	1,704	(17,673)	1,349	31,155
Total comprehensive income (loss) for the year	(Won)		(214)	45,989	1,704	(788,896)	(15,323)	(756,740)
Transaction with owners, recognized directly in equity								
Dividends to equity holders						(178,908)		(178,908)
Changes in ownership interests in subsidiaries							5,709	5,709
Balances at December 31, 2011	(Won) 1,789,079	2,251,113	596	15,441	(3,856)	6,063,359	15,296	10,131,028
Balances at January 1, 2012	(Won) 1,789,079	2,251,113	596	15,441	(3,856)	6,063,359	15,296	10,131,028
Total comprehensive income (loss) for the year								
Income for the year						233,204	3,141	236,345
Other comprehensive income (loss)								
Net change in fair value of available-for-sale financial assets, net of tax					3,790			3,790
Cumulative translation differences, net of tax				(85,293)			(1,096)	(86,389)
						(57,574)		(57,574)

Defined benefit plan actuarial loss, net of tax									
Loss on sales of own shares of associates accounted for using the equity method, net of tax				(48)					(48)
Total other comprehensive income (loss)				(48)	(85,293)	3,790	(57,574)	(1,096)	(140,221)
Total comprehensive income (loss) for the year	(Won)			(48)	(85,293)	3,790	175,630	2,045	96,124
Transaction with owners, recognized directly in equity									
Changes in ownership interests in subsidiaries								13,028	13,028
Balances at December 31, 2012	(Won)	1,789,079	2,251,113	548	(69,852)	(66)	6,238,989	30,369	10,240,180

See accompanying notes to the consolidated financial statements.

d. Consolidated Statements of Cash Flows

LG DISPLAY CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2012 and 2011

(In millions of won)	**2012**	**2011**
Cash flows from operating activities:		
Profit (loss) for the year	236,345	(787,895)
Adjustments for:		
Income tax expense (benefit)	222,180	(293,064)
Depreciation	4,196,487	3,413,450
Amortization of intangible assets	272,925	237,996
Gain on foreign currency translation	(234,912)	(85,804)
Loss on foreign currency translation	73,391	132,295
Retirement allowance	138,879	113,970
Reversal of stock compensation expense	(3)	(469)
Gain on disposal of property, plant and equipment	(5,925)	(740)
Loss on disposal of property, plant and equipment	3,728	862
Impairment loss on property, plant and equipment		3,589
Loss on disposal of intangible assets	704	1,588
Impairment loss on intangible assets	40,012	5,574
Finance income	(133,711)	(59,542)
Finance costs	209,104	238,737
Equity in income of equity method accounted investees, net	(42,779)	(16,047)
Other non-operating income	(8,232)	(19,122)
Other non-operating expense	560,458	210,008
	5,292,306	3,883,281
Change in trade accounts and notes receivable	(1,456,943)	296,691
Change in other accounts receivable	15,515	(90,398)
Change in other current assets	(46,216)	11,010
Change in inventories	(72,637)	(102,153)
Change in other non-current assets	(47,872)	(39,796)
Change in trade accounts and notes payable	440,883	792,128
Change in other accounts payable	(292,443)	97,686
Change in accrued expenses	158,698	(158,640)
Change in other current liabilities	359,132	(5,384)
Change in long-term advance received	789,670	281,975
Change in other non-current liabilities	2,453	13,770
Change in provisions	(390,974)	(208,390)
Change in defined benefit liabilities	(180,599)	(69,727)
	(721,333)	818,772
Cash generated from operating activities	4,807,318	3,914,158
Income taxes paid	(77,643)	(162,266)
Interest received	33,302	65,600
Interest paid	(193,282)	(151,634)
Net cash from operating activities	4,569,695	3,665,858

See accompanying notes to the consolidated financial statements.

LG DISPLAY CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows, Continued

For the years ended December 31, 2012 and 2011

(In millions of won)	**2012**	**2011**
Cash flows from investing activities:		
Dividends received	686	6,130
Proceeds from withdrawal of deposits in banks	913,500	2,401,500
Increase in deposits in banks	(413,512)	(1,713,500)
Acquisition of investments in equity accounted investees	(6,599)	(53,226)
Proceeds from disposal of investments in equity accounted investees	3,938	2,045
Acquisition of property, plant and equipment	(3,972,479)	(4,063,070)
Proceeds from disposal of property, plant and equipment	58,846	643
Acquisition of intangible assets	(285,888)	(215,286)
Grants received	3,962	1,605
Proceeds from settement of derivatives	742	23,784
Proceeds from (repayments) of short-term loans	(10)	
Proceeds from collection of short-term loans		92
Acquisition of other non-current financial assets	(55,276)	(59,444)
Proceeds from disposal of other non-current financial assets	63,905	174,266
Net cash used in investing activities	(3,688,185)	(3,494,461)
Cash flows from financing activities:		
Proceeds from short-term borrowings	3,455,548	1,292,804
Repayments of short-term borrowings	(3,441,632)	(2,483,997)
Proceeds from issuance of debentures	298,783	1,145,209
Proceeds from long-term debt	494,000	941,921
Repayments of current portion of long-term debt	(867,851)	(1,000,987)
Increase in non-controlling interest	13,028	5,709
Payment of cash dividend		(178,908)
Net cash used in financing activities	(48,124)	(278,249)
Net increase (decrease) in cash and cash equivalents	833,386	(106,852)
Cash and cash equivalents at January 1	1,517,977	1,631,009
Effect of exchange rate fluctuations on cash held	(12,702)	(6,180)
Cash and cash equivalents at December 31	2,338,661	1,517,977

See accompanying notes to the consolidated financial statements.

e. Notes to the Consolidated Financial Statements

1. Reporting Entity

(a) Description of the Controlling Company

LG Display Co., Ltd. (the Controlling Company) was incorporated in February 1985 under its original name of LG Soft, Ltd. as a wholly owned subsidiary of LG Electronics Inc. In 1998, LG Electronics Inc. and LG Semicon Co., Ltd. transferred their respective Thin Film Transistor Liquid Crystal Display (TFT-LCD) related business to the Controlling Company. The main business of the Controlling Company and its subsidiaries is to manufacture and sell TFT-LCD panels. The Controlling Company is a stock company (Jusikhoesa) domiciled in the Republic of Korea with its address at 128, Yeouidae-ro, Yeongdeungpo-gu, Seoul, the Republic of Korea. In July 1999, LG Electronics Inc. and Koninklijke Philips Electronics N.V. (Philips) entered into a joint venture agreement. Pursuant to the agreement, the Controlling Company changed its name to LG.Philips LCD Co., Ltd. However, on February 29, 2008, the Controlling Company changed its name to LG Display Co., Ltd. based upon the approval of shareholders at the general shareholders meeting on the same date as a result of the decrease in Philips s share interest in the Controlling Company and the possibility of its business expansion to Organic Light Emitting Diode (OLED) and Flexible Display products. As of December 31, 2012, LG Electronics Inc. owns 37.9% (135,625,000 shares) of the Controlling Company s common shares.

As of December 31, 2012, the Controlling Company has TFT-LCD manufacturing plants, an OLED manufacturing plant and an LCD Research & Development Center in Paju and TFT-LCD manufacturing plants in Gumi. The Controlling Company has overseas subsidiaries located in North America, Europe and Asia.

The Controlling Company s common stock is listed on the Korea Exchange under the identifying code 034220. As of December 31, 2012, there are 357,815,700 shares of common stock outstanding. The Controlling Company s common stock is also listed on the New York Stock Exchange in the form of American Depository Shares (ADSs) under the symbol LPL. One ADS represents one-half of one share of common stock. As of December 31, 2012, there are 21,853,986 ADSs outstanding.

1. Reporting Entity, Continued

(b) Consolidated Subsidiaries as of December 31, 2012

(In millions)

Subsidiaries	Location	Percentage of ownership	Fiscal year end	Date of incorporation	Business	Capital stocks	
LG Display America, Inc. (*1)	California, U.S.A.	100%	December 31	September 24, 1999	Sell TFT-LCD products	USD	260
LG Display Japan Co., Ltd.	Tokyo, Japan	100%	December 31	October 12, 1999	Sell TFT-LCD Products	JPY	95
LG Display Germany GmbH	Dusseldorf, Germany	100%	December 31	November 5, 1999	Sell TFT-LCD products	EUR	1
LG Display Taiwan Co., Ltd.	Taipei, Taiwan	100%	December 31	April 12, 1999	Sell TFT-LCD products	NTD	116
LG Display Nanjing Co., Ltd. (*2)	Nanjing, China	100%	December 31	July 15, 2002	Manufacture and sell TFT-LCD products	CNY	2,834
LG Display Shanghai Co., Ltd.	Shanghai, China	100%	December 31	January 16, 2003	Sell TFT-LCD products	CNY	4
LG Display Poland Sp. zo. o. (*3)	Wroclaw, Poland	80%	December 31	September 6, 2005	Manufacture and sell TFT-LCD products	PLN	511
LG Display Guangzhou Co., Ltd. (*4)	Guangzhou, China	90%	December 31	June 30, 2006	Manufacture and sell TFT-LCD products	CNY	992
LG Display Shenzhen Co., Ltd.	Shenzhen, China	100%	December 31	August 28, 2007	Sell TFT-LCD products	CNY	4
LG Display Singapore Pte. Ltd.	Singapore	100%	December 31	January 12, 2009	Sell TFT-LCD products	SGD	1.4
L&T Display Technology (Xiamen) Limited	Xiamen, China	51%	December 31	January 5, 2010	Manufacture LCD module and TV sets	CNY	82
L&T Display Technology (Fujian) Limited	Fujian, China	51%	December 31	January 5, 2010	Manufacture LCD module and monitor sets	CNY	116
LG Display Yantai Co., Ltd. (*5)	Yantai, China	100%	December 31	April 19, 2010	Manufacture and sell TFT-LCD products	CNY	525
L&I Electronic Technology (Dongguan) Limited	Dongguan, China	51%	December 31	September 26, 2010	Manufacture and sell e-Book	CNY	33

					devices		
Image&Materials, Inc. (*6)	Domestic	100%	December 31	May 17, 2006	Manufacture EPD materials	KRW	1,008
LUCOM Display Technology (Kunshan) Limited	Kunshan, China	51%	December 31	December 15, 2010	Manufacture notebook borderless hinge-up	CNY	99

1. Reporting Entity, Continued

(b) Consolidated Subsidiaries as of December 31, 2012, Continued

(In millions)

Subsidiaries	Location	Percentage of ownership	Fiscal year end	Date of incorporation	Business	Capital stocks
LG Display U.S.A., Inc.	Texas, U.S.A.	100%	December 31	October 26, 2011	Manufacture TFT-LCD products	USD 11
LG Display Reynosa S.A. de C.V.	Reynosa, Mexico	100%	December 31	November 4, 2011	Manufacture TFT-LCD products	MXN 112
Nanumnuri Co., Ltd. (*7)	Domestic	100%	December 31	March 21, 2012	Janitorial services	KRW 800
LG Display China Co., Ltd. (*8)	Guangzhou, China	70%	December 31	December 10, 2012	Manufacture and sell TFT-LCD products	CNY 252

(*1) In June 2012, the Controlling Company contributed (Won) 88,380 million in cash for the capital increase of LG Display America, Inc. (LGDUS). There were no changes in the Controlling Company s ownership percentage in LGDUS as a result of this additional investment.

(*2) In May 2012, the Controlling Company invested (Won) 52,358 million in cash for the capital increase of LG Display Nanjing Co., Ltd. (LGDNJ). There were no changes in the Controlling Company s ownership percentage in LGDNJ as a result of this additional investment.

(*3) Toshiba Corporation (Toshiba) acquired 20% of LG Display Poland Sp. zo.o. (LGDWR) in December 2007 through a stock purchase agreement. With the acquisition of the 20% interest, Toshiba and the Controlling Company and LGDWR entered into a derivative contract with LGDWR s equity shares as its underlying assets. According to the contract, the Controlling Company or LGDWR has a call option to buy Toshiba s 20% interest in LGDWR and Toshiba has a put option to sell its 20% interest in LGDWR to the Controlling Company or LGDWR under the same terms: the exercise price of the call is equal to the price of the put option which is the total amount of Toshiba s investment at cost. The call and put options are exercisable after five years from the date of acquisition and on each anniversary thereafter with no stated expiration date in whole or in part. Toshiba s investment in LGDWR is regarded as financing due to the options and recorded as other accounts payable in the consolidated statement of financial position of LG Display Co., Ltd. and its subsidiaries (the Group). Accordingly, LGDWR is consolidated as a wholly owned subsidiary in the consolidated financial statements.

(*4) Skyworth TV Holdings Limited (Skyworth) acquired a 16% equity interest in LG Display Guangzhou Co., Ltd. (LGDGZ) in June 2008. With the acquisition of the 16% interest in June 2008 (which was reduced to 10% at December 31, 2009 with the additional investment in LGDGZ by the Controlling Company), Skyworth and the Controlling Company entered into a derivative contract with LGDGZ s equity interest as its underlying assets. According to the contract, the Controlling Company has a call option to buy Skyworth s interest in LGDGZ and Skyworth has a put option to sell its interest in LGDGZ to LG Display Co., Ltd. under the same terms: the exercise price of the call is equal to the price of the put option which is the total amount of Skyworth s investment at cost. The call and put options are exercisable after five years from the date of acquisition with no stated expiration date in whole or in part. Skyworth s investment in LGDGZ is regarded as financing due to the options and recorded as other accounts payable in the consolidated statement of financial position of the Group. Accordingly, LGDGZ is consolidated as a wholly owned subsidiary in the consolidated financial statements.

1. Reporting Entity, Continued

(b) Consolidated Subsidiaries as of December 31, 2012, Continued

(*5) In October 2012, the Controlling Company contributed (Won) 43,860 million in cash for the capital increase of LG Display Yantai Co., Ltd. (LGDYT). There were no changes in the Controlling Company s ownership percentage in LGDYT as a result of this additional investment.

(*6) In February 2012, the Controlling Company contributed (Won) 3,000 million in cash for the capital increase of Image & Materials, Inc. (I&M). There were no changes in the Controlling Company s ownership percentage in I&M as a result of this additional investment.

(*7) In March 2012, the Controlling Company established Nanumnuri Co., Ltd., a wholly owned subsidiary of the Controlling Company founded as a Standard Workplace for the Disabled under the Act on Employment Promotion and Vocational Rehabilitation for Disabled Persons, with an investment of (Won) 800 million in cash.

(*8) The Controlling Company entered into an agreement with Shenzhen SKYWORTH-RGB Electronics Co., Ltd. and Guangzhou GET Technologies Development Co., Ltd. to manufacture and sell TFT-LCD products and incorporated LG Display China Co., Ltd. in Guangzhou, China. The Controlling Company invested (Won) 30,399 million in cash for a 70% controlling equity interest in LG Display China Co., Ltd.

1. Reporting Entity, Continued

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

(In millions of won)	December 31, 2012			2012	
Company	**Total assets**	**Total liabilities**	**Total shareholders equity (deficit)**	**Sales**	**Net income (loss)**
LG Display America, Inc.	(Won) 1,818,414	1,949,396	(130,982)	9,236,622	(4,645)
LG Display Japan Co., Ltd.	207,085	186,744	20,341	1,401,933	2,247
LG Display Germany GmbH	615,325	590,165	25,160	4,387,621	5,154
LG Display Taiwan Co., Ltd.	319,808	280,343	39,465	2,687,636	3,113
LG Display Nanjing Co., Ltd.	621,923	76,907	545,016	559,706	43,962
LG Display Shanghai Co., Ltd.	990,912	962,109	28,803	3,694,307	7,739
LG Display Poland Sp. zo.o.	247,017	69,111	177,906	89,911	872
LG Display Guangzhou Co., Ltd.	2,193,321	1,567,033	626,288	2,751,526	159,042
LG Display Shenzhen Co., Ltd.	354,416	342,778	11,638	2,570,699	1,449
LG Display Singapore Pte. Ltd.	526,439	519,087	7,352	1,305,073	2,916
L&T Display Technology (Xiamen) Limited	37,423	42,888	(5,465)	9,211	5,198
L&T Display Technology (Fujian) Limited	255,465	218,245	37,220	1,001,003	10,033
LG Display Yantai Co., Ltd.	668,923	542,201	126,722	458,250	32,084
L&I Electronic Technology (Dongguan) Limited	342	6,318	(5,976)	2,810	(6,428)
Image&Materials, Inc.	3,765	9,092	(5,327)	66	(11,287)
LUCOM Display Technology (Kunshan) Limited	46,229	36,417	9,812	109,358	(2,268)
LG Display U.S.A., Inc.(*)	50,503	36,907	13,596	135,470	1,294
Nanumnuri Co., Ltd.	1,135	537	598	2,720	(202)
LG Display China Co., Ltd.	93,684	50,590	43,094		(204)
	(Won) 9,052,129	7,486,868	1,565,261	30,403,922	250,069

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

1. Reporting Entity, Continued

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

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

1. Reporting Entity, Continued

(d) Associates and Jointly Controlled Entities (Equity Method Investees) as of December 31, 2012

(In millions of won)

Associates and jointly controlled entities	Location	Percentage of ownership	Fiscal year end	Date of incorporation	Business	Carrying amount
Suzhou Raken Technology Ltd.	Suzhou, China	51%	December 31	October 2008	Manufacture and sell LCD modules and LCD TV sets	(Won) 128,751
Guangzhou New Vision Technology Research and Development Limited	Guangzhou, China	50%	December 31	July 2008	R&D on design of LCD modules and LCD TV sets	3,596
Global OLED Technology LLC	Virginia, U.S.A	33%	December 31	December 2009	Managing and licensing OLED patents	36,164
Paju Electric Glass Co., Ltd.	Domestic	40%	December 31	January 2005	Manufacture electric glass for FPDs	82,855
TLI Inc.	Domestic	12%	December 31	October 1998	Manufacture and sell semiconductor parts	6,961
AVACO Co., Ltd.	Domestic	16%	December 31	January 2001	Manufacture and sell equipment for FPDs	10,964
New Optics LTD.	Domestic	42%	December 31	August 2005	Manufacture back light parts for TFT-LCDs	25,064
LIG ADP Co., Ltd.	Domestic	13%	December 31	January 2001	Develop and manufacture the equipment for FPDs	1,730
WooRee E&L Co., Ltd. (formerly, WooRee LED Co., Ltd.)	Domestic	30%	December 31	June 2008	Manufacture LED back light unit packages	23,549
Dynamic Solar Design Co., Ltd.	Domestic	40%	December 31	April 2009	Develop and manufacture equipment for solar battery and FPDs	69
LB Gemini New Growth Fund No. 16	Domestic	31%	December 31	December 2009	Invest in small and middle sized companies and benefit from M&A opportunities	13,680
Can Yang Investments Limited	Hong Kong	9%	December 31	January		13,856

2010	Develop and manufacture and sell LED parts

1. Reporting Entity, Continued

(In millions of won)

Associates and jointly controlled entities	Location	Percentage of ownership	Fiscal year end	Date of incorporation	Business	Carrying amount	
YAS Co., Ltd.	Domestic	19%	December 31	April 2002	Develop and manufacture deposition equipment for OLEDs	(Won)	9,409
Eralite Optoelectronics (Jiangsu) Co., Ltd.	Suzhou, China	20%	December 31	August 2010	Manufacture LED Packages		3,449
Narenanotech Corporation	Domestic	23%	December 31	December 1995	Manufacture and sell FPD manufacturing equipment		26,448
Avatec. Co., Ltd.	Domestic	17%	December 31	August 2000	Manufacture and sell glass for FPDs		14,685
Glonix Co., Ltd.	Domestic	20%	December 31	October 2006	Manufacture and sell LCD		928
						(Won)	402,158

2. Basis of Presenting Financial Statements

(a) Statement of Compliance

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

The consolidated financial statements were authorized for issuance by the Board of Directors on January 24, 2013.

(b) Basis of Measurement

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

- derivative financial instruments are measured at fair value,
- financial instruments at fair value through profit or loss are measured at fair value,
- available-for-sale financial assets are measured at fair value,
- liabilities for cash-settled share-based payment arrangements are measured at fair value, and

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

(c) Functional and Presentation Currency

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

2. Basis of Presenting Financial Statements, Continued

(d) Use of Estimates and Judgments

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

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

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

Classification of financial instruments (note 3(d))

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

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

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

Net realizable value of inventories (note 8)

Measurement of defined benefit obligations (note 17)

Deferred tax assets and liabilities (note 29)

(e) Changes in accounting policies

(i) Disclosures of Financial Instruments

The Group has applied the amendments to K-IFRS No. 1107, *Financial Instruments: Disclosures*, for the year ended December 31, 2012 by prospectively disclosing the nature of transferred assets, their carrying amount, and the description of risks and rewards for each class of transferred financial assets that are derecognized in their entirety. When the Group derecognizes transferred financial assets but still has continuing involvement in the transferred financial assets, the nature of, and risks associated with, the Group s continuing involvement in derecognized financial assets shall be additionally disclosed.

(ii) Presentation of Operating Profit or Loss in the Consolidated Statement of Comprehensive Income

The Group has adopted the amendment to K-IFRS No. 1001, *Presentation of Financial Statements*, and has presented operating profit or loss as an amount of revenue less cost of sales and selling and administrative expense including research and development expenses on the consolidated statement of comprehensive income (loss) for the year ended December 31, 2012. Before the adoption of the amendment, the Group presented operating profit or loss as an amount of revenue plus other income less cost of sales, selling and administrative expenses, research and development expenses and other expenses.

2. Basis of Presenting Financial Statements, Continued

(e) Changes in accounting policies, Continued

The Group has applied the amendment retrospectively, and accordingly restated the comparative consolidated statement of comprehensive loss for the year ended December 31, 2011. The impact upon adoption of the amendment is as follows:

(*In millions of won*)

		2012	2011
Operating profit (loss) before adoption of the amendment	(Won)	574,557	(924,336)
Deductions:			
Rental income		(7,253)	(6,325)
Foreign currency gain		(1,228,847)	(1,190,793)
Gain on disposal of property, plant and equipment		(5,925)	(740)
Reversal of allowance for doubtful accounts for other receivables		(521)	
Commission earned		(3,867)	(8,630)
Others		(14,457)	(16,588)
		(1,260,870)	(1,223,076)
Additions:			
Other bad debt expense		9	849
Foreign currency loss		1,095,280	1,220,143
Loss on disposal of property, plant and equipment		3,728	862
Impairment loss on property, plant and equipment			3,589
Loss on disposal of intangible assets		704	1,588
Impairment loss on intangible assets		40,012	5,574
Expenses related to legal proceedings or claims and others		458,948	151,259
		1,598,681	1,383,864
Operating profit (loss) after adoption of the amendment	(Won)	912,368	(763,548)

3. Summary of Significant Accounting Policies

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

(a) Consolidation

(i) Subsidiaries

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

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

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

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

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

The consolidated financial statements are prepared using uniform accounting policies for like transactions and events in similar circumstances. As of and during the periods presented in the consolidated financial statements, no adjustments were made in applying the equity method.

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

(iii) Transactions eliminated on consolidation

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

3. Summary of Significant Accounting Policies, Continued

(b) Foreign Currency Transactions and Translation

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

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

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

3. Summary of Significant Accounting Policies, Continued

(c) Inventories

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

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated selling expenses. The valuation loss of inventories recognized as cost (cost of sales) amounted to (Won) 135,720 million and (Won) 133,341 million as of December 31, 2012 and 2011, respectively.

(d) Financial Instruments

(i) Non-derivative financial assets

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

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

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

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

Financial assets at fair value through profit or loss

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

3. Summary of Significant Accounting Policies, Continued

(d) Financial Instruments, Continued

(i) Non-derivative financial assets, Continued

Cash and cash equivalents

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

Deposits in banks

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

Loans and receivables

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

Available-for-sale financial assets

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

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

3. Summary of Significant Accounting Policies, Continued

(d) Financial Instruments, Continued

(ii) Non-derivative financial liabilities

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

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

Non-derivative financial liabilities other than financial liabilities classified as fair value through profit or loss are classified as other financial liabilities and measured initially at fair value minus transaction costs that are directly attributable to the issue. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. As of December 31, 2012, non-derivative financial liabilities comprise borrowings, bonds and others.

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

(iii) Ordinary share capital

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

3. Summary of Significant Accounting Policies, Continued

(d) Financial Instruments, Continued

(iv) Derivative financial instruments, including hedge accounting

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

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

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

Cash flow hedges

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

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

3. Summary of Significant Accounting Policies, Continued

(d) Financial Instruments, Continued

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

Embedded derivative

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

(e) Property, Plant and Equipment

(i) Recognition and measurement

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

Estimated useful lives of the assets are as follows:

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

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate and any changes are accounted for as changes in accounting estimates. There were no such changes for all periods presented.

3. Summary of Significant Accounting Policies, Continued

(f) Borrowing Costs

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

(g) Government Grants

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

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

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

(ii) Grants for compensating the Group s expenses incurred

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

(iii) Other government grants

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

(h) Intangible Assets

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

(i) Goodwill

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

3. Summary of Significant Accounting Policies, Continued

(h) Intangible Assets, Continued

(ii) Research and development

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

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

- the technical feasibility of completing the intangible asset so that it will be available for use or sale,
- its intention to complete the intangible asset and use or sell it,
- its ability to use or sell the intangible asset,
- how the intangible asset will generate probable future economic benefits. Among other things, the Group can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset,
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset, and
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

(iii) Other intangible assets

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

(iv) Subsequent costs

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

3. Summary of Significant Accounting Policies, Continued

(h) Intangible Assets, Continued

(v) Amortization

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

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

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

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

(i) Impairment

(i) Financial assets

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

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

3. Summary of Significant Accounting Policies, Continued

(i) Impairment, Continued

(i) Financial assets, continued

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

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

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

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

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