

LG Display Co., Ltd.  
Form 6-K  
April 02, 2019  
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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 April 2019**

**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)**

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

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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

**Table of Contents****ANNUAL REPORT**

(From January 1, 2018 to December 31, 2018)

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

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

UNLESS EXPRESSLY STATED OTHERWISE, ALL INFORMATION CONTAINED HEREIN IS PRESENTED ON A CONSOLIDATED BASIS IN ACCORDANCE WITH KOREAN INTERNATIONAL FINANCIAL REPORTING STANDARDS, OR K-IFRS, WHICH DIFFER IN CERTAIN RESPECTS FROM GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN CERTAIN OTHER COUNTRIES, INCLUDING THE UNITED STATES. K-IFRS ALSO DIFFERS IN CERTAIN RESPECTS FROM THE INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ISSUED BY THE INTERNATIONAL ACCOUNTING STANDARDS BOARD. WE HAVE MADE NO ATTEMPT TO IDENTIFY OR QUANTIFY THE IMPACT OF THESE DIFFERENCES IN THIS DOCUMENT.

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

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

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

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

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

| Subject instrument | Month of rating | Credit rating <sup>(1)</sup> | Rating agency (Rating range)                    |
|--------------------|-----------------|------------------------------|---|
|                    | June 2016       |                              |   |
|                    | September 2016  |                              |   |
|                    | May 2017        | AA                           | NICE Information Service Co., Ltd.<br>(AAA ~ D) |
|                    | February 2018   |                              |   |
|                    | May 2018        |                              |   |
|                    | February 2019   | AA-                          |   |
| Corporate bonds    |                 |                              | Korea Investors Service, Inc. (AAA ~ D)         |
|                    | April 2016      |                              |   |
|                    | May 2017        | AA                           |   |
|                    | October 2017    |                              |   |
|                    | May 2018        |                              |   |
|                    | February 2019   | AA-                          |   |
|                    | April 2016      |                              | Korea Ratings Corporation (AAA ~ D)             |
|                    | September 2016  | AA                           |   |
|                    | May 2017        |                              |   |
|                    | October 2017    |                              |   |
|                    | February 2018   |                              |   |
|                    | April 2018      |                              |   |

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

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

## (2) Corporate bonds (Overseas)

| Subject instrument             | Month of rating | Credit rating | Rating agency (Rating range)                |
|--------------------------------|-----------------|---------------|---|
| Corporate bonds <sup>(1)</sup> | November 2018   | AA            | Standard & Poor's Rating Services (AAA ~ D) |

(1) Represents credit rating for our overseas corporate bonds guaranteed by the Korea Development Bank.

(2) Overseas corporate bond credit ratings are generally defined to indicate the following:

| Subject instrument | Credit rating | Definition   |
|--------------------|---------------|--|
|                    | AAA           | Highest level of stability.  |
|                    | AA+/AA/AA-    | Very high level of stability. This stability may be slightly more risky than is the case for the highest rating category but presents no issues.                                 |
|                    | A+/A/A-       | High level of stability. There are no issues with repaying the principal, but there are characteristics that could be subject to future deterioration.                           |
|                    | BBB+/BBB/BBB- | Level of stability is adequate. Current level of stability and profitability is adequate, but requires special attention during times of economic downturns.                     |
| Corporate bonds    | BB+/BB/BB-    | Speculative characteristics. There is no guarantee on future stability. Expected business performance is uncertain.  |
|                    | B+/B/B-       | Inadequate as an investment target. Ability to make principal repayments or comply with contractual terms and conditions is uncertain.   |
|                    | CCC/CC/C      | Very low level of stability. Ability to make payments of principal and interest is highly unlikely. Extremely speculative. Currently in default or undergoing a serious problem. |
|                    | D             | Bankruptcy.  |



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## (3) Commercial paper

| Subject instrument | Month of rating | Credit rating <sup>(1)</sup> | 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)          |
|                    | May 2017        | A1                           | Korea Investors Service, Inc. (A1 ~ D)      |
| Commercial paper   | 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) |
|                    | November 2018   | Cancelled <sup>(2)</sup>     | Korea Investors Service, Inc. (A1 ~ D)      |
|                    | November 2018   | Cancelled <sup>(2)</sup>     | 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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(2) Ratings have been cancelled due to repayment of our outstanding commercial paper on October 22, 2018 upon maturity.

## C. Capitalization

(1) Change in capital stock (as of December 31, 2018)

There were no changes to our issued capital stock during the annual reporting period ended December 31, 2018.

(2) Convertible bonds

Not applicable.

## D. Voting rights (as of December 31, 2018)

(Unit: share)

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

(1) Authorized: 500,000,000 shares

## E. Dividends

Dividends for the three most recent fiscal years

| Description (unit)  | 2018             | 2017      | 2016    |
|---|------------------|-----------|---------|
| Par value (Won)   | 5,000            | 5,000     | 5,000   |
| Profit (loss) for the year (million Won) <sup>(1)</sup>     | (207,239)        | 1,802,756 | 906,713 |
| Earnings (loss) per share (Won) <sup>(2)</sup>              | (579)            | 5,038     | 2,534   |
| Total cash dividend amount for the period<br>(million Won)  |                  | 178,908   | 178,908 |
| Total stock dividend amount for the period<br>(million Won) |                  |           |         |
| Cash dividend payout ratio (%) <sup>(3)</sup>               |                  | 9.92%     | 19.73%  |
| Cash dividend yield (%) <sup>(4)</sup>                      | 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 |           |         |

- (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.

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- (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 December 31, 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 December 31, 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.

**Consolidated operating results highlights**

(Unit: In billions of Won)

|                         | 2018   | 2017 <sup>(1)</sup> | 2016 <sup>(1)</sup> |
|-------------------------|--------|---------------------|---------------------|
| Sales Revenue           | 24,337 | 27,790              | 26,504              |
| Gross Profit            | 3,085  | 5,366               | 3,750               |
| Operating Profit (loss) | 93     | 2,462               | 1,311               |
| Total Assets            | 33,176 | 29,160              | 24,884              |
| Total Liabilities       | 18,289 | 14,178              | 11,421              |

- (1) Sales revenues for 2017 and 2016 were recorded in accordance with the previously applicable accounting standards, K-IFRS 1018, Revenue .

**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 gradual 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 Wallpaper display panels under our strategic plan to transition our business to center around OLED, which has a strong future growth potential. In the television sector, we are expanding our offerings of premium products such as OLED and UHD products. In particular, with respect to large-sized OLED television display panels, we are continuing to secure additional production capacity of 8.5th generation OLED panels and are planning to further strengthen the fundamentals of our OLED business through building a successful line-up of new products and investments in the 8.5th and 10.5th generation OLED display panel production. In the IT sector, we are increasing 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 a constant oversupply in 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  | 2017  | 2016  |
|--|-------|-------|-------|
| Panels for Televisions <sup>(1)(2)</sup>     | 28.3% | 28.1% | 28.2% |
| Panels for Monitors <sup>(1)</sup>           | 30.7% | 36.3% | 36.6% |
| Panels for Notebook Computers <sup>(1)</sup> | 23.7% | 21.3% | 27.8% |
| Panels for Tablet Computers <sup>(1)</sup>   | 31.0% | 29.1% | 24.1% |
| Total <sup>(1)</sup>                         | 28.8% | 29.2% | 29.4% |

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

(2) Includes panels for public displays.

(5) Competitiveness and competitive advantages

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, large sized/borderless monitors, high-resolution/oxide notebooks and automotive and commercial products, 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

## Business

| Business area | Sales type   | Items (By product) | Usage                         | Major trademark | Sales Revenue | Percentages |
|---------------|--|--------------------|-------------------------------|-----------------|---------------|-------------|
| Display       | Goods/<br>Products/<br>Services/<br>Other<br>sales | Televisions        | Panels for televisions        | LG Display      | 9,727         | 40.0%       |
|               |  | Desktop monitors   | Panels for monitors           | LG Display      | 4,040         | 16.6%       |
|               |  | Tablet products    | Panels for tablets            | LG Display      | 1,991         | 8.2%        |
|               |  | Notebook computers | Panels for notebook computers | LG Display      | 2,837         | 11.7%       |
|               |  | Mobile, etc.       | Panels for smartphones, etc.  | LG Display      | 5,742         | 23.6%       |
| Total         |  |                    |                               |                 | 24,337        | 100.0%      |

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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 fourth quarter of 2018 increased by approximately 12% compared to the third quarter of 2018 as a result of the increase in our shipments of IT and small- and medium-sized panels, which have relatively higher selling prices per square meter of net display area, in our product mix. 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 <sup>(1)(2)</sup><br>(in US\$ / m <sup>2</sup> ) |
|---------|--|
| 2018 Q4 | 559  |
| 2018 Q3 | 500  |
| 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.

(Unit: In billions of Won, except percentages)

| Business area | Purchase type | Items                  | Usage                       | Cost <sup>(1)</sup> | Ratio (%) | Suppliers   |
|---------------|---------------|------------------------|-----------------------------|---------------------|-----------|---|
| Display       | Raw materials | Backlights             | Display panel manufacturing | 2,149               | 16.5%     | HeeSung Electronics, etc.   |
|               |               | Polarizers             |                             | 2,182               | 16.7%     | LG Chem, etc.   |
|               |               | Printed circuit boards |                             | 2,252               | 17.3%     | Korea SMT, etc.   |
|               |               | Glass                  |                             | 1,268               | 9.7%      | Paju Electric Glass Co., Ltd., Asahi Electric Glass Co., Ltd., etc. |
|               |               |                        |                             |                     |           |   |

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|       |          |        |        |                                  |
|-------|----------|--------|--------|----------------------------------|
|       | Drive IC | 1,003  | 7.7%   | Silicon Works Co., Ltd.,<br>etc. |
|       | Others   | 4,187  | 32.1%  |                                  |
| Total |          | 13,041 | 100.0% |                                  |

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Period: January 1, 2018 ~ December 31, 2018.

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

The average price of EGI (Electrolytic Galvanized Iron), which is the main raw material for BLU components, increased by 24% from 2016 to 2017 and further increased by 0.3% from 2017 to 2018. Such increase in 2018 was due to a decrease in supply as a result of China's strengthened environmental regulations. The average price of resin increased by 18% from 2016 to 2017 and further increased by 18.7% from 2017 to 2018. Such increase in 2018 was due to an overall increase in global demand. The average price of copper, the main raw material for PCB components, increased by 27% from 2016 to 2017 and further increased by 5.9% from 2017 to 2018. Such increase in 2018 was a result of a tight supply of copper in 2018.

**4. Production and Equipment****A. Production capacity and output****(1) Production capacity**

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

(Unit: 1,000 glass sheets)

| Business area | Items         | Location of facilities | 2018 <sup>(1)</sup> | 2017 <sup>(1)</sup> | 2016 <sup>(1)</sup> |
|---------------|---------------|------------------------|---------------------|---------------------|---------------------|
| Display       | Display panel | Gumi, Paju, Guangzhou  | 10,161              | 10,538              | 9,906               |

- (1) Calculated based on the maximum monthly input capacity (based on glass input substrate size for 8th generation glass sheets) during the year multiplied by the number of months in a year (i.e., 12 months).

**(2) Production output**

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

(Unit: 1,000 glass sheets)

| Business area | Items | Location of facilities | 2018 | 2017 | 2016 |
|---------------|-------|------------------------|------|------|------|
|---------------|-------|------------------------|------|------|------|

|         |               |                       |       |       |       |
|---------|---------------|-----------------------|-------|-------|-------|
| Display | Display panel | Gumi, Paju, Guangzhou | 9,428 | 9,262 | 8,996 |
|---------|---------------|-----------------------|-------|-------|-------|

- Based on glass input substrate size for 8th generation glass sheets.

B. Production performance and utilization ratio

(Unit: Hours, except percentages)

| Production facilities | Available working hours<br>in 2018 | Actual working hours in<br>2018 | Average utilization ratio |
|-----------------------|------------------------------------|---------------------------------|---------------------------|
| Gumi                  | 8,760 <sup>(1)</sup>               | 8,760 <sup>(1)</sup>            | 100.0%                    |
| Paju                  | 8,760 <sup>(1)</sup>               | 8,760 <sup>(1)</sup>            | 100.0%                    |
| Guangzhou             | 8,760 <sup>(1)</sup>               | 8,760 <sup>(1)</sup>            | 100.0%                    |

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

C. Investment plan

In 2018, our total capital expenditures on a cash out basis was ₩7.9 trillion. In 2019, 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

(Unit: In billions of Won)

| Business area | Sales types | Items (Market)                  | 2018   | 2017   | 2016   |
|---------------|-------------|---------------------------------|--------|--------|--------|
|               | Products    | Display panel                   |        |        |        |
|               |             | Overseas <sup>(1)</sup>         | 22,722 | 25,763 | 24,648 |
|               |             | Korea <sup>(1)</sup>            | 1,572  | 1,982  | 1,815  |
|               |             | Total                           | 24,294 | 27,745 | 26,464 |
|               | Royalty     | LCD, OLED technology patent     |        |        |        |
|               |             | Overseas <sup>(1)</sup>         | 18     | 20     | 17     |
|               |             | Korea <sup>(1)</sup>            |        |        |        |
|               |             | Total                           | 18     | 20     | 17     |
| Display       | Others      | Raw materials, components, etc. |        |        |        |
|               |             | Overseas <sup>(1)</sup>         | 8      | 11     | 14     |
|               |             | Korea <sup>(1)</sup>            | 17     | 14     | 10     |
|               |             | Total                           | 25     | 25     | 23     |
|               | Total       | Overseas <sup>(1)</sup>         | 22,747 | 25,794 | 24,679 |
|               |             | Korea <sup>(1)</sup>            | 1,590  | 1,996  | 1,825  |
|               |             | Total                           | 24,337 | 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 December 31, 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 | 94.0% |
|   | Headquarters          | 6.0%  |
| Overseas sales portion (overseas sales / total sales) |                       | 93.5% |
| Korea   | Overseas subsidiaries | 2.5%  |
|   | Headquarters          | 97.5% |
| Korea sales portion (Korea sales / total sales)       |                       | 6.5%  |



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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 in 2017 and 2018, and our sales revenue derived from our top ten customers comprised 77% of our total sales revenue.

(4) Purchase orders

We do not have purchase order contracts that recognize unbilled revenue by implementing the cost-based method.

**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.

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

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

### **B. Risk management**

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

In 2018, in order to avoid risks of interest rate fluctuations and exchange rate fluctuations on foreign currency denominated borrowings with floating interest rates, we entered into an aggregate of \$780 million in Won/US dollar cross currency swap agreements with Standard Chartered Bank and others, for which we have not applied hedge accounting.

Any rights or obligations arising from derivative contracts that do not apply hedge accounting are measured at fair value and are accounted for as assets and liabilities, whereas any resulting valuation gain or loss is recognized as profit or loss at the time such valuation gain or loss is incurred.

We recognized a loss on valuation of derivative instruments in the amount of ₩12,699 million with respect to our foreign exchange derivative instruments held during the reporting period.

**Table of Contents****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.

**8. Major contracts**

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

| Type of agreement                     | Name of party                   | Term                            | Content  |
|---------------------------------------|---------------------------------|---------------------------------|--|
| Technology licensing agreement        | Semiconductor Energy Laboratory | October 2005 ~                  | Patent licensing of LCD and OLED related technology  |
|                                       | Hewlett-Packard                 | January 2011 ~                  | Patent licensing of semi-conductor device technology |
|                                       | 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 ~<br>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 <sup>(1)</sup>           | 2018      | 2017      | 2016      |         |
|--------------------------------|-----------|-----------|-----------|---------|
| Material Cost                  | 656,011   | 646,622   | 677,423   |         |
| Labor Cost                     | 667,837   | 668,429   | 479,650   |         |
| Depreciation Expense           | 426,264   | 298,383   | 136,826   |         |
| Others                         | 314,007   | 298,256   | 129,348   |         |
| Total R&D-Related Expenditures | 2,064,119 | 1,911,690 | 1,423,247 |         |
|                                | Selling & | 918,512   | 917,645   | 880,794 |

## Administrative

|   | Expenses            |         |         |         |
|---|---------------------|---------|---------|---------|
| Accounting Treatment <sup>(2)</sup>                             | Manufacturing       |         |         |         |
|   | Cost                | 772,772 | 786,494 | 220,165 |
|   | Development         |         |         |         |
|   | Cost                |         |         |         |
|   | (Intangible Assets) | 372,835 | 207,551 | 322,288 |
| R&D-Related Expenditures / Revenue Ratio                        |                     |         |         |         |
| (Total R&D-Related Expenditures ÷ Revenue for the period × 100) |                     | 8.5%    | 6.9%    | 5.4%    |

- (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.

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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

- (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

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(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)

(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

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- (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

- (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

- (7) Developed the world's narrowest bezel videowall product (0.44mm bezel, 55-inch FHD)

Achieved product competitiveness by developing the world's narrowest bezel (originally 0.9mm to 0.44mm, Even Bezel)

- (8) Developed the world's first automotive glassless 3D cluster product

Developed FHD glassless barrier type 3D model (12.3 inches, 167 ppi level)

Achieved customers' eye-tracking movement by applying a top moving barrier panel at the top of the panel

Improved adhesion accuracy of image panel and barrier panel by using OCA bonding technology

Improved barrier contrast ratio by applying a copper-based metal barrier panel

- (9) Developed the world's first 6th generation a-Si Indirect DXD product (21.9-inch, 14 x 17 resolution, 14  $\mu$ m pixel pitches)

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Entered the DXD market through development of the world's first 6th generation a-Si Indirect DXD product

Set up infrastructure for DXD product development through the development of our first DXD product

(10) Developed the world's first 17-inch large-sized and lightweight notebook monitor

Developed large-sized (17-inch) product with a new screen aspect ratio (16:10)

Developed light-weight product (268g) through securing 17-inch+ Slim Design model technology

## **10. Intellectual Property**

As of December 31, 2018, our cumulative patent portfolio (including patents that have already expired) included a total of 40,397 patents, consisting of 17,942 in Korea and 22,455 in other countries.

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

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

In accordance with the Framework Act on Low Carbon, Green Growth, we implemented the greenhouse gas emission and energy consumption target system from 2012 to 2014. In 2015, we implemented the greenhouse gas trading system, under which we are responsible to meet our emission targets based on the emission credits allocated to us by the Ministry of Environment of the Korean government. As a result, we have been investing in additional equipment and there may be other costs associated with meeting reduction targets, which may have a negative effect on our profitability or production activities.

In connection with the greenhouse gas emission and energy reduction target system, we submitted a statement of our domestic emissions and energy usage for 2018 to the Korean government in March 2019 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:

(Unit: thousand tonnes of CO<sub>2</sub> equivalent; Tetra Joules)



| Category         | 2018   | 2017   | 2016   |
|------------------|--------|--------|--------|
| Greenhouse gases | 6,695  | 6,314  | 6,092  |
| Energy           | 64,296 | 63,451 | 60,423 |

The increase in greenhouse gas emission in 2018 is due to the inclusion of certain other greenhouse gas emissions (N<sub>2</sub>O used in deposition facilities and CO<sub>2</sub> in cleaning facilities) during the second planning period (2018 to 2020) that were not included during the first planning period (2015 to 2017) in the overall amount of greenhouse gas emissions in accordance with guidelines issued by the Korean government.

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

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In addition, in August 2014, GP1, our newest 8th 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 were first certified by the Ministry of Environment as a Green Company for P1 in 1997, and such certification has since been renewed on a timely basis, most recently in May 2018. 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. In May 2018, we received the CEM Insight Award, presented at the Clean Energy Ministerial Meetings, and also received certification for our energy business management (Energy Champion) presided by the Ministry of Trade, Industry and Technology and the Korea Energy Agency in November 2018.

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.



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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 and LCD television models in 2017 and 2018. 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 2018, we became the first display panel company to receive the Green Technology Certification from the Korean Ministry of Science and ICT for improving the light efficiency technology of OLED to promote energy use reduction.

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. The trial court (Goyang Branch of Uijeongbu District Court) issued a summary order confirming the same fine of ₩3.0 million on November 22, 2018. We and our chief production officer appealed the trial court's decision, and the case is currently pending appeal at the Uijeongbu District 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. In relation to this matter, in January 2019, the trial court (Goyang Branch of Uijeongbu District Court) assessed a fine of ₩1 million as a summary order on each of us and our chief production officer pursuant to certain other provisions of the Industrial Safety and Health Act. In addition, in January 2019, the trial court sought a fine of ₩4 million and ₩2 million on us and the employee in charge of on-site safety management, respectively, on the basis of certain other provisions of the Industrial Safety and Health Act. 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.

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.

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In February 2018, we were assessed a fine of ₩0.04 million by Paju City for stopping a vehicle in front of a day care center in violation of certain provisions of the Road Traffic Law. We have since paid the fine and are in the process of strengthening our parking guidance procedures to prevent such recurrence.

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. (Unit: In millions of Won)

| Description                                  | As of<br>December 31, 2018 | As of<br>December 31, 2017 | As of<br>December 31, 2016 |
|--|----------------------------|----------------------------|----------------------------|
| Current assets                               | 8,800,127                  | 10,473,703                 | 10,484,186                 |
| Quick assets                                 | 6,108,924                  | 8,123,619                  | 8,196,401                  |
| Inventories                                  | 2,691,203                  | 2,350,084                  | 2,287,785                  |
| Non-current assets                           | 24,375,583                 | 18,685,984                 | 14,400,150                 |
| Investments in equity<br>accounted investees | 113,989                    | 122,507                    | 172,683                    |
| Property, plant and equipment,<br>net        | 21,600,130                 | 16,201,960                 | 12,031,449                 |
| Intangible assets                            | 987,642                    | 912,821                    | 894,937                    |
| Other non-current assets                     | 1,673,822                  | 1,448,696                  | 1,301,081                  |
| Total assets                                 | 33,175,710                 | 29,159,687                 | 24,884,336                 |
| Current liabilities                          | 9,954,483                  | 8,978,682                  | 7,058,219                  |
| Non-current liabilities                      | 8,334,981                  | 5,199,495                  | 4,363,729                  |
| Total liabilities                            | 18,289,464                 | 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                            | 10,239,965                 | 10,621,571                 | 9,004,283                  |
| Other equity                                 | (300,968)                  | (288,280)                  | (88,478)                   |
| Non-controlling interest                     | 907,057                    | 608,027                    | 506,391                    |
| Total equity                                 | 14,886,246                 | 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 year<br>ended<br>December 31, 2018 | For the year<br>ended<br>December 31, 2017 | For the year<br>ended<br>December 31, 2016 |
|---|--|--|--|
| Revenue   | 24,336,571                                 | 27,790,216                                 | 26,504,074                                 |
| Operating profit (loss)                               | 92,891                                     | 2,461,618                                  | 1,311,416                                  |
| Operating profit (loss) from<br>continuing operations | (179,443)                                  | 1,937,052                                  | 931,508                                    |
| Profit (loss) for the period                          | (179,443)                                  | 1,937,052                                  | 931,508                                    |
| Profit (loss) attributable to:                        |  |  |  |
| Owners of the Company                                 | (207,239)                                  | 1,802,756                                  | 906,713                                    |
| Non-controlling interest                              | 27,796                                     | 134,296                                    | 24,795                                     |
| Basic earnings (loss) per share                       | (579)                                      | 5,038                                      | 2,534                                      |
| Diluted earnings (loss) per share                     | (579)                                      | 5,038                                      | 2,534                                      |
| Number of consolidated entities                       | 22   | 20   | 19   |

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- 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<br>December 31, 2018 | As of<br>December 31, 2017 | As of<br>December 31, 2016 |
|---------------------------------------|----------------------------|----------------------------|----------------------------|
| Current assets                        | 6,378,339                  | 8,381,074                  | 8,712,575                  |
| Quick assets                          | 4,427,184                  | 6,698,829                  | 7,005,592                  |
| Inventories                           | 1,951,155                  | 1,682,245                  | 1,706,983                  |
| Non-current assets                    | 20,683,767                 | 17,028,341                 | 13,100,175                 |
| Investments                           | 3,602,214                  | 2,683,941                  | 2,656,026                  |
| Property, plant and equipment,<br>net | 14,984,564                 | 12,487,001                 | 8,757,973                  |
| Intangible assets                     | 816,808                    | 731,373                    | 673,966                    |
| Other non-current assets              | 1,280,181                  | 1,126,026                  | 1,012,210                  |
| Total assets                          | 27,062,106                 | 25,409,415                 | 21,812,750                 |
| Current liabilities                   | 7,416,630                  | 7,394,605                  | 6,176,344                  |
| Non-current liabilities               | 6,432,895                  | 4,185,551                  | 3,400,959                  |
| Total liabilities                     | 13,849,525                 | 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                     | 9,172,389                  | 9,789,067                  | 8,195,255                  |
| Other equity                          | 0                          | 0                          | 0                          |
| Total equity                          | 13,212,581                 | 13,829,259                 | 12,235,447                 |

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

| Description   | For year ended<br>December 31, 2018 | For the year<br>ended<br>December 31, 2017 | For the year<br>ended<br>December 31, 2016 |
|---|-------------------------------------|--|--|
| Revenue   | 22,371,687                          | 25,591,082                                 | 24,419,295                                 |
| Operating profit (loss)                               | (472,995)                           | 1,536,730                                  | 709,138                                    |
| Operating profit (loss) from<br>continuing operations | (442,291)                           | 1,779,721                                  | 967,078                                    |
| Profit (loss) for the period                          | (442,291)                           | 1,779,721                                  | 967,078                                    |
| Basic earnings (loss) per share                       | (1,236)                             | 4,974                                      | 2,703                                      |
| Diluted earnings (loss) per<br>share                  | (1,236)                             | 4,974                                      | 2,703                                      |



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## C. Consolidated subsidiaries (as of December 31, 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%   |
| LG Display High-Tech (China) Co., Ltd. <sup>(3)</sup> | Manufacturing                       | China     | 69%    |
| MMT (Money Market Trust)                              | Money market trust                  | Korea     | 100%   |

## D. Status of equity investments (as of December 31, 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%            |

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|   |       |        |                   |      |
|---|-------|--------|-------------------|------|
| LG Display Shenzhen Co., Ltd.                         | CNY   | 4      | August 28, 2007   | 100% |
| 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. <sup>(1)</sup>  | US\$  | 300    | May 13, 2016      | 100% |
| Suzhou Lehui Display Co., Ltd.                        | CNY   | 637    | July 1, 2016      | 100% |
| LG Display Fund I LLC <sup>(2)</sup>                  | USD\$ | 2      | May 1, 2018       | 100% |
| LG Display High-Tech (China) Co., Ltd. <sup>(3)</sup> | CNY   | 6,517  | July 11, 2018     | 69%  |
| MMT (Money Market Trust) <sup>(4)</sup>               | ₩     | 24,501 | 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.

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- (2) During the reporting period, we established LG Display Fund I LLC in Wilmington, North Carolina, U.S.A. for the purpose of investing in new emerging companies and our percentage ownership interest in LG Display Fund I LLC is 100%.
- (3) During the reporting period, we established LG Display High-Tech (China) Co., Ltd. in Guangzhou, China for the purpose of manufacturing display products, and our percentage ownership interest in LG Display High-Tech (China) Co., Ltd is 69%.
- (4) 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 December 31, 2018 is ₩24,501 million.

## (2) Equity accounted investees

| Company   | Carrying Amount<br>(in millions) | Date of<br>Incorporation | Equity<br>Interest |
|---|----------------------------------|--------------------------|--------------------|
| Paju Electric Glass Co., Ltd.                   | ₩ 47,823                         | January 2005             | 40%                |
| Invenia Co., Ltd.                               | ₩ 4,166                          | January 2001             | 13%                |
| Wooree E&L Co., Ltd. <sup>(1)</sup>             | ₩ 4,746                          | June 2008                | 14%                |
| LB Gemini New Growth Fund No. 16 <sup>(2)</sup> |                                  | December 2009            |                    |
| YAS Co., Ltd.                                   | ₩ 16,308                         | April 2002               | 15%                |
| Avatec Co., Ltd.                                | ₩ 23,441                         | August 2000              | 17%                |
| Arctic Sentinel, Inc.                           |                                  | June 2008                | 10%                |
| CYNORA GmbH <sup>(3)</sup>                      | ₩ 8,668                          | March 2003               | 14%                |
| Material Science Co., Ltd. <sup>(4)</sup>       | ₩ 3,346                          | January 2014             | 10%                |
| Nanosys Inc. <sup>(5)</sup>                     | ₩ 5,491                          | July 2001                | 4%                 |

Changes since December 31, 2017:

- (1) We recognized the difference between the book value and the recoverable amount of ₩802 million as an impairment loss and classified it as finance cost due to the uncertainty of the recoverability of our equity investment in Wooree E&L Co., Ltd.
- (2) The Investment in LB Gemini New Growth Fund No. 16, in which we participated as a limited liability member, was dissolved and liquidated during the reporting period following a resolution at a general meeting. We recovered ₩1,545 million in 2018 and recognized the difference from the book value of ₩1,545 million as finance income.
- (3) We recognized the difference between the book value and the recoverable amount of ₩11,641 million as an impairment loss and classified it as finance cost due to the uncertainty of the recoverability of our equity investment in Cynora GmbH.
- (4) In March 2018, we acquired 10,767 voting common shares of Material Science Co., Ltd. for ₩4,000 million. We recognized the difference between the book value and the recoverable amount of ₩671 million as an impairment loss and classified it as finance cost due to the uncertainty of the recoverability of our equity investment in Material Science Co., Ltd. As of December 31, 2018, our percentage ownership interest in Material Science Co., Ltd. was 10%, and we are entitled to appoint one director of such company.
- (5) In May 2018, we acquired 5,699,954 voting common shares of Nanosys Inc. for ₩10,732 million. As of December 31, 2018, we recognized the difference between the book value and the recoverable amount of ₩5,085 million as an impairment loss and classified it as financial expense due to the uncertainty of the recoverability of our equity investment in Nanosys Inc.'s investment shares. As of December 31, 2018, our

percentage ownership interest in Nanosys Inc. was 4%, and we are entitled to appoint one director of such company.

### 13. Audit Information

#### A. Audit service

(Unit: In millions of Won, hours)

| Description                 | 2018                         | 2017                         | 2016                         |
|-----------------------------|------------------------------|------------------------------|------------------------------|
| Auditor                     | KPMG Samjong                 | KPMG Samjong                 | KPMG Samjong                 |
| Activity                    | Audit by independent auditor | Audit by independent auditor | Audit by independent auditor |
| Compensation <sup>(1)</sup> | 1,170 (450) <sup>(2)</sup>   | 1,040 (450) <sup>(2)</sup>   | 1,020 (440) <sup>(2)</sup>   |
| Time required               | 17,269                       | 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.

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B. Non-audit service  
None.

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

A. Risk relating to forward-looking statements

This annual report contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements reflect our current views as of the date of this report with respect to future events and are not a guarantee of future performance or results. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of factors beyond our control. We have no obligation to update or correct the forward-looking statements contained in these materials subsequent to the date hereof. All forward-looking statements attributable to us in this report are expressly qualified in their entirety by the cautionary statements contained or referred to in this section.

B. Overview

In 2018, the display industry experienced a steep decline in panel prices during the first half of the year due to increased supply from China. Although panel prices showed signs of rebounding in the second half of the year due to increased demand by customers looking to secure sufficient inventory levels, overall profitability for the year decreased compared to the previous year.

With respect to each of our business areas:

*Television.* In this business area, we expanded our product offerings to include higher value-added products that are relatively less sensitive to downturns in market prices such as commercial display panels and ultra-large display panels. As for OLED television panels, we were able to solidify our high-end position in the market while increasing our supply output through diversifying our customer base and increasing our production efficiency, thereby turning a positive profit in the third quarter of 2018.

*IT.* By leveraging our IPS and oxide technologies, we increased the proportion of premium monitor panels and notebook panels with IPS, high definition, low power consumption and narrow bezel features in our product mix.

*Mobile.* We focused on supplying plastic OLED panels to new customers through the commencement of mass production at our E5 facility and stabilizing our production, while continuing with our research and development of next-generation products such as automotive display panels. However, costs related to early stages of plastic OLED panel production and the stabilizing of our production, coupled with a slowdown in demand in the smartphone and high-end markets, served as the main reasons for a decline in our profitability for the year.

C. Financial condition and results of operations

(1) Changes in Political, Economic, Social, Competitive and Regulatory Environment

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

Display panel manufacturers are vulnerable to cyclical market conditions. Intense competition and expectations of growth in demand across the industry may cause display panel manufacturers to make additional investments in manufacturing capacity on similar schedules, resulting in a surge in capacity when production is ramped up at new fabrication facilities. During such surges in capacity growth, as evidenced by past experiences, customers can exert strong downward pricing pressure, resulting in sharp declines in average selling prices and significant fluctuations in the panel manufacturers' gross margins. Conversely, demand surges and fluctuations in the supply chain can lead to price increases.

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From time to time, we have been affected by overcapacity in the industry relative to the general demand for display panels which, together with uncertainties in the current global economic environment, has contributed to a general decline in the average selling prices of a number of our display panel products. Our average revenue per square meter of net display area increased by 3.5% from ₩645,222 in 2016 to ₩667,726 in 2017, but decreased by 13.6% to ₩576,817 in 2018, primarily reflecting an oversupply in the market due to commencement of mass production by new fabrication facilities of our competitors, which outpaced the increase in the overall market demand compared to the previous year.

While we believe that overcapacity and other cyclical issues in the industry are best addressed by increasing the proportion of high margin, differentiated specialty products based on newer technologies in our product mix that are tailored to our customers' evolving needs, we also address overcapacity issues by, in the short-term, adjusting the utilization rates of our existing fabrication facilities based on our assessment of industry inventory levels and demand for our products and, in the mid- to long-term, by fine-tuning our investment strategies relating to product development and capacity growth in light of our assessment of future market conditions.

However, we cannot provide any assurance that an increase in demand, which helped to mitigate the impact of industry-wide overcapacity in the past, can be sustained in future periods. We will therefore continue to closely monitor the overcapacity issues in the industry and respond accordingly. However, construction of new fabrication facilities and other capacity expansion projects in the display panel industry are undertaken with a multiple-year time horizon based on expectations of future market trends. Therefore, even if overcapacity issues persist in the industry, there may be continued capacity expansion in the near future due to pre-committed capacity expansion projects in the industry that were undertaken in past years. Any significant industry-wide capacity increases that are not accompanied by a sufficient increase in demand could further drive down the average selling price of our panels, which would negatively affect our gross margin. Any decline in prices may be further compounded by a seasonal weakening in demand growth for end products such as personal computer products, consumer electronics products and mobile and other application products. Furthermore, once the differentiated products that had a positive impact on our performance mature in their technology cycle, if we are not able to develop and commercialize newer products to offset the price erosion of such maturing products in a timely manner, our ability to counter the impact of cyclical market conditions on our gross margins would be further limited. We cannot provide assurance that any future downturns resulting from any large increases in capacity or other factors affecting the industry would not have a material adverse effect on our business, financial condition and results of operations.

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

In recent years, difficulties affecting the global financial sectors, adverse conditions and volatility in the worldwide credit and financial markets, fluctuations in oil and commodity prices and the general weakness of the global economy have increased the uncertainty of global economic prospects in general and have adversely affected the global and Korean economies. Global economic downturns in the past have adversely affected demand for consumer products manufactured by our customers in Korea and overseas, including televisions, notebook computers, desktop monitors, tablet computers and mobile and other application products utilizing display panels, which in turn led them to reduce or plan reductions of their production.

While global economic conditions have generally stabilized and improved in recent years, the overall prospects for the global economy remain uncertain. We cannot provide any assurance that demand for our products can be sustained at current levels in future periods or that the demand for our products will not decrease again in the future due to such economic downturns which may adversely affect our profitability. We may decide to adjust our production levels in the future subject to market demand for our products, the production outlook of the global display panel industry, in particular, the display panel industry, and global economic conditions in general. Any decline in demand for display

panel products may adversely affect our business, results of operations and/or financial condition.



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

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

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

The display panel industry is highly competitive. We have experienced pressure on the prices and margins of our major products due largely to additional capacity from panel makers in Korea, Taiwan, China and Japan.

Some of our competitors may currently, or at some point in the future, have greater financial, sales and marketing, manufacturing, research and development or technological resources than we do. In addition, our competitors may be able to manufacture panels on a larger scale or with greater cost efficiencies than we do and we anticipate increases in production capacity in the future by other display panel manufacturers using similar display panel technologies as us. Any price erosion resulting from strong global competition or additional industry capacity may materially adversely affect our financial condition and results of operations.

In addition, consolidation within the industry in which we operate may result in increased competition as the entities emerging from such consolidation may have greater financial, manufacturing, research and development and other resources than we do, especially if such mergers or consolidations result in vertical integration and operational efficiencies. For example, in August 2016, Foxconn Technology Group, an integrated electronics contract manufacturer for end-brands, acquired a majority stake in our competitor, Sharp. Increased competition resulting from such mergers or consolidations may lead to decreased margins, which may have a material adverse effect on our financial condition and results of operations.

We and our competitors each seek to establish our own products and technologies as the industry standards. For example, in the large-sized television panel market, we currently manufacture primarily 32-inch, 43-inch, 49-inch, 55-inch and 65-inch television panels and utilize white RGB, or WRGB, technology for our organic light-emitting diode, or OLED, television panels. Other display panel manufacturers produce competing large-sized television panels in slightly different dimensions and utilize competing display panel technologies. If our competitors' panels or the technologies they adopt become the market standard, we may lose market share and may not realize the expected return on our investments in the technologies we utilize in our display panels, which may have a material adverse effect on our financial condition and results of operations.

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

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

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

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

Our success will depend greatly on our ability to respond quickly to rapidly evolving customer requirements and to develop and efficiently manufacture new and differentiated products in anticipation of future demand. A failure or delay on our part to develop and efficiently manufacture products of such quality and technical specifications that meet our customers' evolving needs may adversely affect our business.

Close cooperation with our customers to gain insights into their product needs and to understand general trends in the end-product market is a key component of our strategy to produce successful products. In addition, when developing new products, we often work closely with equipment suppliers to design equipment that will make our production processes for such new products more efficient. If we are unable to work together with our customers and equipment suppliers, or to sufficiently understand their respective needs and capabilities or general market trends, we may not be able to introduce or efficiently manufacture new products in a timely manner, which may have a material adverse effect on our financial situation.

In addition, product differentiation, especially the ability to develop and market differentiated specialty products that command higher premiums in a timely manner, has become a key competitive strategy in the display panel market. This is in part due to trends in consumer electronics and other markets, such as televisions, tablet computers and mobile devices, where the growth in demand is led by end products employing newer technologies with specifications tailored to deliver enhanced performance, convenience and user experience in a cost-efficient and timely manner. Accordingly, we have focused our efforts on developing and marketing differentiated specialty products, including our ultra-large and ultra-thin OLED television and public display panels, OLED television panels with built-in sound systems, dual-sided and vertical tiling OLED display panels, flexible OLED smartphone and smartwatch panels, display panels utilizing ultra-high definition, or Ultra HD, technologies, and Advanced High-Performance In-Place Switching, or AH-IPS, panels for tablet computers, mobile devices, notebook computers and desktop monitors. We have also focused our efforts on cost reductions in the production process, in particular of panels with newer technologies, such as OLED, in order to improve or maintain our profit margins while offering competitive prices to our customers.

We have developed differentiated sales and marketing strategies to promote our panels for differentiated specialty products as part of our strategy to grow our operations to meet increasing demand for new applications in consumer electronics and other markets. However, we cannot provide assurance that the differentiated products we develop and market will be responsive to our end customers' needs nor that our products will be successfully incorporated into end products or new applications that lead market growth in consumer electronics or other markets.

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

Our products are manufactured using advanced, and often new, technology and must meet stringent quality requirements. Products manufactured using advanced and new technology, such as ours, may contain undetected errors or defects, especially when first introduced. For example, our latest display panels may contain defects that are not detected until after they are shipped or installed because we cannot test for all possible scenarios. Such defects could cause us to incur significant re-designing costs, divert the attention of our technology personnel from product development efforts and significantly affect our customer relations and business reputation. In addition, future product failures could cause us to incur substantial expense to repair or replace defective products.

We recognize a provision for warranty obligations based on the estimated costs that we expect to incur under our basic limited warranty for our products, which covers defective products and is normally valid for a certain period from the date of purchase. The warranty provision is largely based on historical and anticipated rates of warranty claims, and therefore we cannot provide assurance that the provision would be sufficient to cover any surge in future warranty expenses that significantly exceed historical and anticipated rates of warranty claims. In addition, if we deliver products with errors or defects, or if there is a perception that our products contain errors or defects, our credibility and the market acceptance and sales of our products could be harmed. Widespread product failures may damage our market reputation and reduce our market share and cause our sales to decline.

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

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

declines in consumer confidence and a slowdown in consumer spending in the Korean or global economy;

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

adverse conditions in the economies of countries and regions that are important export markets for Korea, such as China, the United States, Europe and Japan, or in emerging market economies in Asia or elsewhere, as well as increased uncertainties related to Brexit;

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

increased sovereign default risk in select countries and the resulting adverse effects on the global financial markets;

investigations of large Korean business groups and their senior management for possible misconduct;

a continuing rise in the level of household debt and increasing delinquencies and credit defaults by retail and small- and medium-sized enterprise borrowers in Korea;

the economic impact of any pending or future free trade agreements or changes in existing free trade agreements;

social and labor unrest;

decreases in the market prices of Korean real estate;

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

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

loss of investor confidence arising from corporate accounting irregularities or corporate governance issues at certain Korean companies;

increases in social expenditures to support an aging population in Korea or decreases in economic productivity due to the declining population size in Korea;

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

the occurrence of severe health epidemics in Korea or other parts of the world (such as the Middle East Respiratory Syndrome outbreak in Korea in 2015);

natural or man-made disasters that have a significant adverse economic or other impact on Korea or its major trading partners;

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

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

increased reliance on exports to service foreign currency debts, which could cause friction with Korea's trading partners;

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

political or social tensions involving Russia and any resulting adverse effects on the global supply of oil or the global financial markets; and

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

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## (2) Results of operations

In 2018, the display industry generally continued to face a challenging market environment due to a decrease in panel prices caused by increased competition.

By business area:

*Television.* Through diversification of customers for our OLED panels and solidification of our market position with respect to high-end products, we were able to generate a positive profit in the second half of the year.

*IT.* We continued to shift our product mix towards higher value-added products by focusing on the premium IT market utilizing the competitive strength of our IPS and oxide technologies.

*Mobile and Automotive.* We focused on plastic OLED technology and the stabilizing of our production while also proceeding with our preparation for future businesses through our investment in the E6 facility, thereby laying the foundation to achieve results through the upcoming expansion of our OLED panel business.

Despite difficult market conditions, we are thoroughly preparing for the future and are in the process of shifting our business focus to OLED panels. While our profitability declined compared to the previous year due to costs incurred during the early stages of mass production of plastic OLED panels, they were caused by costs related to our preparation for the future, including next-generation products such as automotive display panels.

(Unit: In millions of Won)

| Description                     | 2018       | 2017       | Changes     |            |
|---------------------------------|------------|------------|-------------|------------|
|                                 |            |            | Amount      | Percentage |
| Revenue                         | 24,336,571 | 27,790,216 | (3,453,645) | (12.4)%    |
| Operating profit                | 92,891     | 2,461,618  | (2,368,727) | (96.2)%    |
| Profit (loss) before income tax | (91,366)   | 2,332,632  | (2,423,998) | (103.9)%   |
| Profit (loss) for the period    | (179,443)  | 1,937,052  | (2,116,495) | (109.3)%   |

## (a) Revenue and cost of sales

Our revenue decreased by 12.4% compared to 2017 due to the effects of an increased supply level from China. Our cost of sales as a percentage of revenue increased by 6.6 percentage points from 80.7% in 2017 to 87.3% in 2018, reflecting cost increases during the early stages of our preparation for increased offerings of high value-added products in anticipation of the further intensifying of competition in the display panel industry, as well as an increase in fixed costs (such as depreciation and amortization expenses).

(Unit: In millions of Won, except percentages)

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| Description                            | 2018       | 2017       | Changes       |                   |
|--|------------|------------|---------------|-------------------|
|  |            |            | <i>Amount</i> | <i>Percentage</i> |
| Revenue                                | 24,336,571 | 27,790,216 | (3,453,645)   | (12.4)%           |
| Cost of sales                          | 21,251,305 | 22,424,661 | (1,173,356)   | (5.2)%            |
| Gross profit                           | 3,085,266  | 5,365,555  | (2,280,289)   | (42.5)%           |
| Cost of sales as a percentage of sales | 87.3%      | 80.7%      | 6.6%          |                   |



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## (b) Sales by category

Revenue attributable to sales of panels exhibited varying trends by product category according to changes in product mix, customers and market conditions.

| Categories                                | 2018  | 2017  | Difference |
|---|-------|-------|------------|
| Panels for televisions                    | 40.0% | 42.2% | (2.2)%     |
| Panels for desktop monitors               | 16.6% | 15.8% | 0.8%       |
| Panels for notebook computers             | 11.7% | 8.1%  | 3.6%       |
| Panels for tablet computers               | 8.2%  | 8.5%  | (0.3)%     |
| Panels for mobile applications and others | 23.6% | 25.4% | (1.8)%     |

## (c) Production capacity

Our annual production capacity increased by approximately 2% in 2018 compared to 2017, in large part due to an expansion of our OLED panel production capacity and increased efficiency of our fabrication facility in China.

## (3) Financial condition

Our current assets amounted to ₩8,800 billion as of December 31, 2018, representing a decrease of ₩1,674 billion from the end of the previous year, and our non-current assets amounted to ₩24,376 billion as of December 31, 2018, representing an increase of ₩5,690 billion from the end of the previous year. Our current liabilities amounted to ₩9,954 billion as of December 31, 2018, representing an increase of ₩976 billion from the end of the previous year, and our non-current liabilities amounted to ₩8,335 billion as of December 31, 2018, representing an increase of ₩3,135 billion from the end of the previous year. Our total equity decreased by ₩95 billion to ₩14,886 billion as of December 31, 2018 from the end of the previous year, which mainly reflected the net loss for the period and effects of dividends paid.

(Unit: In millions of Won)

| Description              | 2018       | 2017       | Changes     |            |
|--------------------------|------------|------------|-------------|------------|
|                          |            |            | Amount      | Percentage |
| Current assets           | 8,800,127  | 10,473,703 | (1,673,576) | (16.0)%    |
| Non-current assets       | 24,375,583 | 18,685,984 | 5,689,599   | 30.4%      |
| Total assets             | 33,175,710 | 29,159,687 | 4,016,023   | 13.8%      |
| Current liabilities      | 9,954,483  | 8,978,682  | 975,801     | 10.9%      |
| Non-current liabilities  | 8,334,981  | 5,199,495  | 3,135,486   | 60.3%      |
| Total liabilities        | 18,289,464 | 14,178,177 | 4,111,287   | 29.0%      |
| Share capital            | 1,789,079  | 1,789,079  |             | 0.0%       |
| Share premium            | 2,251,113  | 2,251,113  |             | 0.0%       |
| Retained earnings        | 10,239,965 | 10,621,571 | (381,606)   | (3.6)%     |
| Reserves                 | (300,968)  | (288,280)  | (12,688)    | 4.4%       |
| Non-controlling interest | 907,057    | 608,027    | 299,030     | 49.2%      |
| Total equity             | 14,886,246 | 14,981,510 | (95,264)    | (0.6)%     |

|                              |            |            |           |       |
|------------------------------|------------|------------|-----------|-------|
| Total liabilities and equity | 33,175,710 | 29,159,687 | 4,016,023 | 13.8% |
|------------------------------|------------|------------|-----------|-------|

Due in part to increases in the proportion of high value added panels in our product mix, our inventory increased by ₩341 billion from the end of the previous year to ₩2,691 billion as of December 31, 2018.

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Trade accounts and notes receivable as of December 31, 2018 was ₩2,829 billion, a decrease of ₩1,496 billion from net trade accounts and notes receivable as of December 31, 2017, mostly reflecting an increase in sale of our trade accounts and notes receivable.

The book value of our total tangible assets as of December 31, 2018 was ₩21,600 billion, an increase of ₩5,398 billion from the book value of our total tangible assets as of December 31, 2017. The increase was due to our continued investment in increasing our production capacity, which outpaced the negative effect of depreciation of our production facilities.

Trade accounts and notes payable as of December 31, 2018 was ₩3,088 billion, an increase of ₩212 billion from trade accounts and notes payable as of December 31, 2017, mainly due to foreign exchange effects and an increase in our purchases.

Other accounts payable as of December 31, 2018 was ₩3,567 billion, an increase of ₩397 billion from other accounts payable as of December 31, 2017, primarily due to large-scale investments in production facilities for OLED television and plastic OLED panels and new production facilities in China.

#### (4) Dependence on Key Customers

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

A substantial portion of our sales is attributable to a limited group of end-brand customers and their designated system integrators. Sales attributed to our end-brand customers are for their end-brand products and do not include sales to these customers for their system integration activities for other end-brand products, if any. Our top ten end-brand customers, including LG Electronics Inc., our largest shareholder, together accounted for approximately 82% of our sales in 2016, 81% in 2017 and 77% in 2018.

We benefit from the strong collaborative relationships we maintain with our end-brand customers by participating in the development of their products and gaining insights about levels of future demand for our products and other industry trends. Customers look to us for a dependable supply of quality products, even during downturns in the industry, and we benefit from the brand recognition of our customers' end products. The loss of these end-brand customers, as a result of their entering into strategic supplier arrangements with our competitors or otherwise, would thus result not only in reduced sales, but also in the loss of these benefits. We cannot provide assurance that a select group of key end-brand customers, including our largest shareholder, will continue to place orders with us in the future at the same levels as in prior periods, or at all.

We expect that we will continue to be dependent upon LG Electronics and its affiliates for a significant portion of our revenue for the foreseeable future. Our results of operations and financial condition could therefore be affected by the overall performance of LG Electronics and its affiliates.

*Our revenue depends on continuing demand for televisions, notebook computers, desktop monitors, tablet computers and mobile and other application products with panels of the type we produce. Our sales may not grow at the rate we expect if consumers do not purchase these products.*

Currently, our total sales are derived principally from customers who use our products in televisions, notebook computers, desktop monitors, tablet computers and mobile and other application products with display devices. In

particular, a substantial percentage of our sales is derived from end-brand customers, or their designated system integrators, who use our panels in their televisions, which accounted for 38.2%, 42.2% and 40.0% of our total revenue in 2016, 2017 and 2018, respectively. A substantial portion of our sales is also derived from end-brand customers, or their designated system integrators, who use our panels in their notebook computers, which accounted for 9.0%, 8.1% and 11.7% of our total revenue in 2016, 2017 and 2018, respectively, those who use our panels in their desktop monitors, which accounted for 15.2%, 15.8% and 16.6% of our total revenue in 2016, 2017 and 2018, respectively, those who use our panels in their tablet computers, which accounted for 10.2%, 8.5% and 8.2% of our total revenue in 2016, 2017 and 2018, respectively, and those who use our panels in their mobile and other applications, which accounted for 27.2%, 25.3% and 23.4% of our total revenue in 2016, 2017 and 2018, respectively. Although the degree to which our total sales are dependent on sales of television panels has fluctuated in recent years, television panels remain our largest product category in terms of revenue and we will therefore continue to be dependent on continuing demand from the television industry. In addition, we will continue to be dependent on continuing demand from the personal computer industry, the tablet computer industry and the mobile device industry for a substantial portion of our sales. Any downturn in any of those industries in which our customers operate would result in reduced demand for our products, which may in turn result in reduced revenue, lower average selling prices and/or reduced margins.

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(5) Changes in Manufacturing Costs and Difficulties in Securing Supply of Raw Material  
*If we cannot maintain high capacity utilization rates, our profitability will be adversely affected.*

The production of display panels entails high fixed costs resulting from considerable expenditures for the construction of complex fabrication and assembly facilities and the purchase of costly equipment. We aim to maintain high capacity utilization rates so that we can allocate these fixed costs over a greater number of panels produced and realize a higher gross margin. However, due to any number of reasons, including fluctuating demand for our products or overcapacity in the display industry, we may need to reduce production, resulting in lower-than-optimal capacity utilization rates. As such, we cannot provide assurance that we will be able to sustain our capacity utilization rates in the future nor can we provide assurance that we will not reduce our utilization rates in the future as market and industry conditions change.

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

Our production operations depend on obtaining adequate supplies of quality raw materials and components on a timely basis. As a result, it is important for us to control our raw material and component costs and reduce the effects of fluctuations in price and availability. In general, we source most of our raw materials as well as key components, such as glass substrates, driver integrated circuits, polarizers and color filters used in both our TFT-LCD and OLED products, backlight units and liquid crystal materials used in our TFT-LCD products and hole transport materials and emission materials used in our OLED products, from two or more suppliers for each key component. However, we may establish a working relationship with a single supplier if we believe it is advantageous to do so due to performance, quality, support, delivery, capacity, price or other considerations. We may experience shortages in the supply of these key components, as well as other components or raw materials, as a result of, among other things, anticipated capacity expansion in the display industry or our dependence on a limited number of suppliers. Our results of operations would be adversely affected if we were unable to obtain adequate supplies of high-quality raw materials or components in a timely manner or make alternative arrangements for such supplies in a timely manner.

Furthermore, we may be limited in our ability to pass on increases in the cost of raw materials and components to our customers. We do not typically enter into binding long-term contracts with our customers, and even in those cases where we do enter into long-term agreements with certain of our major end-brand customers, the price terms are contained in the purchase orders. Except under certain special circumstances, the price terms in the purchase orders are not subject to change. Prices for our products are generally determined through negotiations with our customers, based generally on the complexity of the product specifications and the labor and technology involved in the design or production processes. However, if we become subject to any significant increase in the cost of raw materials or components that were not anticipated when negotiating the price terms after the purchase orders have been placed, we may be unable to pass on such cost increases to our customers.

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

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(6) Intangible Assets, Including Intellectual Property, and Research and Development Activities  
*Our business relies on our patent rights which may be narrowed in scope or found to be invalid or otherwise unenforceable.*

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

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

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

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

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

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

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

If we are unable to renew our technology licensing arrangements on acceptable terms, we may lose the legal protection to use certain of the processes we employ to manufacture our products and be prohibited from using those

processes, which may prevent us from manufacturing and selling certain of our products, including our key products. In addition, we could be at a disadvantage if our competitors obtain licenses for protected technologies on more favorable terms than we do.

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

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

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

*We have designated R&D organizations for our research and development activities.*

Our research organization consists of the LGD research center and designated departments, all of which are overseen by our chief technology officer. The LGD research center conducts research on differentiated, next-generation and basic infrastructure technology, while our designated departments enhance our competitiveness by conducting research that is geared toward future product development. Our development organization comprises of departments and centers dedicated to the development of a wide range of television, information technology and mobile products, including product-specific circuits, instrument/optics and panel design.

Our research and development related expenditures amounted to ₩2,064 billion in 2018, an increase of ₩152 billion from 2017. This increase is mainly due to the additional research and development activities in new products and technologies for large-sized OLED and plastic OLED panels, for which we expect to continue investing in the future.

Our intangible assets increased by ₩75 billion in 2018 compared to the previous year.

### (7) Sensitivity to Exchange Rates and Inflation

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



Our sales of display panels are denominated mainly in U.S. dollars, whereas our purchases of raw materials are denominated mainly in U.S. dollars and Japanese Yen. Our expenditures on capital equipment are denominated principally in Korean Won. In 2018, 94.3% of our sales were denominated in U.S. dollars. During the same period, 85.6% of our purchases of raw materials and components were denominated in U.S. dollars and 10.2% in Japanese Yen. In addition, 48.9% of our equipment purchases and construction costs were denominated in Korean Won, 23.5% in U.S. dollars, 18.2% in Chinese Renminbi and 6.2% in Japanese Yen.

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Accordingly, fluctuations in exchange rates, in particular between the U.S. dollar and the Korean Won as well as between the Japanese Yen and the Korean Won, affect our pre-tax income, and in recent years, the value of the Won relative to the U.S. dollar and Japanese Yen has fluctuated widely. Although a depreciation of the Korean Won against the U.S. dollar increases the Korean Won value of our export sales and enhances the price-competitiveness of our products in foreign markets in U.S. dollar terms, it also increases the cost of imported raw materials and components in Korean Won terms and our cost in Korean Won of servicing our U.S. dollar denominated debt. A depreciation of the Korean Won against the Japanese Yen increases the Korean Won cost of our Japanese Yen denominated purchases of raw materials and components and, to the extent we have any debt denominated in Japanese Yen, our cost in Korean Won of servicing such debt, but has relatively little impact on our sales as most of our sales are denominated in U.S. dollars. In addition, continued exchange rate volatility may also result in foreign exchange losses for us. Although a depreciation of the Korean Won against the U.S. dollar, in general, has a net positive impact on our results of operations that more than offsets the net negative impact caused by a depreciation of the Korean Won against the Japanese Yen, we cannot provide assurance that the exchange rate of the Korean Won against foreign currencies will not be subject to significant fluctuations, or that the impact of such fluctuations will not adversely affect the results of our operations.

## D. Liquidity and capital resources

## (1) Liquidity

Our main source for the procurement of funds include operations and financing activities. As of December 31, 2017 and 2018, our cash and cash equivalents amounted to ₩2,603 billion and ₩2,365 billion, respectively, and short-term deposits in banks amounted to ₩758 billion and ₩78 billion, respectively. Our primary use of cash has been to fund capital expenditures related to the expansion and improvement of our production capacity with respect to existing and newly developed products, including the construction and ramping-up of new, or in certain cases, expansion or conversion of existing, fabrication facilities and production lines and the acquisition of new equipment. We also use cash flows from operations for our working capital requirements and servicing our debt payments. We expect our cash requirements for 2019 to be primarily for capital expenditures and repayment of maturing debt.

The details of the consolidated cash and cash equivalents, deposits in banks and other financial assets as of December 31, 2017 and 2018 are as follows:

(Unit: in millions of won)

| Description                      | 2018      | 2017      |
|----------------------------------|-----------|-----------|
| <b>Current assets</b>            |           |           |
| Cash and cash equivalents        |           |           |
| Demand deposits                  | 2,365,022 | 2,602,560 |
| Deposits in banks                |           |           |
| Time deposits                    | 4,318     | 685,238   |
| Restricted cash <sup>(1)</sup>   | 74,082    | 72,840    |
| Derivative assets <sup>(2)</sup> | 13,059    |           |
| Government bonds                 | 106       | 6         |
| Deposits                         | 17,020    | 10,480    |

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|   |                  |                  |
|---|------------------|------------------|
| Short-term loans                                      | 16,116           | 16,766           |
| <b>Total current assets</b>                           | <b>2,489,723</b> | <b>3,387,890</b> |
| <b>Non-current assets</b>                             |                  |                  |
| Deposits in banks                                     |                  |                  |
| Restricted cash <sup>(1)</sup>                        | 11               | 11               |
| Financial assets at fair value through profit or loss |                  | 1,552            |
| Equity securities                                     | 13,681           | 4,980            |
| Convertible bonds                                     | 1,327            |                  |
| Government bonds                                      | 55               | 156              |
| Deposits  | 74,103           | 19,898           |
| Long-term loans                                       | 55,048           | 32,408           |
| Derivatives <sup>(3)</sup>                            |                  | 842              |
| <b>Total non-current assets</b>                       | <b>144,253</b>   | <b>59,847</b>    |
| <b>Total</b>  | <b>2,633,948</b> | <b>3,447,737</b> |

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

(2) Represent exchange rate swap contracts related to foreign currency denominated borrowings.

(3) Represent interest rate swap contracts related to borrowings with variable interest rates.

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(Unit: in millions of won)

| Description         | 2018        | 2017       | Changes     |            |
|---------------------|-------------|------------|-------------|------------|
|                     |             |            | Amount      | Percentage |
| Current assets      | 8,800,127   | 10,473,703 | (1,673,576) | (16.0)%    |
| Current liabilities | 9,954,483   | 8,978,682  | 975,801     | 10.9%      |
| Net current assets  | (1,154,356) | 1,495,021  | (2,649,377) | (177.2)%   |

As of December 31, 2017, our current assets and current liabilities amounted to ₩10,474 billion and ₩8,979 billion, respectively, resulting in net current assets of ₩1,495 billion. As of December 31, 2018, our current assets and current liabilities amounted to ₩8,800 billion and ₩9,954 billion, respectively, resulting in net current liabilities of ₩1,154 billion. The decrease in net current assets as of December 31, 2018 compared to December 31, 2017 was a temporary effect, primarily due to increased current liabilities resulting from issuances of corporate bonds and loans to finance investments and an increase in sale of trade accounts and notes receivable.

## (2) Financial liabilities and capital resources

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

We are subject to financial and other covenants, including maintenance of credit ratings and debt-to-equity ratios, under certain of our debt obligations. The documentation for such debt also contains negative pledge provisions limiting our ability to provide liens on our assets as well as cross-default and cross-acceleration clauses, which give related creditors the right to accelerate the amounts due under such debt if an event of default or acceleration has occurred with respect to our existing or future indebtedness, or if any material part of our indebtedness or indebtedness of our subsidiaries is capable of being declared payable before the stated maturity date. In addition, such covenants restrict our ability to raise future debt financing.

If we breach the financial or other covenants contained in the documentation governing our debt obligations, our financial condition will be adversely affected to the extent we are not able to cure such breaches, obtain a waiver from the relevant lenders or debtholders or repay the relevant debt.

As of December 31, 2017 and 2018, no short-term borrowings were outstanding.

As of December 31, 2018, we had agreements with several banks for accounts receivable sales negotiating facilities of up to an aggregate of USD 1,670 million in connection with our export sales transactions, and our subsidiaries also have various such arrangements.

As of December 31, 2018, our long-term borrowings, including the current portion of long-term debt and the discount on bonds, amounted to ₩8,585 billion, which mainly consist of bonds denominated in Won of ₩1,773 billion, long-term debt denominated in foreign currencies of ₩2,532 billion and long-term debt denominated in Won of ₩2,701 billion.

Some of our long-term borrowings may include covenants with acceleration rights. If an event of default occurs from failure to comply with the agreed financial ratios or cross-default occurs as a result of a breach of other debt obligations, the principal amount and interest may be subject to early repayment. As of December 31, 2018, we have

complied with applicable financial and other covenants contained in the documentation governing our debt obligations.

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Our financial liabilities and capital resources are as follows:

## (a) Financial liabilities

Our financial liabilities amounted to ₩8,585 billion in 2018, representing an increase of ₩2,981 billion from 2017.

(Unit: in millions of won)

| Description                              | 2018             | 2017             |
|--|------------------|------------------|
| <b>Current financial liabilities</b>     | 1,553,907        | 1,452,926        |
| <b>Non-current financial liabilities</b> |                  |                  |
| Won denominated borrowings               | 2,700,608        | 1,251,258        |
| Foreign currency denominated borrowings  | 2,531,663        | 1,392,931        |
| Bonds                                    | 1,772,599        | 1,506,003        |
| Derivatives(*)                           | 25,758           |                  |
| <b>Sub-total</b>                         | <b>7,030,628</b> | <b>4,150,192</b> |
| <b>Total</b>                             | <b>8,584,535</b> | <b>5,603,118</b> |

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

## (b) Capital resources

Set forth below are the details of our procurement of funds as of December 31, 2018.

(Unit: In millions of Won or millions of other currency)

| Categories                                       | Interest rate as of<br>December 31, 2018 (%) | 2018             | 2017             |
|--|--|------------------|------------------|
| Long-term debt denominated in Won                | 2.75   | 1,259            | 1,922            |
|  | CD interest rate (91 days)<br>+ 0.64,        |                  | 200,000          |
|  | 2.43~3.25                                    | 2,850,000        | 1,250,000        |
|  | Less: current portion                        | (150,651)        | (200,664)        |
|  | <b>Total</b>                                 | <b>2,700,608</b> | <b>1,251,258</b> |
| Long-term debt denominated in foreign currencies |  | 955,975          | 755,337          |

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|                                      |             |             |
|--------------------------------------|-------------|-------------|
| 3-month LIBOR +<br>0.75~1.70         |             |             |
| US\$: 3-month LIBOR +<br>0.80~2.00 / | 2,419,286   | 1,385,097   |
|                                      | (US\$2,262, | (US\$1,500, |
| CNY: PBOC *<br>(0.90~1.05)           | CNY5,198)   | CNY3,263)   |
| Less: current portion                | (843,598)   | (747,503)   |
| Total                                | 2,531,663   | 1,392,931   |

|                          |                                  |           |           |
|--------------------------|----------------------------------|-----------|-----------|
| Bonds denominated in Won | 1.80~3.45                        | 1,900,000 | 2,015,000 |
|                          | 3.25~4.25                        | 110,000   |           |
|                          | Less: original issue<br>discount | (3,949)   | (4,238)   |
|                          | Less: current portion            | (559,658) | (504,759) |
|                          | Total                            | 1,446,393 | 1,506,003 |

|   |      |                   |
|---|------|-------------------|
| Bonds denominated in foreign currencies | 3.88 | 335,430 (US\$300) |
| Less: original issue<br>discount        |      | (9,224)           |
| Total                                   |      | 326,206           |

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Set forth below are the cash flows on our borrowings by maturity.

(Unit: In millions of Won or millions of other currency)

| Categories           | Book value | Total     | Contractual cash flows |             |           |           | Over 5 years |
|----------------------|------------|-----------|------------------------|-------------|-----------|-----------|--------------|
|                      |            |           | Within 6 months        | 6~12 months | 1~2 years | 2~5 years |              |
| Secured borrowings   | 268,093    | 268,190   | 268,190                |             |           |           |              |
| Unsecured borrowings | 5,958,427  | 6,588,502 | 565,832                | 356,688     | 973,297   | 4,169,682 | 523,003      |
| Unsecured bonds      | 2,332,257  | 2,537,553 | 291,738                | 328,400     | 456,990   | 1,320,248 | 140,177      |
| Total                | 8,558,777  | 9,394,245 | 1,125,760              | 685,088     | 1,430,287 | 5,489,930 | 663,180      |

### (3) Cash usage

Our management constantly monitors our working capital, and we have historically been able to satisfy our cash requirements from cash flows from operations and debt financing. We believe that we have sufficient working capital for our present requirements. In 2018, we issued Won denominated bonds in the aggregate amount of ₩854 billion, primarily to fund our capital expenditures and refinance our existing borrowings.

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

Our net cash from operating activities amounted to ₩6,764 billion in 2017 and ₩4,484 billion in 2018. The decrease in net cash provided by operating activities in 2018 compared to 2017 was mainly due to changes in net profit.

Our net cash used in investing activities amounted to ₩6,481 billion in 2017 and ₩7,675 billion in 2018. Net cash used in investing activities primarily reflected the expansion and conversion of our existing production facilities and construction of our new facilities. These cash outflows from capital expenditures amounted to ₩6,592 billion in 2017 and ₩7,942 billion in 2018. We intend to fund our capital requirements associated with our expansion and construction projects with cash flows from operations and financing activities, such as external long-term borrowings.

We currently expect that, in 2018, our total capital expenditures on a cash out basis will be at a similar level compared to 2018, primarily to fund the expansion of our panel production capacities for large-sized and small- and medium-sized OLED panels, including the construction of a next generation fabrication facility. However, our overall expenditure levels and our allocation among projects are subject to many uncertainties. We review the amount of our capital expenditures and may make adjustments from time to time based on cash flows from operations, the progress of our expansion plans and market conditions.



Our net cash provided by financing activities amounted to ~~₩~~862 billion in 2017 and ~~₩~~2,953 billion in 2018. The net cash provided by financing activities in 2017 and 2018 reflect primarily an increase in long-term borrowings.

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In 2018, our total capital expenditures on a cash out basis was ₩7.9 trillion. In 2017, we announced an investment plan of approximately ₩20 trillion by 2020 for the development of OLED as our future growth engine. As part of this plan, in 2017 and 2018, we made capital expenditures in connection with OLED, including large-sized OLED and plastic OLED, and our capital expenditures on a cash out basis increased by approximately ₩1.3 trillion compared to 2017.

(Unit: In millions of Won)

| Description                               | 2018        | 2017        | Changes     |
|---|-------------|-------------|-------------|
| Net cash provided by operating activities | 4,484,123   | 6,764,201   | (2,280,078) |
| Net cash used in investing activities     | (7,675,339) | (6,481,072) | (1,194,267) |
| Net cash provided by financing activities | 2,952,919   | 862,242     | 2,090,677   |
| Cash and cash equivalents at December 31, | 2,365,022   | 2,602,560   | (237,538)   |

**15. Board of Directors****A. Members of the board of directors**

As of December 31, 2018, our board of directors consisted of two non-outside directors, one non-standing director and four outside directors.

(As of December 31, 2018)

| Name                          | Position   | Primary responsibility             |
|-------------------------------|--|------------------------------------|
| Sang Beom Han <sup>(1)</sup>  | Representative Director (non-outside), Chief Executive Officer and Vice Chairman | Chairman of the board of directors |
| Sang Don Kim <sup>(2)</sup>   | Director (non-outside), Chief Financial Officer and Senior Vice President        | Overall head of finances           |
| Hyun-Hwoi Ha <sup>(3)</sup>   | Director (non-standing)  | Related to the overall management  |
| Joon Park <sup>(4)</sup>      | Outside Director   | Related to the overall management  |
| Sung-Sik Hwang <sup>(5)</sup> | Outside Director   | Related to the overall management  |
| Kun Tai Han <sup>(6)</sup>    | Outside Director   | Related to the overall management  |
| Byoung Ho Lee <sup>(7)</sup>  | 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) Sang Don Kim retired as his term expired at the annual general meeting of shareholders held on March 15, 2019.
- (3) Hyun-Hwoi Ha resigned from his position as a non-standing director on March 14, 2019.
- (4) Joon Park retired as his term expired at the general meeting of shareholders on March 15, 2019.
- (5) 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.
- (6) Kun Tai Han is also the chief executive officer of Hans Consulting.

(7) Byoung Ho Lee was appointed as an outside director at the annual general meeting of shareholders held on March 15, 2018.

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

(As of the date of this report)

| Name                          | Position   | Primary responsibility              |
|-------------------------------|--|-------------------------------------|
| Sang Beom Han                 | Representative Director (non-outside), Chief Executive Officer and Vice Chairman | Overall head of business management |
| Donghee Suh <sup>(1)</sup>    | Director (non-outside), Chief Financial Officer and Senior Vice President        | Overall head of finances            |
| Young-Soo Kwon <sup>(1)</sup> | Director (non-standing)  | Related to the overall management   |
| Sung-Sik Hwang                | Outside Director   | Related to the overall management   |
| Kun Tai Han <sup>(2)</sup>    | Outside Director   | Related to the overall management   |
| Byung Ho Lee                  | Outside Director   | Related to the overall management   |
| Chang-Yang Lee <sup>(1)</sup> | Outside Director   | Related to the overall management   |

(1) Each of Donghee Suh, Young-Soo Kwon and Chang-Yang Lee was newly appointed at the annual general meeting of shareholders held on March 15, 2019.

(2) Kun Tai Han was reappointed for another term as an outside director at the annual general meeting of shareholders held on March 15, 2019.

**Table of Contents****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. As of December 31, 2018, the composition of the Audit Committee and the Outside Director Nomination Committee was as follows.

(As of December 31, 2018)

| Committee                             | Composition                                     | Member   |
|---------------------------------------|---|--|
| Audit Committee                       | 3 outside directors                             | Sung-Sik Hwang <sup>(1)</sup> , Joon Park <sup>(2)</sup> ,<br>Kun Tai Han <sup>(3)</sup> |
| Outside Director Nomination Committee | 1 non-standing director and 2 outside directors | Hyun-Hwoi Ha, Joon Park,<br>Sung-Sik Hwang   |

(1) Sung-Sik Hwang is the audit committee chairman.

(2) Joon Park retired as his term expired at the general meeting of shareholders on March 15, 2019.

(3) Kun Tai Han was reappointed as a member of the audit committee of the board of directors at the annual general meeting of shareholders held on March 15, 2019.

As of March 15, 2019, the composition of the Outside Director Nomination Committee was as follows.

(As of March 15, 2019)

| Committee  | Composition                                     | Member                                       |
|--|---|--|
| Outside Director Nomination Committee <sup>(1)</sup> | 1 non-standing director and 2 outside directors | Young-Soo Kwon, Kun Tai Han,<br>Byung Ho Lee |

(1) Each of Young-Soo Kwon, Kun Tai Han, Byung Ho Lee was appointed as a member of the outside director nomination committee of the board of directors by the board of directors on March 15, 2019.

As of the date of this report, the composition of the Audit Committee is as follows.

(As of the date of this report)

| Committee       | Composition         | Member  |
|-----------------|---------------------|---|
| Audit Committee | 3 outside directors | Sung-Sik Hwang <sup>(1)</sup> , Kun Tai Han,<br>Chang-Yang Lee <sup>(2)</sup> |

(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.

(2)

Chang-Yang Lee was newly appointed as an audit committee member at the annual general meeting of shareholders held on March 15, 2019.

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****16. Information Regarding Shares**

## A. Total number of shares

- (1) Total number of shares authorized to be issued (as of December 31, 2018): 500,000,000 shares.
- (2) Total shares issued and outstanding (as of December, 2018): 357,815,700 shares.

## B. Shareholder list

- (1) Largest shareholder and related parties as of December 31, 2018:

| Name            | Relationship                               | Number of shares<br>of common stock | Equity interest |
|-----------------|--|-------------------------------------|-----------------|
| LG Electronics  | Largest shareholder                        | 135,625,000                         | 37.9%           |
| Sang Beom Han   | Officer of member company                  | 48,355                              | 0.0%            |
| Sang Don Kim    | Officer of member company                  | 6,000                               | 0.0%            |
| Gi Ryun Jeong   | Relative of LG Corp. s largest shareholder | 400                                 | 0.0%            |
| Young Soon Hong | Relative of LG Corp. s largest shareholder | 400                                 | 0.0%            |

- (2) Shareholders who are known to us that own 5% or more of our shares as of December 31, 2018:

| Beneficial owner         | Number of shares<br>of common stock | Equity interest |
|--------------------------|-------------------------------------|-----------------|
| LG Electronics           | 135,625,000                         | 37.9%           |
| National Pension Service | 25,582,616                          | 7.2%            |

**17. Directors and Employees**

## A. Directors

- (1) Remuneration for directors in 2018

(Unit: person, in millions of Won)

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| Classification  | No. of directors <sup>(1)</sup> | Amount paid <sup>(2)</sup> | Per capita average remuneration paid <sup>(3)</sup> |
|---|---------------------------------|----------------------------|---|
| Non-outside directors                                 | 3                               | 3,475                      | 1,158   |
| Outside directors who are not audit committee members | 1                               | 85                         | 85  |
| Outside directors who are audit committee members     | 3                               | 234                        | 78  |
| Total   | 7                               | 3,794 <sup>(4)</sup>       | 542   |

(1) Number of directors as at December 31, 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 year ended December 31, 2018.

(4) As Jin Jang resigned from his position as an outside director on March 14, 2018 and Byoung Ho Lee was newly 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.

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

Individual amount of remuneration paid in 2018

(Unit: in millions of Won)

| Name                        | Position                | Total remuneration <sup>(1)</sup> | Payment not included in total remuneration |
|-----------------------------|-------------------------|-----------------------------------|--|
| Sang Beom Han               | Representative Director | 2,812                             |  |
| Sang Don Kim <sup>(2)</sup> | Director                | 663                               |  |

(1) Total remuneration includes incentive payments awarded for previous year's business performance.

(2) As Sang Don Kim transferred to a member company of the LG Group on December 19, 2018, the total amount paid includes remuneration for eleven months.

Method of calculation

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

— W2,812 million (consisting of W1,492 million in salary and W1,320 million in bonus).

Salary

Base salary is set in accordance with the executive compensation regulations established by the board of directors. Monthly payments of ₩67 million between January and March and ₩70 million between April and December were made.

Monthly payments of W53 million between January and March and W56 million between April and December were made in consideration of the importance and primary responsibilities of the job.



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 W26,504 billion in 2016 and W27,790 billion in 2017, and operating profit increased by W1,151 billion from W1,311 billion in 2016 to W2,462 billion in 2017.

Non-financial indicators: We have maintained our industry-leading technological position through continued introduction of new technologies and products; we are solidly implementing a successful shift in our OLED business through stable production of OLED television panels and building foundations for plastic OLED; we have strengthened our market position; and Mr. Han has demonstrated his leadership in achieving our target performance levels.

In consideration of such factors, Mr. Han was paid a total of W1,320 million in bonus.

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Sang Don Kim

Total remuneration

— W663 million (consisting of W441 million in salary and W222 million in bonus).

Salary

Base salary is set in accordance with the executive compensation regulations established by the board of directors. Monthly payments of ₩32 million between January and March and ₩34 million between April and November were made.

Monthly payments of W7 million between January and November were made in consideration of the importance and primary responsibilities of the job.

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 W26,504 billion in 2016 and W27,790 billion in 2017, and operating profit increased by ₩1,151 billion from ₩1,311 billion in 2016 to ₩2,462 billion in 2017.

Non-financial indicators: We have maintained our industry-leading technological position through continued introduction of new technologies and products; we are solidly implementing a successful shift in our OLED business through stable production of OLED

television panels and building foundations for plastic OLED; we have strengthened our market position; and Mr. Kim has demonstrated his leadership in achieving our target performance levels.

In consideration of such factors, Mr. Kim was paid a total of W222 million in bonus.

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

Individual remuneration amount

(Unit: in millions of Won)

| Name           | Position                | Total remuneration | Payment not included in total remuneration |
|----------------|-------------------------|--------------------|--|
| Sang Beom Han  | Chief Executive Officer | 2,812              |  |
| Yong Kee Hwang | President               | 1,337              |  |
| In Byeong Kang | Vice President          | 791                |  |
| Sang Deok Yeo  | Advisor                 | 4,155              |  |
| Byung Chul Ahn | Outside Advisor         | 1,418              |  |

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Method of calculation

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

— W2,812 million (consisting of W1,492 million in salary and W1,320 million in bonus).

Salary

Base salary is set in accordance with the executive compensation regulations established by the board of directors. Monthly payments of ₩67 million between January and March and ₩70 million between April and December were made.

Monthly payments of W53 million between January and March and W56 million between April and December were made in consideration of the importance and primary responsibilities of the job.

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 W26,504 billion in 2016 and W27,790 billion in 2017, and operating profit increased by ₩1,151 billion from ₩1,311 billion in 2016 to ₩2,462 billion in 2017.

Non-financial indicators: We have maintained our industry-leading technological position through continued introduction of new technologies and products; we are solidly implementing a successful shift in our OLED business through stable production of OLED television panels and building foundations for plastic OLED; we have strengthened our market position; and Mr. Han has demonstrated his leadership in achieving our target performance levels.

In consideration of such factors, Mr. Han was paid a total of W1,320 million in bonus.

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Yong Kee Hwang<sup>(1)</sup> Total remuneration

— W1,337 million (consisting of W1,021 million in salary and W316 million in bonus).

Salary

Base salary is set in accordance with the executive compensation regulations established by the board of directors. Monthly payments of ~~₩57~~ million between January and March and ~~₩59~~ million between April and December were made.

Monthly payments of ~~W23~~ million between January and March and ~~W24~~ million between April and December were made in consideration of the importance and primary responsibilities of the job.

Other benefits of ~~W38~~ million were paid over the course of the year.

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 W26,504 billion in 2016 and W27,790 billion in 2017, and operating profit increased by ~~₩1,151~~ billion from ~~₩1,311~~ billion in 2016 to ~~₩2,462~~ billion in 2017.

Non-financial indicators: We have maintained our industry-leading technological position through continued introduction of new technologies and products; we are solidly implementing a successful shift in our OLED business through stable production of OLED television panels and building foundations for plastic OLED; we have strengthened our market position; and Mr. Hwang has demonstrated his leadership in achieving our target performance levels.

In consideration of such factors, Mr. Hwang was paid a total of W316 million in bonus.

In Byeong Kang

Total remuneration

— W791 million (consisting of W518 million in salary and W273 million in bonus).

Salary

Base salary is set in accordance with the executive compensation regulations established by the board of directors. Monthly payments of ₩32 million between January and March and ₩34 million between April and December were made.

Monthly payments of W8 million between January and December were made in consideration of the importance and primary responsibilities of the job.

Other benefits of W20 million were paid over the course of the year.

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 W26,504 billion in 2016 ~~and~~ W27,790 billion in 2017, and operating profit increased by ~~W~~1,151 billion from ~~W~~1,311 billion in 2016 to ~~W~~2,462 billion in 2017.

Non-financial indicators: We have maintained our industry-leading technological position through continued introduction of new technologies and products; we are solidly implementing a successful shift in our OLED business through stable production of OLED television panels and building foundations for plastic OLED; we have strengthened our market position; and Mr. Kang has demonstrated his leadership in achieving our target performance levels.

In consideration of such factors, Mr. Kang was paid a total ~~of~~ W273 million in bonus.



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Sang Deok Yeo<sup>(2)</sup>

Total remuneration

— W4,155 million (consisting of W596 million in salary, W438 million in bonus and W3,121 million in retirement pay).

Salary

Base salary is set in accordance with the executive compensation regulations established by the board of directors. Monthly payments of W57 million between January and March and W45 million between April and December were made.

Other benefits of W18 million were paid over the course of the year.

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 W26,504 billion in 2016 and W27,790 billion in 2017, and operating profit increased by W1,151 billion from W1,311 billion in 2016 to W2,462 billion in 2017.

Non-financial indicators: We have maintained our industry-leading technological position through continued introduction of new technologies and products; we are solidly implementing a successful shift in our OLED business through stable production of OLED

television panels and building foundations for plastic OLED; we have strengthened our market position; and Mr. Yeo has demonstrated his leadership in achieving our target performance levels.

In consideration of such factors, Mr. Yeo was paid a total of W438 million in bonus.

Retirement pay

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

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Byung Chul Ahn<sup>(2)</sup> Total remuneration

— W1,418 million (consisting of W303 million in salary, W213 million in bonus and W902 million in retirement pay).

Salary

Base salary is set in accordance with the executive compensation regulations established by the board of directors. Monthly payments of W28 million between January and March and W22 million between April and December were made.

Other benefits of W23 million were paid over the course of the year.

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 W26,504 billion in 2016 and W27,790 billion in 2017, and operating profit increased by W1,151 billion from W1,311 billion in 2016 to W2,462 billion in 2017.

Non-financial indicators: We have maintained our industry-leading technological position through continued introduction of new technologies and products; we are solidly implementing a successful shift in our OLED business through stable production of OLED

television panels and building foundations for plastic OLED; we have strengthened our market position; and Mr. Yeo has demonstrated his leadership in achieving our target performance levels.

In consideration of such factors, Mr. Ahn was paid a total of W213 million in bonus.

### Retirement pay

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

- (1) Yong Kee Hwang retired as of March 31, 2019.  
 (2) Sang Deok Yeo and Byung Chul Ahn are former officers who retired as of March 31, 2018.

(4) Stock options  
 Not applicable.

### B. Employees

As of December 31, 2018, we had 30,438 employees (excluding our directors). On average, our male employees have served 9.8 years and our female employees have served 8.2 years. The total amount of salary paid to our employees for the year ended December 31, 2018 based on income tax statements submitted to the Korean tax authority in accordance with Article 20 of the Income Tax Act was ₩2,046,200 million for our male employees and ₩538,841 million for our female employees. The following table provides details of our employees as of December 31, 2018:

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

|              | Number of employees <sup>(1)</sup> | Total salary in 2018 <sup>(2)(3)(4)</sup> | Average salary per capita <sup>(5)</sup> | Average years of service |
|--------------|------------------------------------|---|--|--------------------------|
| Male         | 24,513                             | 2,046,200                                 | 83                                       | 9.8                      |
| Female       | 5,925                              | 538,841                                   | 70                                       | 8.2                      |
| <b>Total</b> | <b>30,438</b>                      | <b>2,585,041</b>                          | <b>80</b>                                | <b>9.5</b>               |



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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 year ended 2018 was ₩374,002 million and the per capita welfare benefit provided was ₩11.6 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: 24,610, female: 7,652) for the year ended December 31, 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.

**18. Other Matters****A. Legal proceedings**

In June 2018, the attorney general of the Commonwealth of Puerto Rico filed a complaint against us and other TFT-LCD panel manufacturers alleging unjust enrichment in connection with the defendants' anticompetitive behavior. The amount being sought has not been determined, and no trial has been scheduled. The expected outcome of such lawsuit is unclear, but we do not believe that it would have a material effect on our financial conditions.

**B. Material Events Subsequent to the Reporting Period****(1) Public issuance of corporate bonds**

On February 26, 2019, we issued corporate bonds in an aggregate amount of ₩390 billion. The following table provides details of such issuance:

| Type of Securities | Type of Offering | Issue Date        | Issue Amount     | Interest Rate | Credit Rating  | Date of Maturity  | Lead Underwriters   | Underwriters   |
|--------------------|------------------|-------------------|------------------|---------------|--|-------------------|---|--|
| Corporate Bonds    | Public           | February 26, 2019 | ₩310,000,000,000 | 2.309%        | AA- (Korea Investors Service, Inc.; Korea Ratings Corporation) | February 25, 2022 | Korea Investment & Securities; NH Investment & Securities; Mirae Asset Daewoo; Shinhan Financial Investment | eBest Investment Securities Co., Ltd.; H Investment Securities Co., Ltd. |
|                    |                  | February 26, 2019 | ₩80,000,000,000  | 2.479%        |  | February 26, 2024 |   |  |

C Non-current assets held for sale

In accordance with management's approval, we plan to sell a portion of the tangible assets of our subsidiary, LG Display Poland Sp. z o.o. We have begun our selling efforts and expect such sale to be completed in the first half of 2019.

Impairment loss of a disposal group

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There is no impairment loss recognized for the non-current assets held for sale since the fair value of the disposal group is expected to exceed the carrying amount.

Assets of a disposal group

The table below sets forth the book value of the non-current assets held for sale as of the reporting period.

(in millions of Won)

|                 | As of December 31, 2018 |
|-----------------|-------------------------|
| Tangible assets | 70,161                  |



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LG DISPLAY CO., LTD. AND SUBSIDIARIES

Consolidated Financial Statements

**For the Years Ended December 31, 2018 and 2017**

(With Independent Auditors' Report Thereon)

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**Independent Auditors Report**

Based on a report originally issued in Korean

To the Board of Directors and Shareholders

LG Display Co., Ltd.:

***Opinion***

We have audited the accompanying consolidated financial statements of LG Display Co., Ltd. and its subsidiaries (the Group), which comprise the consolidated statements of financial position of the Group as of December 31, 2018 and 2017, the related consolidated statements of comprehensive income (loss), changes in equity and cash flows for the years then ended, and comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Korean International Financial Reporting Standards (K-IFRS).

**Basis for Opinion**

We conducted our audit in accordance with Korean Standards on Auditing. Our responsibilities under those standards are further described in the Auditors Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements as of and for the year ended December 31, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(i) Assessment of impairment of non-current assets

As at December 31, 2018, goodwill amounts to ₩104,311 million and has been allocated to the entire Group as one cash generating unit. Management performs impairment assessment of the Group by estimating the recoverable amount for the Group at each reporting period. As described in note 3(k)(ii) to the consolidated financial statements, an impairment loss for non-current assets is recognized if the carrying amount of the Group exceeds its recoverable amount.

The recoverable amount used in impairment testing as of December 31, 2018 is value in use, which is estimated based on the expected future cash flows including the estimates of revenue, operating expense and growth rate, and discount rate. Considering the significant degree of the judgment in estimating the value in use of the Group and the potential

impact of the impairment on its consolidated financial statements, we identified the impairment of non-current assets as a key audit matter.

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The primary procedures we performed to address this key audit matter included:

Testing certain internal controls over the Group's non-current assets impairment process.

Comparing the forecasts included in discounted cash flow forecasts prepared in prior year with the current year's performance to assess the Group's ability to accurately forecast.

Evaluating the key assumptions used to determine the value in use which included the estimated revenue, operating expenses and growth rate by comparison with the latest financial budgets approved by the board of directors, historical performance and industry reports.

Engaging our internal valuation specialists to assist us in assessing the discount rate applied by comparison with our recalculated rate using market data.

Performing sensitivity analysis on the discount rate and terminal growth rate applied to assess the impact of changes in these key assumptions on the conclusion reached in management's impairment assessment.

(ii) Assessment of recoverability of deferred tax assets

As described in note 3 (r)(ii) to the consolidated financial statements, deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. As at December 31, 2018, deferred tax assets of KRW 308,393 million are from tax credit carryforwards which are primarily related to Korea.

The determination of the recoverability of deferred tax assets is complex as it requires the exercise of management judgment in estimating future taxable income and the timing of utilization of tax credits. Considering that estimation contains certain judgmental assumptions about future taxable profits including the estimates of revenue and operating expense, which are inherently uncertain and involve significant degree of judgment, we identified the assessment of recoverability of deferred tax assets as a key audit matter.

The primary procedures we performed to address this key audit matter included:

Testing certain internal controls relating to the Group's deferred tax assets recoverability evaluation process.

Evaluating key inputs used to determine future taxable income, such as revenue and operating expense, by comparing with the latest financial budgets approved by the board of directors, historical performance and industry reports.

Comparing the forecasts of taxable income and timing of utilization of tax credit in prior years to actual results to assess the Group's ability to accurately forecast.

***Other matter***

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

***Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements***

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

In preparing these consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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***Auditors Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether these consolidated financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditors report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Korean Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Korean Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible

for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements as of and for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Heon Chang Oh.



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KPMG Samjong Accounting Corp.

Seoul, Korea

February 25, 2019

This report is effective as of February 25, 2019, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

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## LG DISPLAY CO., LTD. AND SUBSIDIARIES

**Consolidated Statements of Financial Position**

As of December 31, 2018 and 2017

| <i>(In millions of won)</i>                | <b>Note</b>  | <b>December 31, 2018</b> | <b>December 31, 2017</b> |
|--|--------------|--------------------------|--------------------------|
| <b>Assets</b>                              |              |                          |                          |
| Cash and cash equivalents                  | 4, 26        | ₩ 2,365,022              | 2,602,560                |
| Deposits in banks                          | 4, 26        | 78,400                   | 758,078                  |
| Trade accounts and notes receivable, net   | 5, 14, 26 28 | 2,829,163                | 4,325,120                |
| Other accounts receivable, net             | 5, 26        | 169,313                  | 164,827                  |
| Other current financial assets             | 6, 26        | 46,301                   | 27,252                   |
| Inventories                                | 7            | 2,691,203                | 2,350,084                |
| Prepaid income taxes                       |              | 4,516                    | 3,854                    |
| Non-current assets held for sale           | 30           | 70,161                   |                          |
| Other current assets                       | 5            | 546,048                  | 241,928                  |
| <b>Total current assets</b>                |              | <b>8,800,127</b>         | <b>10,473,703</b>        |
| Deposits in banks                          | 4, 26        | 11                       | 11                       |
| Investments in equity accounted investees  | 8            | 113,989                  | 122,507                  |
| Other non-current accounts receivable, net | 5, 26        | 11,448                   | 8,738                    |
| Other non-current financial assets         | 6, 26        | 144,214                  | 59,836                   |
| Property, plant and equipment, net         | 9, 17        | 21,600,130               | 16,201,960               |
| Intangible assets, net                     | 10, 17       | 987,642                  | 912,821                  |
| Deferred tax assets                        | 24           | 1,136,166                | 985,352                  |
| Other non-current assets                   | 5            | 381,983                  | 394,759                  |
| <b>Total non-current assets</b>            |              | <b>24,375,583</b>        | <b>18,685,984</b>        |
| <b>Total assets</b>                        |              | <b>₩ 33,175,710</b>      | <b>29,159,687</b>        |
| <b>Liabilities</b>                         |              |                          |                          |
| Trade accounts and notes payable           | 26, 28       | ₩ 3,087,461              | 2,875,090                |
| Current financial liabilities              | 11, 26       | 1,553,907                | 1,452,926                |
| Other accounts payable                     | 26           | 3,566,629                | 3,169,937                |
| Accrued expenses                           |              | 633,346                  | 812,615                  |
| Income tax payable                         |              | 105,900                  | 321,978                  |
| Provisions                                 | 13           | 98,254                   | 76,016                   |
| Advances received                          | 14           | 834,010                  | 194,129                  |
| Other current liabilities                  | 13           | 74,976                   | 75,991                   |
| <b>Total current liabilities</b>           |              | <b>9,954,483</b>         | <b>8,978,682</b>         |
| Non-current financial liabilities          | 11, 26       | 7,030,628                | 4,150,192                |
| Non-current provisions                     | 13           | 32,764                   | 28,312                   |
| Defined benefit liabilities, net           | 12           | 45,360                   | 95,447                   |

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|   |    |              |            |
|---|----|--------------|------------|
| Long-term advances received   | 14 | 1,114,316    | 830,335    |
| Deferred tax liabilities  | 24 | 15,087       | 24,646     |
| Other non-current liabilities   | 13 | 96,826       | 70,563     |
| <b>Total non-current liabilities</b>                                  |    | 8,334,981    | 5,199,495  |
| <b>Total liabilities</b>  |    | 18,289,464   | 14,178,177 |
| <b>Equity</b>   |    |              |            |
| Share capital   | 15 | 1,789,079    | 1,789,079  |
| Share premium   |    | 2,251,113    | 2,251,113  |
| Retained earnings   |    | 10,239,965   | 10,621,571 |
| Reserves  | 15 | (300,968)    | (288,280)  |
| <b>Total equity attributable to owners of the Controlling Company</b> |    | 13,979,189   | 14,373,483 |
| <b>Non-controlling interests</b>                                      |    | 907,057      | 608,027    |
| <b>Total equity</b>   |    | 14,886,246   | 14,981,510 |
| <b>Total liabilities and equity</b>                                   |    | ₩ 33,175,710 | 29,159,687 |

*See accompanying notes to the consolidated financial statements.*

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## LG DISPLAY CO., LTD. AND SUBSIDIARIES

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

For the years ended December 31, 2018 and 2017

| <i>(In millions of won, except earnings per share)</i>          | <b>Note</b> | <b>2018</b>        | <b>2017</b>      |
|---|-------------|--------------------|------------------|
| Revenue   | 16, 17, 28  | ₩ 24,336,571       | 27,790,216       |
| Cost of sales   | 7, 18, 28   | (21,251,305)       | (22,424,661)     |
| <b>Gross profit</b>   |             | <b>3,085,266</b>   | <b>5,365,555</b> |
| Selling expenses  | 19          | (832,963)          | (994,483)        |
| Administrative expenses   | 19          | (938,214)          | (696,022)        |
| Research and development expenses                               |             | (1,221,198)        | (1,213,432)      |
| <b>Operating profit</b>   |             | <b>92,891</b>      | <b>2,461,618</b> |
| Finance income  | 22          | 254,131            | 279,019          |
| Finance costs   | 22          | (326,893)          | (268,856)        |
| Other non-operating income                                      | 21          | 1,003,038          | 1,081,746        |
| Other non-operating expenses                                    | 21          | (1,115,233)        | (1,230,455)      |
| Equity in income of equity accounted investees, net             | 8           | 700                | 9,560            |
| <b>Profit (loss) before income tax</b>                          |             | <b>(91,366)</b>    | <b>2,332,632</b> |
| Income tax expense  | 23          | (88,077)           | (395,580)        |
| <b>Profit (loss) for the year</b>                               |             | <b>(179,443)</b>   | <b>1,937,052</b> |
| <b>Other comprehensive income (loss)</b>                        |             |                    |                  |
| <b>Items that will never be reclassified to profit or loss</b>  |             |                    |                  |
| Remeasurements of net defined benefit liabilities               | 12, 23      | 5,690              | (16,260)         |
| Other comprehensive income from associates and joint ventrues   |             | 20                 | 441              |
| Related income tax  | 12, 23      | (1,169)            | 9,259            |
|   |             | 4,541              | (6,560)          |
| <b>Items that are or may be reclassified to profit or loss</b>  |             |                    |                  |
| Foreign currency translation differences for foreign operations | 22, 23      | (19,987)           | (231,738)        |
| Other comprehensive income from associates                      | 23          | 37                 | 905              |
|   |             | (19,950)           | (230,833)        |
| <b>Other comprehensive loss for the year, net of income tax</b> |             | <b>(15,409)</b>    | <b>(237,393)</b> |
| <b>Total comprehensive income (loss) for the period</b>         |             | <b>₩ (194,852)</b> | <b>1,699,659</b> |
| <b>Profit (loss) attributable to:</b>                           |             |                    |                  |
| Owners of the Controlling Company                               |             | (207,239)          | 1,802,756        |

|   |    |          |                  |                  |
|---|----|----------|------------------|------------------|
| Non-controlling interests                                 |    |          | 27,796           | 134,296          |
| <b>Profit (loss) for the period</b>                       |    | <b>₩</b> | <b>(179,443)</b> | <b>1,937,052</b> |
| <b>Total comprehensive income (loss) attributable to:</b> |    |          |                  |                  |
| Owners of the Controlling Company                         |    |          | (215,386)        | 1,596,394        |
| Non-controlling interests                                 |    |          | 20,534           | 103,265          |
| <b>Total comprehensive income (loss) for the period</b>   |    | <b>₩</b> | <b>(194,852)</b> | <b>1,699,659</b> |
| <b>Earnings (loss) per share (In won)</b>                 |    |          |                  |                  |
| Basic earnings (loss) per share                           | 25 | <b>₩</b> | (579)            | 5,038            |
| Diluted earnings (loss) per share                         | 25 | <b>₩</b> | (579)            | 5,038            |

*See accompanying notes to the consolidated financial statements.*

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

**Consolidated Statements of Changes in Equity**

For the years ended December 31, 2018 and 2017

| <i>(In millions of won)</i>   | Attributable to owners of the Controlling Company |               |                   |           | Sub-total  | Non-controlling interests | Total equity         |
|---|---|---------------|-------------------|-----------|------------|---------------------------|----------------------|
|   | Share capital                                     | Share premium | Retained earnings | Reserves  |            |                           |                      |
| <b>Balances at January 1, 2017</b>  | ₩ 1,789,079                                       | 2,251,113     | 9,004,283         | (88,478)  | 12,955,997 | 506,391                   | 13,462,388           |
| <b>Total comprehensive income (loss) for the year</b>                       |   |               |                   |           |            |                           |                      |
| Profit for the year   |   |               | 1,802,756         |           | 1,802,756  | 134,296                   | 1,937,052            |
| <b>Other comprehensive income (loss)</b>                                    |   |               |                   |           |            |                           |                      |
| Remeasurements of net defined benefit liabilities, net of tax               |   |               | (7,001)           |           | (7,001)    |                           | (7,001)              |
| Foreign currency translation differences for foreign operations, net of tax |   |               |                   | (200,707) | (200,707)  | (31,031)                  | (231,738)            |
| Other comprehensive income (loss) from associates and joint ventures        |   |               | 441               | 905       | 1,346      |                           | 1,346                |
| Total other comprehensive loss  |   |               | (6,560)           | (199,802) | (206,362)  | (31,031)                  | (237,393)            |
| <b>Total comprehensive income (loss) for the year</b>                       | ₩   |               | 1,796,196         | (199,802) | 1,596,394  | 103,265                   | 1,699,659            |
| <b>Transaction with owners, recognized directly in equity</b>               |   |               |                   |           |            |                           |                      |
| Dividends to equity holders   |   |               | (178,908)         |           | (178,908)  | (5,929)                   | (178,908)<br>(5,929) |

|   |             |           |            |           |            |          |  |            |
|---|-------------|-----------|------------|-----------|------------|----------|--|------------|
| Subsidiaries<br>dividends distributed<br>to non-controlling<br>interests                |             |           |            |           |            |          |  |            |
| Capital contribution<br>from non-controlling<br>interests                               |             |           |            |           |            | 4,300    |  | 4,300      |
| <b>Balances at<br/>December 31, 2017</b>  | ₩ 1,789,079 | 2,251,113 | 10,621,571 | (288,280) | 14,373,483 | 608,027  |  | 14,981,510 |
| <b>Balances at<br/>January 1, 2018</b>  | ₩ 1,789,079 | 2,251,113 | 10,621,571 | (288,280) | 14,373,483 | 608,027  |  | 14,981,510 |
| <b>Total<br/>comprehensive<br/>income (loss) for the<br/>year</b>                       |             |           |            |           |            |          |  |            |
| Profit (loss) for the<br>year   |             |           | (207,239)  |           | (207,239)  | 27,796   |  | (179,443)  |
| <b>Other<br/>comprehensive<br/>income (loss)</b>  |             |           |            |           |            |          |  |            |
| Remeasurements of<br>net defined benefit<br>liabilities, net of tax                     |             |           | 4,521      |           | 4,521      |          |  | 4,521      |
| Foreign currency<br>translation<br>differences for<br>foreign operations,<br>net of tax |             |           |            | (12,725)  | (12,725)   | (7,262)  |  | (19,987)   |
| Other comprehensive<br>income from<br>associates  |             |           | 20         | 37        | 57         |          |  | 57         |
| Total other<br>comprehensive<br>income (loss)   |             |           | 4,541      | (12,688)  | (8,147)    | (7,262)  |  | (15,409)   |
| Total comprehensive<br>income (loss) for the<br>year                                    | ₩           |           | (202,698)  | (12,688)  | (215,386)  | 20,534   |  | (194,852)  |
| <b>Transaction with<br/>owners, recognized<br/>directly in equity</b>                   |             |           |            |           |            |          |  |            |
| Dividends to equity<br>holders  |             |           | (178,908)  |           | (178,908)  |          |  | (178,908)  |
| Subsidiaries<br>dividends distributed<br>to non-controlling                             |             |           |            |           |            | (53,107) |  | (53,107)   |

|   |  |  |  |  |  |         |         |
|---|--|--|--|--|--|---------|---------|
| interests   |  |  |  |  |  |         |         |
| Capital contribution<br>from non-controlling<br>interests |  |  |  |  |  | 331,603 | 331,603 |

|  |             |           |            |           |            |         |            |
|--|-------------|-----------|------------|-----------|------------|---------|------------|
| <b>Balances at<br/>December 31, 2018</b> | ₩ 1,789,079 | 2,251,113 | 10,239,965 | (300,968) | 13,979,189 | 907,057 | 14,886,246 |
|--|-------------|-----------|------------|-----------|------------|---------|------------|

*See accompanying notes to the consolidated financial statements.*



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## LG DISPLAY CO., LTD. AND SUBSIDIARIES

**Consolidated Statements of Cash Flows**

For the years ended December 31, 2018 and 2017

| <i>(In millions of won)</i>                                  | <b>Note</b> | <b>2018</b> | <b>2017</b> |
|--|-------------|-------------|-------------|
| <b>Cash flows from operating activities:</b>                 |             |             |             |
| Profit (loss) for the year                                   |             | ₩ (179,443) | 1,937,052   |
| <b>Adjustments for:</b>                                      |             |             |             |
| Income tax expense   | 23          | 88,077      | 395,580     |
| Depreciation   | 9,18        | 3,123,659   | 2,791,883   |
| Amortization of intangible assets                            | 10,18       | 430,906     | 422,693     |
| Gain on foreign currency translation                         |             | (84,643)    | (187,558)   |
| Loss on foreign currency translation                         |             | 138,452     | 174,919     |
| Expenses related to defined benefit plans                    | 12,20       | 179,880     | 198,241     |
| Gain on disposal of property, plant and equipment            |             | (6,620)     | (101,227)   |
| Loss on disposal of property, plant and equipment            |             | 15,048      | 20,030      |
| Impairment loss on disposal of property, plant and equipment |             | 43,601      |             |
| Gain on disposal of intangible assets                        |             | (239)       | (308)       |
| Loss on disposal of intangible assets                        |             |             | 30          |
| Impairment loss on intangible assets                         |             | 82          | 1,809       |
| Reversal of impairment loss on intangible assets             |             | (348)       | (35)        |
| Warranty expenses  |             | 234,928     | 251,131     |
| Finance income   |             | (101,313)   | (202,591)   |
| Finance costs  |             | 173,975     | 142,591     |
| Equity in income of equity method accounted investees, net   | 8           | (700)       | (9,560)     |
| Other income   |             | (3,310)     | (16,812)    |
| Other expenses   |             | 593         | 1,870       |
|  |             | 4,232,028   | 3,882,686   |
| Changes in   |             |             |             |
| Trade accounts and notes receivable                          |             | 1,304,963   | 484,592     |
| Other accounts receivable                                    |             | (56,870)    | (3,004)     |
| Inventories  |             | (449,901)   | (55,979)    |
| Other current assets   |             | (249,968)   | 180,844     |
| Other non-current assets                                     |             | (61,164)    | (119,002)   |
| Trade accounts and notes payable                             |             | 267,358     | 113,590     |
| Other accounts payable                                       |             | (111,053)   | 106,930     |
| Accrued expenses   |             | (194,394)   | 181,509     |
| Provisions   |             | (217,984)   | (210,973)   |
| Other current liabilities                                    |             | 78,849      | (585)       |
| Defined benefit liabilities, net                             |             | (224,335)   | (261,966)   |
| Long-term advances received                                  |             | 948,276     | 1,020,470   |
| Other non-current liabilities                                |             | 24,510      | 5,974       |

|  |                   |                  |
|--|-------------------|------------------|
|  | 1,058,287         | 1,442,400        |
| Cash generated from operating activities         | 5,110,872         | 7,262,138        |
| Income taxes paid                                | (486,549)         | (416,794)        |
| Interests received                               | 71,819            | 55,340           |
| Interests paid                                   | (212,019)         | (136,483)        |
| <b>Net cash provided by operating activities</b> | <b>₩4,484,123</b> | <b>6,764,201</b> |

*See accompanying notes to the consolidated financial statements.*

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

**Consolidated Statements of Cash Flows, Continued**

For the years ended December 31, 2018 and 2017

| <i>(In millions of won)</i>   | <b>Note</b> | <b>2018</b>        | <b>2017</b>        |
|---|-------------|--------------------|--------------------|
| <b>Cash flows from investing activities:</b>  |             |                    |                    |
| Dividends received  | ₩           | 5,272              | 8,639              |
| Proceeds from withdrawal of deposits in banks   |             | 1,454,561          | 2,206,148          |
| Increase in deposits in banks   |             | (775,239)          | (1,803,718)        |
| Acquisition of financial assets at fair value through profit or loss                        |             | (431)              |                    |
| Proceeds from disposal of financial assets at fair value through other comprehensive income |             | 6                  |                    |
| Acquisition of available-for-sale financial assets  |             |                    | (273)              |
| Proceeds from disposal of available-for-sale financial assets                               |             |                    | 917                |
| Acquisition of investments in equity accounted investees                                    |             | (14,732)           | (20,309)           |
| Proceeds from disposal of investments in equity accounted investees                         |             | 4,527              | 13,128             |
| Acquisition of property, plant and equipment  |             | (7,942,210)        | (6,592,435)        |
| Proceeds from disposal of property, plant and equipment                                     |             | 142,088            | 160,252            |
| Acquisition of intangible assets  |             | (480,607)          | (454,448)          |
| Proceeds from disposal of intangible assets   |             | 960                | 1,674              |
| Government grants received  |             | 1,210              | 1,859              |
| Receipt from settlement of derivatives  |             | 2,026              | 2,592              |
| Increase in short-term loans  |             | (7,700)            |                    |
| Proceeds from collection of short-term loans  |             | 15,968             | 1,118              |
| Increase in long-term loans   |             | (36,580)           | (13,930)           |
| Decrease in deposits  |             | 4,136              | 4,272              |
| Increase in deposits  |             | (58,794)           | (2,648)            |
| Proceeds from disposal of emission rights   |             | 10,200             | 6,090              |
| <b>Net cash used in investing activities</b>  |             | <b>(7,675,339)</b> | <b>(6,481,072)</b> |
| <b>Cash flows from financing activities:</b>  |             |                    |                    |
|   | 27          |                    |                    |
| Proceeds from short-term borrowings   |             | 552,164            |                    |
| Repayments of short-term borrowings   |             | (552,884)          | (105,864)          |
| Proceeds from issuance of bonds   |             | 828,169            | 497,959            |
| Proceeds from long-term borrowings  |             | 3,882,958          | 1,195,415          |
| Repayments of current portion of long-term borrowings and bonds                             |             | (1,859,098)        | (544,731)          |
| Capital contribution from non-controlling interests   |             | 331,603            | 4,300              |
| Subsidiaries dividends distributed to non-controlling interests                             |             | (51,085)           | (5,929)            |
| Dividends paid  |             | (178,908)          | (178,908)          |
| <b>Net cash provided by financing activities</b>  |             | <b>2,952,919</b>   | <b>862,242</b>     |
| <b>Net increase (decrease) in cash and cash equivalents</b>                                 |             | <b>(238,297)</b>   | <b>1,145,371</b>   |

|   |                    |                  |
|---|--------------------|------------------|
| Cash and cash equivalents at January 1            | 2,602,560          | 1,558,696        |
| Effect of exchange rate fluctuations on cash held | 759                | (101,507)        |
| <b>Cash and cash equivalents at December 31</b>   | <b>₩ 2,365,022</b> | <b>2,602,560</b> |

*See accompanying notes to the consolidated 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 the 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 December 31, 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 December 31, 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 December 31, 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 December 31, 2018, there are 20,890,926 ADSs outstanding.

**Table of Contents**1. Reporting Entity, Continued(b) Consolidated Subsidiaries as of December 31, 2018*(In millions)*

| <b>Subsidiaries</b>                     | <b>Location</b>   | <b>Percentage of ownership</b> | <b>Fiscal year end</b> | <b>Date of incorporation</b> | <b>Business</b>                                      | <b>Capital stocks</b> |
|---|-------------------|--------------------------------|------------------------|------------------------------|--|-----------------------|
| LG Display America, Inc.                | San Jose, U.S.A.  | 100%                           | December 31            | September 24, 1999           | Sell Display products                                | USD 411               |
| LG Display Germany GmbH                 | Eschborn, Germany | 100%                           | December 31            | November 5, 1999             | Sell Display products                                | EUR 1                 |
| LG Display Japan Co., Ltd.              | Tokyo, Japan      | 100%                           | December 31            | October 12, 1999             | Sell Display products                                | JPY 95                |
| 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             |
| Nanumnuri Co., Ltd.                     | Gumi, South Korea | 100%                           | December 31            | March 21, 2012               | Janitorial services                                  | KRW 800               |

|   |                    |      |             |                   |  |     |        |
|---|--------------------|------|-------------|-------------------|--|-----|--------|
| LG Display (China) Co., Ltd.                | 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   | USD | 2      |
| LG Display High-Tech (China) Co., Ltd. (*3) | Guangzhou, China   | 69%  | December 31 | July 11, 2018     | Manufacture Display products                         | CNY | 6,517  |
| Money Market Trust(*4)                      | Seoul, South Korea | 100% | December 31 |                   | Money market trust                                   | KRW | 24,501 |

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1. Reporting Entity, Continued

(b) Consolidated Subsidiaries as of December 31, 2018, Continued

(\*1) For the year ended December 31, 2018, the Controlling Company contributed ₩212,600 million in cash for the capital increase of LG Display Vietnam Haiphong Co., Ltd. ( LGDVN ).

(\*2) For the year ended December 31, 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 year ended December 31, 2018, the Controlling Company established LG Display High-Tech (China) Co., Ltd. in Guangzhou China to manufacture Display products and the Group has a 69% equity interest of this subsidiary.

(\*4) For the year ended December 31, 2018, the Controlling Company acquired and disposed interests in Money Market Trust ( MMT ) and the MMT amount as of December 31, 2018 ~~is~~ ₩24,501 million.

₩90,281 million and ₩603,493 million, respectively, are attributable to the Controlling Company over the distributed dividends from consolidated subsidiaries for the years ended December 31, 2018 and 2017.



**Table of Contents**1. Reporting Entity, Continued

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

*(In millions of won)*

| Subsidiaries                            | December 31, 2018 |                   |                           | 2018       |                   |
|---|-------------------|-------------------|---------------------------|------------|-------------------|
|   | Total assets      | Total liabilities | Total shareholders equity | Sales      | Net income (loss) |
| LG Display America, Inc.                | ₩ 1,048,112       | 1,035,975         | 12,137                    | 8,895,127  | 7,268             |
| LG Display Germany GmbH                 | 451,328           | 444,676           | 6,652                     | 1,780,233  | 4,322             |
| LG Display Japan Co., Ltd.              | 374,356           | 370,860           | 3,496                     | 2,388,644  | 2,359             |
| LG Display Taiwan Co., Ltd.             | 294,103           | 280,794           | 13,309                    | 1,558,166  | 2,653             |
| LG Display Nanjing Co., Ltd.            | 1,397,886         | 758,499           | 639,387                   | 1,738,895  | 55,623            |
| LG Display Shanghai Co., Ltd.           | 931,773           | 921,289           | 10,484                    | 994,258    | 5,977             |
| LG Display Poland Sp. z o.o.            | 165,079           | 5,308             | 159,771                   | 38,437     | 249               |
| LG Display Guangzhou Co., Ltd.          | 2,689,670         | 1,860,804         | 828,866                   | 2,366,355  | 293,222           |
| LG Display Shenzhen Co., Ltd.           | 50,337            | 43,636            | 6,701                     | 1,370,364  | 3,386             |
| LG Display Singapore Pte. Ltd.          | 152,768           | 149,405           | 3,363                     | 1,099,288  | 2,471             |
| L&T Display Technology (Fujian) Limited | 293,025           | 231,955           | 61,070                    | 1,156,111  | (1,937)           |
| LG Display Yantai Co., Ltd.             | 1,336,692         | 989,121           | 347,571                   | 1,459,165  | 53,480            |
| Nanumnuri Co., Ltd.                     | 5,171             | 3,757             | 1,414                     | 22,964     | 295               |
| LG Display (China) Co., Ltd.            | 2,780,364         | 932,526           | 1,847,838                 | 2,573,254  | 106,269           |
| Unified Innovative Technology, LLC      | 4,898             | 3                 | 4,895                     |            | (986)             |
| LG Display Guangzhou Trading Co., Ltd.  | 485,800           | 483,502           | 2,298                     | 807,536    | 1,266             |
| Global OLED Technology, LLC             | 81,922            | 18,537            | 63,385                    | 7,692      | (5,232)           |
| LG Display Vietnam Haiphong Co., Ltd.   | 2,342,774         | 1,963,922         | 378,852                   | 871,755    | 60,923            |
| Suzhou Lehui Display Co., Ltd           | 212,138           | 95,359            | 116,779                   | 365,914    | 5,018             |
| LG DISPLAY FUND I LLC                   | 7                 |                   | 7                         |            | (2,242)           |
| LG Display High-Tech (China) Co., Ltd.  | 3,258,830         | 2,208,244         | 1,050,586                 |            | (10,152)          |
|   | ₩ 18,357,033      | 12,798,172        | 5,558,861                 | 29,584,428 | 584,232           |

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

| Subsidiaries                            | December 31, 2017 |                   |                           | 2017       |                   |
|---|-------------------|-------------------|---------------------------|------------|-------------------|
|   | Total assets      | Total liabilities | Total shareholders equity | Sales      | Net income (loss) |
| LG Display America, Inc.                | ₩ 1,805,429       | 1,801,175         | 4,254                     | 11,000,647 | 268               |
| LG Display Germany GmbH                 | 245,128           | 244,041           | 1,087                     | 2,484,558  | 263               |
| LG Display Japan Co., Ltd.              | 519,989           | 517,559           | 2,430                     | 1,846,424  | 1,441             |
| LG Display Taiwan Co., Ltd.             | 450,202           | 439,753           | 10,449                    | 1,699,164  | 2,303             |
| LG Display Nanjing Co., Ltd.            | 690,353           | 101,291           | 589,062                   | 527,566    | 45,649            |
| LG Display Shanghai Co., Ltd.           | 723,893           | 719,200           | 4,693                     | 1,334,361  | 3,288             |
| LG Display Poland Sp. z o.o.            | 173,243           | 8,419             | 164,824                   | 35,722     | 1,228             |
| LG Display Guangzhou Co., Ltd.          | 1,864,870         | 1,321,134         | 543,736                   | 2,544,600  | 143,402           |
| LG Display Shenzhen Co., Ltd.           | 230,670           | 227,288           | 3,382                     | 1,870,152  | 2,384             |
| LG Display Singapore Pte. Ltd.          | 365,426           | 364,604           | 822                       | 968,583    | 1,082             |
| L&T Display Technology (Fujian) Limited | 322,684           | 259,558           | 63,126                    | 1,348,391  | (6,912)           |
| LG Display Yantai Co., Ltd.             | 1,239,341         | 944,190           | 295,151                   | 2,212,055  | 102,017           |
| Nanumnuri Co., Ltd.                     | 5,659             | 4,540             | 1,119                     | 21,530     | 109               |
| LG Display (China) Co., Ltd.            | 3,395,779         | 1,473,781         | 1,921,998                 | 2,922,116  | 458,940           |
| Unified Innovative Technology, LLC      | 5,664             | 14                | 5,650                     |            | (1,025)           |
| LG Display Guangzhou Trading Co., Ltd.  | 98,079            | 97,038            | 1,041                     | 626,322    | 852               |
| Global OLED Technology, LLC             | 79,429            | 13,616            | 65,813                    | 8,160      | (4,779)           |
| LG Display Vietnam Haiphong Co., Ltd.   | 1,066,218         | 976,339           | 89,879                    | 148,725    | (14,543)          |
| Suzhou Lehui Display Co., Ltd           | 202,661           | 90,123            | 112,538                   | 408,797    | 3,721             |
|   | ₩ 13,484,717      | 9,603,663         | 3,881,054                 | 32,007,873 | 739,688           |

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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 29, 2019, which will be submitted for approval to the shareholders meeting to be held on March 15, 2019.

(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 at fair value, 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 consolidated financial statements are presented in Korean won, which is the Controlling Company s functional currency.

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

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

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

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

Financial instruments (note 3(f))

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(l) and 13)

Measurement of defined benefit obligations (note 12)

Deferred tax assets (note 24)

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

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

**(a) Changes in Accounting Policies**

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

The Group has consistently applied the accounting policies to the consolidated financial statements for 2018 and 2017 except for the new amendments effective for annual period beginning January 1, 2018 as mentioned below.

**(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 has initially adopted K-IFRS No. 1109, *Financial Instruments*, from January 1, 2018, and the Group has used an exemption not to restate the consolidated financial statements for prior years with respects to transition requirements.

The followings describe the nature and impact on the significant changes in accounting policies from the adoption of K-IFRS No. 1109. There is no impact on the opening balance of retained earnings at January 1, 2018 resulting from the initial adoption of K-IFRS No. 1109.

**Classification and measurement of financial assets and financial liabilities**

K-IFRS No. 1109 contains three principal classification categories for financial assets measured at: amortized cost, FVOCI and FVTPL. The classification of financial assets under K-IFRS No. 1109 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. K-IFRS No. 1109 eliminates the previous K-IFRS No. 1039 categories of held to maturity, loans and receivables and available for sale.

K-IFRS No. 1109 largely retains the existing requirements in K-IFRS No. 1039 for the classification and measurement of financial liabilities.

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 following table below explains 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.

**Table of Contents**3. Summary of Significant Accounting Policies, Continued(a) Changes in Accounting Policies, Continued

| <i>(In millions of won)</i>   | Classification<br>under<br>K-IFRS No. 1039 | Classification under<br>K-IFRS No. 1109 | Carrying amount<br>under<br>K-IFRS No. 1039 | Carrying amount<br>under<br>K-IFRS No. 1109 | Difference |
|-------------------------------|--|---|---|---|------------|
| <b>Financial assets</b>       |  |   |   |   |            |
| 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                          | 173,565                                     | 173,565                                     |            |
| Debt instrument               | Available-for-sale                         | FVOCI-debt instrument                   | 162   | 162   |            |
| Equity instrument             | Available-for-sale                         | Mandatorily at 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                          | 79,552                                      | 79,552                                      |            |
| <b>Total financial assets</b> |  |   | <b>₩ 7,946,422</b>                          | <b>7,946,422</b>                            |            |

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

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.

As a result of applying the new impairment model under K-IFRS No. 1109, as of January 1, 2018, there is no additional allowance for impairments recognized as compared with the impairment model under K-IFRS No. 1039.

Hedge Accounting

When initially applying K-IFRS No. 1109, the Group has elected as its accounting policy to continue to apply hedge accounting requirements under K-IFRS No. 1039 and as a result, there is no impact of applying K-IFRS No. 1109 on the consolidated financial statements as at January 1, 2018.

**Table of Contents**3. Summary of Significant Accounting Policies, Continued(a) Changes in Accounting Policies, Continued(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 adopted K-IFRS No. 1115, *Revenue from contracts with customers*, from January 1, 2018. The Group has adopted K-IFRS No.1115 using the cumulative effect method with the effect of initially applying this standard recognized at the date of initial application, January 1, 2018. 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 statement of financial position as of December 31, 2018 is as follows. There is no significant impact on the consolidated statement of comprehensive income and the cash flows for the year ended December 31, 2018.

(In millions of won)

| Categories                 | As reported | Adjustments | Amounts without adoption of K-IFRS No. 1115 |
|----------------------------|-------------|-------------|---|
| <b>Current Assets</b>      |             |             |   |
| Other current assets       | ₩ 546,048   | (7,489)     | 538,559                                     |
| <b>Current Liabilities</b> |             |             |   |
| Provisions                 | ₩ 98,254    | (7,489)     | 90,765                                      |

(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 consolidated financial statements of the Group.

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3. Summary of Significant Accounting Policies, Continued

(b) Consolidation

(i) Business Combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities in accordance with K-IFRS No. 1032 and K-IFRS No. 1109. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

(ii) Subsidiaries

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

(iii) Non-controlling interests

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

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

(iv) Loss of Control

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



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3. Summary of Significant Accounting Policies, Continued

(b) Consolidation, Continued

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

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

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

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

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

(vi) Transactions eliminated on consolidation

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

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**Table of Contents****3. Summary of Significant Accounting Policies, Continued****(c) Foreign Currency Transaction 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 an investment in equity securities designated as at FVOCI and a financial asset and liability designated as a cash flow hedge, which are recognized in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the original transaction. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition are recognized in profit or loss in the period in which they arise. Foreign currency differences arising from assets and liabilities in relation to the investing and financing activities including loans, bonds and cash and cash equivalents are recognized in finance income (costs) in the consolidated statement of comprehensive income and foreign currency differences arising from assets and liabilities in relation to activities other than investing and financing activities are recognized in other non-operating income (expense) in the consolidated statement of comprehensive income. Relevant foreign currency differences are presented in gross amounts in the consolidated statement of comprehensive income.

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

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

**(d) 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.



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**Table of Contents****3. Summary of Significant Accounting Policies, Continued****(e) Inventories**

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

**(f) Financial Instruments****(i) Non-derivative financial assets****Recognition and initial measurement**

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets or liabilities are recognized in statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument.

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

**Classification and subsequent measurement****i) Financial assets: Policy applicable from January 1, 2018**

On initial recognition, a financial asset is classified as measured at: amortized cost; FVOCI – debt investment; FVOCI equity investments; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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

it is held within a business model whose objective is to hold assets to collect contractual cash flows;  
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

the 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

(f) Financial Instruments, Continued

On initial recognition of an equity investments 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. At 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.

ii) Financial assets: business model: Policy applicable from January 1, 2018

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;

how the performance of the portfolio is evaluated and reported to the Group's management;

the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial asset to third parties in transaction that do not qualify for derecognition are not considered sale for this purpose.

A financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

- iii) Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest: Policy applicable from January 1, 2018

For the purpose of this assessment, principal is defined as the fair value of the financial asset on initial recognition.

Interest is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and cost (e.g. liquidity risk and administrative costs), as well as profit margin.

**Table of Contents**3. Summary of Significant Accounting Policies, Continued(f) Financial Instruments, Continued

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

contingent events that would change the amount or timing of cash flows:

terms that may adjust the contractual coupon rate, including variable-rate features;

prepayment and extension features; and

terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features)

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest or the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

- iv) Financial assets: Subsequent measurement and gains and losses: Policy applicable from January 1, 2018

|                                    |  |
|------------------------------------|--|
| 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. |





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3. Summary of Significant Accounting Policies, Continued

(f) Financial Instruments, Continued

v) Financial assets: Policy applicable before January 1, 2018

The Group has classified financial assets into one of the following categories

loans and receivables

available-for-sale

at FVTPL

vi) Financial assets: subsequent measurement, gains and losses: Policy applicable before January 1, 2018

|                                     |  |
|-------------------------------------|--|
| Financial assets at FVTPL           | Measured at fair value and changes therein, including any interest or dividend income, were recognized in profit or loss.  |
| Loans and receivables               | Measured at amortized cost using the effective interest method.  |
| Available-for-sale financial assets | Measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on debt instruments, were recognized in OCI and accumulated in the fair value reserves. When these assets were derecognized, the gain or loss accumulated in equity was classified to profit or loss. |

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3. Summary of Significant Accounting Policies, Continued

(f) Financial Instruments, Continued

*Derecognition*

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, 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, or it transfers or does not retain substantially all the risks and rewards of ownership of a transferred asset, and does not retain control of the transferred asset.

If the Group has retained substantially all the risks and rewards of ownership of the transferred asset, the Group continue to recognize the transferred asset.

*Offset*

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.

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**Table of Contents****3. Summary of Significant Accounting Policies, Continued****(f) Financial Instruments, Continued****(ii) Non-derivative financial liabilities**

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

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

Non-derivative financial liabilities other than financial liabilities classified as FVTPL are classified as other financial liabilities and measured initially at fair value minus transaction costs that are directly attributable to the issuance of financial liabilities. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. As of December 31, 2018, non-derivative financial liabilities comprise borrowings, bonds and others.

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

**(iii) Share Capital**

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

**(iv) Derivative financial instruments**

Derivatives are initially recognized at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

**Hedge Accounting**

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

On initial designation of the hedge, the Group's management formally designates and 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, both at the inception of the hedge relationship as well as on an ongoing basis.



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**Table of Contents**3. Summary of Significant Accounting Policies, Continued(f) Financial Instruments, Continuedi) Fair value hedges

Change in the fair value of a derivative hedging instrument designated as a fair value hedge and the hedged item is recognized in profit or loss, respectively. The gain or loss from remeasuring the hedging instrument at fair value and the gain or loss on the hedged item attributable to the hedged risk are recognized in profit or loss in the same line item of the statement of comprehensive income. The Group discontinues fair value hedge accounting if it does not designate the derivative hedging instrument and the hedged item as the hedge relationship between them anymore or if the hedging instrument expires or is sold, terminated or exercised, or if the hedge no longer meets the criteria for hedge accounting. Any adjustment arising from gain or loss on the hedged item attributable to the hedged risk is amortized to profit or loss from the date the hedge accounting is discontinued.

ii) Cash flow hedges

When a derivative designated as a cash flow hedging instrument meets the criteria of cash flow hedge accounting, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and the ineffective portion of changes in the fair value of the derivative is recognized in profit or loss. The Group discontinues cash flow hedge accounting if it does not designate the derivative hedging instrument and the hedged item as the hedge relationship between them any more or if the hedging instruments expires or is sold, terminated or exercised, or if the hedge no longer meets the criteria for hedge accounting. The cumulative gain or loss on the hedging instrument that has been recognized in other comprehensive income is reclassified to profit or loss in the periods during which the forecasted transaction occurs. If the forecasted transaction is no longer expected to occur, then the balance in other comprehensive income is recognized immediately in profit or loss.

Embedded derivative

Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Other derivative financial instruments

Derivative financial instruments are measured at fair value and changes of them not designated as a hedging instrument or not effective for hedging are recognized in profit or loss.

**Table of Contents**3. Summary of Significant Accounting Policies, Continued(g) 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, reflecting the pattern in which the asset's future economic benefits are expected to be consumed by the Group. The residual value of property, plant and equipment is zero. Land is not depreciated.

Estimated useful lives of the assets are as follows:

|                               | <b>Useful lives (years)</b> |
|-------------------------------|-----------------------------|
| Buildings and structures      | 20, 40                      |
| Machinery                     | 4, 5                        |
| Furniture and fixtures        | 4                           |
| Equipment, tools and vehicles | 2, 4, 12                    |

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate and any changes are accounted for as changes in accounting estimates.

**Table of Contents**3. Summary of Significant Accounting Policies, Continued(g) Property, Plant and Equipment, Continued

During the year ended December 31, 2018, the Group changed estimated useful lives of the mask and mold which had previously been classified as inventories. Based on the review of the accumulated historical usage information that became available, it is expected that the mask and mold will be used for the period exceeding one year. Accordingly, the Group changed useful lives of Mask and Mold to two years accounted for the change in accounting estimate and reclassified the mask and mold to property, plant and equipment from inventories. As a result of such change, the Group reclassified inventories amounting to ₩111,456 million at the beginning of January 1, 2018 to property, plant, and equipment. The impact on the depreciation expense of the property, plant and equipment at the beginning of January 1, 2018 and newly acquired property, plant and equipment during the year ended December 31, 2018 are as follows:

*(In millions of won)*

| <b>Description</b>                          | <b>2018</b> | <b>2019</b> | <b>2020</b> |
|---|-------------|-------------|-------------|
| Increase (decrease) in depreciation expense | ₩(110,373)  | 58,364      | 52,009      |

(h) Borrowing Costs

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



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3. Summary of Significant Accounting Policies, Continued

(i) Government Grants

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

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

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

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

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

(iii) Other government grants

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

(j) 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.

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3. Summary of Significant Accounting Policies, Continued

(j) 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.

**Table of Contents**3. Summary of Significant Accounting Policies, Continued(j) Intangible Assets, Continued(v) Amortization

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

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

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

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

(k) Impairment(i) Financial assetsFinancial instruments and contract assets: Policy applicable from January 1, 2018

The Group recognizes loss allowance for financial assets measured at amortized cost and debt investments at FVOCI at the expected credit loss (ECL).

The Group recognizes a loss allowance for the life-time expected credit losses except for following, which are measured at 12-month ECLs:

debt securities that are determined to have low credit risk at the reporting date; and

other debt securities and bank securities for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both qualitative and quantitative information and analysis, based on the Group's historical experience and informed credit assessment including forward-looking information.

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**Table of Contents**

3. Summary of Significant Accounting Policies, Continued

(k) Impairment, Continued

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of the ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Estimation of expected credit losses: Policy applicable from January 1, 2018

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. Credit losses are measured using the present value of a cash shortfall (the difference between the contractual cash flows and the expected contractual cash flows). The expected credit losses are discounted using effective interest rate of the financial assets.

Credit-impaired financial assets: Policy applicable from January 1, 2018

At each reporting period-end, the Group assesses whether financial assets carried at amortized cost and debt securities 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.

Evidence that a financial asset is credit-impaired includes the following observable data:

significant financial difficulty of the issuer or the borrower;

the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;

it is probable that the borrower will enter bankruptcy or other financial reorganization; or

the disappearance of an active market for a security because of financial difficulties;

Presentation of loss allowance for ECL in the statement of financial position: Policy applicable from January 1, 2018

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognized in OCI.



**Table of Contents**

3. Summary of Significant Accounting Policies, Continued

(k) Impairment, Continued

Write-off: Policy applicable from January 1, 2018

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations for recovering a financial asset in its entirety or a portion thereof. The Group assess whether there are reasonable expectations of recovering the contractual cash flows from customers and individually assess the timing and amount of write-off. The Group expects no significant recovery from the amount written-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Non-derivative financial assets: Policy applicable before January 1, 2018

Financial assets not classified as at FVTPL were assessed at each reporting date to determine whether there was objective evidence of impairment.

Objective evidence that financial assets were impaired included:

default or delinquency by a debtor;

restructuring of an amount due to the Group on terms that the Group would not consider otherwise

indications that a debtor or issuer would enter bankruptcy

adverse changes in the payment status of borrowers or issuers;

the disappearance of an active market for a security because of financial difficulties

observable data indicating that there was measurable decrease in the expected cash flows from a group of financial assets.



**Table of Contents**3. Summary of Significant Accounting Policies, Continued(k) Impairment, Continued

For an investment in an equity instrument, objective evidence of impairment include a significant or prolonged decline in its fair value below its cost.

The Group considered evidence of impairment for these assets at both collective level and individual asset. All individual significant assets were individually assessed for impairment. Those found not to be impaired were then collectively assessed for any impairment that had been incurred but not yet individually identified. Assets that were not individually significant were collectively assessed for impairment. Collective assessment was carried out by grouping together assets with similar risk characteristics.

Financial assets at  
amortized cost

In assessing collective impairment, the Group used historical information on the timing of recoveries and the amount of loss incurred and made an adjustment if current economic and credit conditions were such that the actual losses were likely to be greater or lesser than suggested by historical trends.

An impairment loss was calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses were recognized in profit or loss and reflected in an allowance account.

For financial assets such as equity instruments which the carrying amount would be the cost, the impairment loss is the difference between the carrying value and the present value of estimated future cash receipts of a similar financial instruments discounted at current market rate. The impairment loss is recognized as profit and losses and would be not reversed as profit and losses.

Available-for-sale  
financial assets

For the financial assets classified as available-for-sale which its decrease in the fair value has been recognized as other comprehensive income, the loss which has been recognized as other comprehensive income would be reclassified from other comprehensive income to profit and losses less the amount already recognized as profit and losses.

If the fair value of an impaired available-for-sale debt security subsequently increased and the increase was related objectively to an event occurring after the impairment loss was recognized, then the impairment loss was reversed through profit or loss. Impairment losses recognized in profit or loss for an investment in an equity instrument classified as available-for-sale were not reversed through profit or loss.

(ii) Non-financial assets

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

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**Table of Contents****3. Summary of Significant Accounting Policies, Continued****(k) Impairment, Continued**

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

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

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

**(l) Provisions**

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

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

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

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**Table of Contents****3. Summary of Significant Accounting Policies, Continued****(l) Provisions, Continued**

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

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

**(m) Non-current Assets Held for Sale**

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily from sale rather than through continuing use. In order to be classified as held for sale, the asset (or disposal group) is available for immediate sale in its present condition and its sale is highly probable. The assets (or disposal groups) that are classified as non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell on initial classification. The Group recognizes an impairment loss for any subsequent decrease in fair value of the asset (or disposal group) for which an impairment loss was recognized on initial classification as held-for-sale and a gain for any subsequent increase in fair value in profit or losses, up to the cumulative impairment loss previously recognized.

The Group does not depreciate a non-current asset while it is classified as held for sale or while it is part of a disposal group classified as held for sale.

**(n) Employee Benefits****(i) Short-term employee benefits**

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

**(ii) Other long-term employee benefits**

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

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**Table of Contents**3. Summary of Significant Accounting Policies, Continued(n) Employee Benefits, Continued(iii) Defined contribution plan

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

(iv) Defined benefit plan

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

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

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

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

(v) Termination benefits

The Group recognizes expense for termination benefits at the earlier of the date when the entity can no longer withdraw the offer of those benefits and when the entity recognizes costs for a restructuring that is within the scope of K-IFRS 1037 and involves the payment of termination benefits. If the termination benefits are not expected to be settled wholly before twelve months after the end of the annual reporting period, the Group measures the termination benefit with present value of future cash payments.



**Table of Contents****3. Summary of Significant Accounting Policies, Continued****(o) Revenue from contracts with customers**

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of estimated returns, earned trade discounts, volume rebates and other cash incentives paid to customers. The Group has initially applied K-IFRS 1115 from January 1, 2018 and recognized revenue according to the 5 stage revenue recognition model ( Identifying the contract ® Identifying performance obligation ® Determining transaction price ® Allocating the transaction price to performance obligation ® Recognition of revenue at performance of obligation). The Group generates revenue primarily from sales of display panels to customer. Product revenue is recognized when the customer obtains control over the products, which typically occurs upon shipment or delivery depending on the terms of the contracts with the customers.

The Group includes return option in the sales contract of display panels to its customers thus the consideration received from the customer is subject to change. The Group has recognized the expected return amount of gross revenue as warranty provision until previous financial year. After applying the K-IFRS 1115 Revenue from contracts with customers , the Group estimates an amount of variable consideration by using the expected value method which the Group expects to better predict the amount of consideration. The Group includes in the transaction price some or all of an amount of variable consideration estimated only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The Group recognizes a refund liability and an asset for its right to recover products from customers if the Group receives consideration from a customer and expects to refund some or all of that consideration to the customer. Sales taxes collected from customers and remitted to governmental authorities are accounted for on a net basis and therefore are excluded from revenues in the consolidated statements of comprehensive income.

**(p) Operating Segments**

An operating segment is a component of the Group that: 1) engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with other components of the group, 2) whose operating results are reviewed regularly by the Group's chief operating decision maker ( CODM ) in order to allocate resources and assess its performance, and 3) for which discrete financial information is available. Management has determined that the CODM of the Group is the Board of Directors. The CODM does not receive and therefore does not review discrete financial information for any component of the Group. Consequently, no operating segment information is included in these consolidated financial statements. Entity wide disclosures of geographic and product revenue information are provided in note 17 to these consolidated financial statements.

**(q) Finance Income and Finance Costs**

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



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

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**Table of Contents****3. Summary of Significant Accounting Policies, Continued****(r) Income Tax**

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

**(i) Current tax**

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

**(ii) Deferred tax**

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

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

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

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

**(s) Earnings Per Share**

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

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3. Summary of Significant Accounting Policies, Continued

(t) New Standards and Amendments Not Yet Adopted

The following new standards and amendments to existing standards have been published and are mandatory for the Group for annual periods beginning after January 1, 2018, and the Group has not early adopted them.

(i) K-IFRS No. 1116, Leases

K-IFRS No. 1116, *Leases*, published on May 22, 2017 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. K-IFRS No. 1116 replaces existing leases guidance including K-IFRS No. 1017, *Leases*, K-IFRS No.2014, *Determining whether an Arrangement contains a Lease*, K-IFRS No.2015, *Operating Leases Incentives* and K-IFRS No.2027, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

K-IFRS No. 1116, *Leases* introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard i.e lessors continue to classify leases as finance or operating leases.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of K-IFRS no.1116 and the actual impacts are determined based on the future economic environment at the date of initial recognition such as interest rate implicit in the lease, lease portfolio, certainty of exercising purchase option, the extent which the practical expedient and recognition exemption election to be utilized.

Previously, the Group recognized operating lease expense on a straight-line basis over the term of the lease. The nature of expenses related to those leases will now change because the Group will recognize a depreciation charge for right-of-use assets and interest expense on lease liabilities.

No significant impact is expected for the Group's finance lease.

A lessee may apply the K-IFRS No.1116 to its leases either:

Retrospectively to each prior reporting period presented

Retrospectively with the cumulative effect of initially applying the Standard recognized at the date of initial application

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**Table of Contents**

3. Summary of Significant Accounting Policies, Continued

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

A lessee shall apply the election consistently to all of its lease in which it is a lessee. The Group plans to apply K-IFRS No. 1116 initially on January 1, 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting K-IFRS No. 1116 will be recognized as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information.

A lessee may use various practical expedients when applying K-IFRS No. 1116 retrospectively to leases previously classified as operating leases applying IAS 17. The Group is currently assessing the potential impacts when applying the practical expedients. The Group expects that additional amounts to be recognized as right-of-use assets and lease liabilities are not significant when practical expedient is applied.

(ii) Other standards

The following amended standards and interpretations are not expected to have a significant impact on the Group's financial statements.

K-IFRS No. 2123, *Uncertainty over Tax Treatments*

K-IFRS No. 1109, *Prepayment Features with Negative Compensation* (Amendments to K-IFRS 1109)

K-IFRS No. 1028, *Long-term Interests in Associates and Joint Ventures* (Amendments to K-IFRS 1028)

K-IFRS No. 1019, *Plan Amendment, Curtailment or Settlement* (Amendments to K-IFRS 1019)

*Amendments to References to Conceptual Framework in IFRS Standards.*

**Table of Contents****4. Cash and Cash Equivalents and Deposits in Banks**

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

*(In millions of won)*

|                                  | <b>December 31, 2018</b> | <b>December 31, 2017</b> |
|----------------------------------|--------------------------|--------------------------|
| <b>Current assets</b>            |                          |                          |
| <b>Cash and cash equivalents</b> |                          |                          |
| Demand deposits                  | ₩ 2,365,022              | 2,602,560                |
| <b>Deposits in banks</b>         |                          |                          |
| Time deposits                    | ₩ 4,318                  | 685,238                  |
| Restricted cash (*)              | 74,082                   | 72,840                   |
|                                  | ₩ 78,400                 | 758,078                  |
| <b>Non-current assets</b>        |                          |                          |
| <b>Deposits in banks</b>         |                          |                          |
| Restricted cash (*)              | ₩ 11                     | 11                       |
|                                  | ₩ 2,443,433              | 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.

**5. Receivables and Other Assets**

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

*(In millions of won)*

|                          | <b>December 31, 2018</b> | <b>December 31, 2017</b> |
|--------------------------|--------------------------|--------------------------|
| Trade, net               | ₩ 2,305,368              | 3,275,902                |
| Due from related parties | 523,795                  | 1,049,218                |
|                          | ₩ 2,829,163              | 4,325,120                |

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

*(In millions of won)*

|                           | <b>December 31, 2018</b> | <b>December 31, 2017</b> |
|---------------------------|--------------------------|--------------------------|
| <b>Current assets</b>     |                          |                          |
| Non-trade receivable, net | ₩ 159,238                | 150,554                  |

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|                                |           |         |
|--------------------------------|-----------|---------|
| Accrued income                 | 10,075    | 14,273  |
|                                | ₩ 169,313 | 164,827 |
| <b>Non-current assets</b>      |           |         |
| Long-term non-trade receivable | 11,448    | 8,738   |
|                                | ₩ 180,761 | 173,565 |

Due from related parties included in other accounts receivable, as of December 31, 2018 and 2017 are ₩39,092 million and ₩10,821 million, respectively.

**Table of Contents**5. Receivables and Other Assets, Continued

(c) The aging of trade accounts and notes receivable, and other accounts receivable as of December 31, 2018 and December 31, 2017 are as follows:

(In millions of won)

|                            | December 31, 2018                         |                                 |                            |                                 |
|----------------------------|---|---------------------------------|----------------------------|---------------------------------|
|                            | Book value                                |                                 | Impairment loss            |                                 |
|                            |   |                                 | Trade accounts             |                                 |
|                            | Trade accounts<br>and notes<br>receivable | Other<br>accounts<br>receivable | and<br>notes<br>receivable | Other<br>accounts<br>receivable |
| Not past due               | ₩ 2,807,598                               | 177,689                         | (473)                      | (816)                           |
| Past due 1-15 days         | 21,558                                    | 3,148                           | (4)                        | (26)                            |
| Past due 16-30 days        | 454                                       | 441                             |                            | (4)                             |
| Past due 31-60 days        | 30  | 96                              |                            | (1)                             |
| Past due more than 60 days |   | 668                             |                            | (434)                           |
|                            | ₩ 2,829,640                               | 182,042                         | (477)                      | (1,281)                         |

(In millions of won)

|                            | December 31, 2017                         |                                 |                            |                                 |
|----------------------------|---|---------------------------------|----------------------------|---------------------------------|
|                            | Book value                                |                                 | Impairment loss            |                                 |
|                            |   |                                 | Trade accounts             |                                 |
|                            | Trade accounts<br>and notes<br>receivable | Other<br>accounts<br>receivable | and<br>notes<br>receivable | Other<br>accounts<br>receivable |
| Not past due               | ₩ 4,323,465                               | 173,493                         | (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                               | 174,876                         | (1,632)                    | (1,311)                         |

The movement in the allowance for impairment in respect of trade accounts and notes receivable and other accounts receivable for the years ended December 31, 2018 and 2017 are as follows:

(In millions of won)

|  | 2018   |                                 | 2017   |                                 |
|--|--|---------------------------------|--|---------------------------------|
|  | Trade accounts<br>and<br>notes<br>receivable | Other<br>accounts<br>receivable | Trade accounts<br>and<br>notes<br>receivable | Other<br>accounts<br>receivable |



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|  |                    |       |       |       |
|--|--------------------|-------|-------|-------|
| Balance at the beginning of the period | <del>₩</del> 1,632 | 1,311 | 1,488 | 1,116 |
| (Reversal of) bad debt expense         | (1,155)            | (30)  | 144   | 195   |
| Balance at the reporting date          | <del>₩</del> 477   | 1,281 | 1,632 | 1,311 |

**Table of Contents**5. Receivables and Other Assets, Continued

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

| <i>(In millions of won)</i>        | <b>December 31, 2018</b> | <b>December 31, 2017</b> |
|------------------------------------|--------------------------|--------------------------|
| <b>Current assets</b>              |                          |                          |
| Advance payments                   | ₩ 13,259                 | 7,973                    |
| Prepaid expenses                   | 89,110                   | 83,626                   |
| Value added tax refundable         | 436,190                  | 148,351                  |
| Emission rights                    |                          | 1,978                    |
| Right to recover returned goods(*) | 7,489                    |                          |
|                                    | ₩ 546,048                | 241,928                  |
| <b>Non-current assets</b>          |                          |                          |
| Long-term prepaid expenses         | ₩ 381,983                | 394,759                  |

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

**Table of Contents**6. Other Financial Assets

(a) Other financial assets as of December 31, 2018 are as follows:

| <i>(In millions of won)</i>   | <b>December 31, 2018</b> |         |
|---|--------------------------|---------|
| <b>Current assets</b>   |                          |         |
| <b>Financial asset at fair value through profit or loss</b>             |                          |         |
| Derivatives(*)  | ₩                        | 13,059  |
| <b>Financial asset at fair value through other comprehensive income</b> |                          |         |
| Debt instrument   |                          |         |
| Government bonds  | ₩                        | 106     |
| <b>Financial asset carried at amortized cost</b>                        |                          |         |
| Deposits  | ₩                        | 17,020  |
| Short-term loans  |                          | 16,116  |
|   | ₩                        | 46,301  |
| <b>Non-current assets</b>   |                          |         |
| <b>Financial asset at fair value through profit or loss</b>             |                          |         |
| Equity instrument   |                          |         |
| Intellectual Discovery, Ltd.  | ₩                        | 4,598   |
| Kyulux, Inc.  |                          | 2,460   |
| Fineeva Co., Ltd.   |                          | 286     |
| ARCH Venture Fund Vill, L.P.  |                          | 6,337   |
|   | ₩                        | 13,681  |
| Convertible bonds   | ₩                        | 1,327   |
| <b>Financial asset at fair value through other comprehensive income</b> |                          |         |
| Debt instrument   |                          |         |
| Government bonds  | ₩                        | 55      |
| <b>Financial asset carried at amortized cost</b>                        |                          |         |
| Deposits  | ₩                        | 74,103  |
| Long-term loans   |                          | 55,048  |
|   | ₩                        | 144,214 |

(\*) Represents exchange rate swap contracts related to foreign currency denominated borrowings and bonds.

**Table of Contents**6. Other Financial Assets, Continued

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

| <i>(In millions of won)</i>                          | <b>December 31, 2017</b> |        |
|--|--------------------------|--------|
| <b>Current assets</b>                                |                          |        |
| Available-for-sale financial assets                  |                          |        |
| Debt instrument                                      |                          |        |
| Government bonds                                     | ₩                        | 6      |
| Deposits   |                          | 10,480 |
| Short-term loans                                     |                          | 16,766 |
|  | ₩                        | 27,252 |
| <b>Non-current assets</b>                            |                          |        |
| 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 |
| Derivatives(*)                                       |                          | 842    |
|  | ₩                        | 59,836 |

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

Other financial assets of related parties as of December 31, 2018 and 2017 are ₩2,000 million and ₩2,750 million, respectively.

**Table of Contents**7. Inventories

Inventories at the reporting date are as follows:

| <i>(In millions of won)</i> | <b>December 31, 2018</b> | <b>December 31, 2017</b> |
|-----------------------------|--------------------------|--------------------------|
| Finished goods              | ₩ 1,084,297              | 965,643                  |
| Work-in-process             | 856,388                  | 748,592                  |
| Raw materials               | 554,720                  | 344,997                  |
| Supplies                    | 195,798                  | 290,852                  |
|                             | ₩ 2,691,203              | 2,350,084                |

For the years ended December 31, 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>                            | <b>2018</b>  | <b>2017</b> |
|--|--------------|-------------|
| Inventories recognized as cost of sales                | ₩ 21,251,305 | 22,424,661  |
| Including: inventory write-downs                       | 313,180      | 206,127     |
| Including: reversal and usage of inventory write-downs | (206,127)    | (204,123)   |

There were no significant reversals of inventory write-downs recognized during 2018 and 2017.

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

(a) Associates as of December 31, 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                    | ₩47,823         | % 40                    | ₩46,511         |
| INVENIA Co., Ltd.                     | Seongnam, South Korea | December 31     | January 2001          | Develop and manufacture equipment for FPDs                                    | 13                      | 4,166           | 13                      | 2,887           |
| WooRee E&L Co., Ltd. (*1)             | Ansan, South Korea    | December 31     | June 2008             | Manufacture LED back light unit packages                                      | 14                      | 4,746           | 14                      | 7,270           |
| LB Gemini New Growth Fund No. 16 (*2) | Seoul, South Korea    | December 31     | December 2009         | Invest in small and middle sized companies and benefit from M&A opportunities |                         |                 | 31                      | 5,910           |
| YAS Co., Ltd. (*4)                    | Paju, South Korea     | December 31     | April 2002            | Develop and manufacture deposition equipment for OLEDs                        | 15                      | 16,308          | 15                      | 15,888          |
| AVATEC Co., Ltd.                      | Daegu, South Korea    | December 31     | August 2000           | Process and sell electric glass for FPDs                                      | 17                      | 23,441          | 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 Contents**8. Investments in Equity Accounted Investees, Continued*(In millions of won)*

| Associates                               | Location                 | Fiscal year<br>end | Date of<br>incorporation | Business  | 2018                          |                    | 2017                          |                    |
|--|--------------------------|--------------------|--------------------------|---|-------------------------------|--------------------|-------------------------------|--------------------|
|  |                          |                    |                          |   | Percentage<br>of<br>ownership | Carrying<br>amount | Percentage<br>of<br>ownership | Carrying<br>amount |
| CYNORA<br>GmbH<br>(*3)                   | Bruchsal,<br>Germany     | December 31        | March<br>2003            | Develop organic<br>emitting materials<br>for displays and<br>lighting devices | % 14                          | ₩ 8,668            | % 14                          | ₩ 20,309           |
| Material<br>Science<br>Co., Ltd.<br>(*4) | Seoul,<br>South<br>Korea | December 31        | January<br>2014          | Develop,<br>manufacture, and<br>sell materials for<br>display                 | 10                            | 3,346              |                               |                    |
| Nanosys<br>Inc. (*5)                     | Milpitas,<br>U.S.A.      | December 31        | July<br>2001             | Develop,<br>manufacture, and<br>sell materials for<br>display                 | 4                             | 5,491              |                               |                    |
|  |                          |                    |                          |   |                               | ₩ 113,989          | ₩ 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 Co., Ltd. and Nanosys Inc. are below 20% as of December 31, 2018, 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.

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

- (\*1) The Controlling Company recognized a reversal of impairment loss of ₩802 million as finance income for the difference between the carrying amount and the recoverable amount of investments in WooRee E&L Co., Ltd.
- (\*2) In 2018, the LB Gemini New Growth Fund No.16 ( the Fund ) which the Controlling Company was a member of a limited partnership, was approved to be dissolve at the general meeting and completed liquidation. In 2018, the Controlling Company received ₩1,545 million in cash from the Fund and recognized ₩385 million for the difference between the amount received and the carrying amount as finance cost.
- (\*3) In 2018, the Controlling Company determined investments in CYNORA GmbH irrecoverable and accordingly recognized an impairment loss of ₩11,641 million as finance cost for the difference between the carrying amount and the recoverable amount of investments in CYNORA GmbH.
- (\*4) 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. In 2018, the Controlling Company assessed that the recoverability of the investment is uncertain. Accordingly, the Controlling Company recognized an impairment loss of ₩671 million as finance cost for the difference between the carrying amount and the recoverable amount of investments in Material Science Co., Ltd.
- (\*5) 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. In 2018, the Controlling Company recognized an impairment loss of ₩5,085 million as finance cost for the difference between the carrying amount and the recoverable amount of investments in Nanosys Inc.

As of December 31, 2018, the market value for the Controlling Company's investments in INVENIA Co., Ltd., WooRee E&L Co., Ltd., YAS Co., Ltd., and AVATEC Co., Ltd., all of which are listed in KOSDAQ, are ₩8,850 million, ₩4,746 million, ₩31,200 million and ₩14,151 million, respectively.

Dividends received from equity method investees for the years ended December 31, 2018 and 2017 amounted to ₩5,272 million and ₩8,639 million, respectively.



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

(b) Summary of financial information as of and for the years ended December 31, 2018 and 2017 of the significant associate is as follows:

(i) Paju Electric Glass Co., Ltd.

| <i>(In millions of won)</i>       |   | <b>December 31, 2018</b> | <b>December 31, 2017</b> |
|-----------------------------------|---|--------------------------|--------------------------|
| <b>Total assets</b>               | ₩ | 194,021                  | 193,584                  |
| Current assets                    |   | 128,788                  | 146,702                  |
| Non-current assets                |   | 65,233                   | 46,882                   |
| <b>Total liabilities</b>          |   | 72,686                   | 77,174                   |
| Current liabilities               |   | 66,797                   | 71,973                   |
| Non-current liabilities           |   | 5,889                    | 5,201                    |
| Revenue                           | ₩ | 384,144                  | 408,846                  |
| Profit for the year               |   | 12,744                   | 12,327                   |
| Other comprehensive income (loss) |   | 2,612                    | (9,366)                  |
| Total comprehensive income        |   | 15,356                   | 2,961                    |

(c) Reconciliation from financial information of the significant associate to its carrying value in the consolidated financial statements as of December 31, 2018 and 2017 is as follows:

(i) As of December 31, 2018

*(In millions of won)*

| <b>Company</b>                | <b>Net asset</b> | <b>Ownership interest</b> | <b>Net asset (applying ownership interest)</b> | <b>Intra-group Goodwill transaction</b> | <b>Book value</b> |
|-------------------------------|------------------|---------------------------|--|---|-------------------|
| Paju Electric Glass Co., Ltd. | ₩ 121,335        | 40%                       | 48,534   | (711)                                   | 47,823            |

(ii) As of December 31, 2017

*(In millions of won)*

| <b>Company</b>                | <b>Net asset</b> | <b>Ownership interest</b> | <b>Net asset (applying ownership interest)</b> | <b>Intra-group Goodwill transaction</b> | <b>Book value</b> |
|-------------------------------|------------------|---------------------------|--|---|-------------------|
| Paju Electric Glass Co., Ltd. | ₩ 116,410        | 40%                       | 46,564   | (53)                                    | 46,511            |

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

(d) Book value of other associates, in aggregate, as of December 31, 2018 and 2017 is as follows:

(i) As of December 31, 2018

*(In millions of won)*

|                  | <b>Book value</b> | <b>Net profit (loss) of associates (applying ownership interest)<br/>Profit (loss) for the year</b> | <b>Other comprehensive income (loss)</b> | <b>Total comprehensive income (loss)</b> |
|------------------|-------------------|---|--|--|
| Other associates | ₩ 66,166          | (3,739)   | (988)                                    | (4,727)                                  |

(ii) As of December 31, 2017

*(In millions of won)*

|                  | <b>Book value</b> | <b>Net profit (loss) of associates (applying ownership interest)<br/>Profit (loss) for the year</b> | <b>Other comprehensive income (loss)</b> | <b>Total comprehensive income (loss)</b> |
|------------------|-------------------|---|--|--|
| Other associates | ₩ 75,996          | 3,943   | 5,093                                    | 9,036                                    |

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

- (e) Changes in investments in associates accounted for using the equity method for the years ended December 31, 2018 and 2017 are as follows:

(In millions of won)

| Company    |                               | 2018      |          |                    |                                     |                                   |                   | December 31 |
|------------|-------------------------------|-----------|----------|--------------------|-------------------------------------|-----------------------------------|-------------------|-------------|
|            |                               | January 1 | Disposal | Dividends received | Equity income (loss) on investments | Other comprehensive income (loss) | Other gain (loss) |             |
| Associates | Paju Electric Glass Co., Ltd. | ₩ 46,511  |          | (4,172)            | 4,439                               | 1,045                             |                   | 47,823      |
|            | Others                        | 75,996    | 12,592   | (1,100)            | (3,739)                             | (988)                             | (16,595)          | 66,166      |
|            |                               | ₩ 122,507 | 12,592   | (5,272)            | 700                                 | 57                                | (16,595)          | 113,989     |

(In millions of won)

| Company    |                               | 2017      |          |                    |                                     |                                   |                   | December 31 |
|------------|-------------------------------|-----------|----------|--------------------|-------------------------------------|-----------------------------------|-------------------|-------------|
|            |                               | January 1 | Disposal | Dividends received | Equity income (loss) on investments | Other comprehensive income (loss) | Other gain (loss) |             |
| Associates | Paju Electric Glass Co., Ltd. | ₩ 52,750  |          | (8,109)            | 5,617                               | (3,747)                           |                   | 46,511      |
|            | Others                        | 119,933   | (48,209) | (530)              | 3,943                               | 5,093                             | (4,234)           | 75,996      |
|            |                               | ₩ 172,683 | (48,209) | (8,639)            | 9,560                               | 1,346                             | (4,234)           | 122,507     |

**Table of Contents****9. Property, Plant and Equipment**

(a) Changes in property, plant and equipment for the year ended December 31, 2018 are as follows:

*(In millions of won)*

|   | Land      | Buildings and structures | Machinery and equipment | Furniture and fixtures | Construction-in-progress (*1) | Others    | Total        |
|---|-----------|--------------------------|-------------------------|------------------------|-------------------------------|-----------|--------------|
| Acquisition cost as of January 1, 2018            | ₩ 460,511 | 6,539,506                | 38,901,158              | 772,824                | 5,971,856                     | 205,475   | 52,851,330   |
| Accumulated depreciation as of January 1, 2018    |           | (2,678,970)              | (33,186,118)            | (631,482)              |                               | (148,753) | (36,645,323) |
| Accumulated impairment loss as of January 1, 2018 |           | (1,757)                  | (2,290)                 |                        |                               |           | (4,047)      |
| Book value as of January 1, 2018                  | ₩ 460,511 | 3,858,779                | 5,712,750               | 141,342                | 5,971,856                     | 56,722    | 16,201,960   |
| Additions   |           |                          |                         |                        | 8,605,551                     |           | 8,605,551    |
| Depreciation                                      |           | (318,311)                | (2,568,335)             | (67,274)               |                               | (169,739) | (3,123,659)  |
| Disposals   | (15)      | (161)                    | (112,752)               | (311)                  |                               | (2,971)   | (116,210)    |
| Impairment loss                                   |           |                          | (25,711)                |                        | (17,890)                      |           | (43,601)     |
| Others (*2)                                       | 1,332     | 55,430                   | 1,959,645               | 68,177                 | (2,357,412)                   | 380,278   | 107,450      |
| Effect of movements                               |           |                          |                         |                        |                               |           |              |
| in exchange rates                                 |           | 9,809                    | 14,520                  | 359                    | 15,010                        | 312       | 40,010       |
| Government grants received                        |           |                          | (1,029)                 |                        | (181)                         |           | (1,210)      |
| Reclassification to assets held-for-sale          |           | (69,758)                 | (1)                     | (37)                   |                               | (365)     | (70,161)     |
| Book value as of December 31, 2018                | ₩ 461,828 | 3,535,788                | 4,979,087               | 142,256                | 12,216,934                    | 264,237   | 21,600,130   |
| Acquisition cost as of December 31, 2018          | ₩ 461,828 | 6,528,939                | 39,825,070              | 834,628                | 12,234,824                    | 633,220   | 60,518,509   |
|   | ₩         | (2,991,445)              | (34,817,982)            | (692,372)              |                               | (368,893) | (38,870,782) |

Accumulated  
depreciation as of  
December 31,  
2018

Accumulated  
impairment loss  
as of  
December 31,  
2018

₩

(1,706)

(28,001)

(17,890)

(47,597)

(\*1) As of December 31, 2018, construction-in-progress mainly relates to construction of manufacturing facilities.

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

**Table of Contents**9. Property, Plant and Equipment, Continued

(b) Changes in property, plant and equipment for the year ended December 31, 2017 are as follows:

*(In millions of won)*

|   | Land     | Buildings and structures | Machinery and equipment | Furniture and fixtures | Construction-in-progress (*1) | Others    | Total        |
|---|----------|--------------------------|-------------------------|------------------------|-------------------------------|-----------|--------------|
| Acquisition cost as of January 1, 2017            | ₩461,484 | 6,284,778                | 37,472,177              | 775,682                | 2,981,964                     | 202,306   | 48,178,391   |
| Accumulated depreciation as of January 1, 2017    |          | (2,397,967)              | (32,947,359)            | (651,424)              |                               | (146,251) | (36,143,001) |
| Accumulated impairment loss as of January 1, 2017 |          | (1,651)                  | (2,290)                 |                        |                               |           | (3,941)      |
| Book value as of January 1, 2017                  | ₩461,484 | 3,885,160                | 4,522,528               | 124,258                | 2,981,964                     | 56,055    | 12,031,449   |
| Additions   |          |                          |                         |                        | 7,272,476                     |           | 7,272,476    |
| Depreciation                                      |          | (295,045)                | (2,416,202)             | (66,963)               |                               | (13,673)  | (2,791,883)  |
| Disposals   | (1,042)  | (7,206)                  | (75,275)                | (52)                   |                               | (3,133)   | (86,708)     |
| Others (*2)                                       | 69       | 339,640                  | 3,825,155               | 87,186                 | (4,270,210)                   | 18,160    |              |
| Effect of movements in exchange rates             |          | (63,222)                 | (140,306)               | (3,087)                | (14,213)                      | (687)     | (221,515)    |
| Government grants received                        |          | (548)                    | (3,150)                 |                        | 1,839                         |           | (1,859)      |
| Book value as of December 31, 2017                | ₩460,511 | 3,858,779                | 5,712,750               | 141,342                | 5,971,856                     | 56,722    | 16,201,960   |
| Acquisition cost as of December 31, 2017          | ₩460,511 | 6,539,506                | 38,901,158              | 772,824                | 5,971,856                     | 205,475   | 52,851,330   |
| Accumulated depreciation as of December 31, 2017  | ₩        | (2,678,970)              | (33,186,118)            | (631,482)              |                               | (148,753) | (36,645,323) |

|   |   |         |         |         |
|---|---|---------|---------|---------|
| Accumulated<br>impairment loss<br>as of<br>December 31,<br>2017 | ₩ | (1,757) | (2,290) | (4,047) |
|---|---|---------|---------|---------|

(\*1) As of December 31, 2017, construction-in-progress mainly relates to construction of manufacturing facilities.

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

(c) Capitalized borrowing costs and capitalization rate for the years ended December 31, 2018 and 2017 are as follows:

*(In millions of won)*

|                             | <b>2018</b> | <b>2017</b> |
|-----------------------------|-------------|-------------|
| Capitalized borrowing costs | ₩ 146,607   | 47,686      |
| Capitalization rate         | 2.80%       | 1.92%       |

**Table of Contents****10. Intangible Assets**

(a) Changes in intangible assets for the year ended December 31, 2018 are as follows:

|   | Intellectual<br>property<br>rights | Software  | Member-<br>ships | Development<br>costs | Construction-<br>in-progress<br>(software) | Customer<br>relationships | Technology | Good-<br>will | Others<br>(*2) | Total       |
|---|------------------------------------|-----------|------------------|----------------------|--|---------------------------|------------|---------------|----------------|-------------|
| Acquisition cost as of<br>January 1, 2018       | ₩ 895,721                          | 898,278   | 54,985           | 1,769,998            | 30,933                                     | 59,176                    | 11,074     | 103,048       | 13,077         | 3,830,212   |
| Amortization as of<br>January 1, 2018           | (648,755)                          | (736,788) |                  | (1,473,238)          |  | (31,337)                  | (8,490)    |               | (13,076)       | (2,910,284) |
| Accumulated impairment<br>of January 1,         |                                    |           | (11,785)         |                      |  |                           |            |               |                | (11,785)    |
| Carrying value as of<br>January 1, 2018         | ₩ 246,966                          | 161,490   | 43,200           | 296,760              | 30,933                                     | 27,839                    | 2,584      | 103,048       | 1              | 910,011     |
| Increases - internally<br>developed             |                                    |           |                  | 372,835              |  |                           |            |               |                | 372,835     |
| Increases - external<br>purchases               | 24,596                             |           | 2,844            |                      | 100,820                                    |                           |            |               |                | 128,260     |
| Amortization (*1)                               | (43,437)                           | (80,159)  |                  | (302,685)            |  | (3,517)                   | (1,107)    |               | (1)            | (430,806)   |
| Impairment loss                                 |                                    |           | (721)            |                      |  |                           |            |               |                | (721)       |
| Reversal of impairment                          |                                    |           | (82)             |                      |  |                           |            |               |                | (82)        |
| Transfer from<br>construction-in-progress       |                                    |           | 348              |                      |  |                           |            |               |                | 348         |
| Transfer from<br>construction-in-progress       |                                    | 95,028    | 449              |                      | (95,028)                                   |                           |            |               |                |             |
| Exchange rate<br>movements in<br>exchange rates | 1,896                              | 1,240     | 1                |                      | 238  |                           |            | 1,263         |                | 4,638       |
| Carrying value as of<br>December 31, 2018       | ₩ 230,021                          | 177,599   | 46,039           | 366,910              | 36,963                                     | 24,322                    | 1,477      | 104,311       |                | 983,632     |
| Acquisition cost as of<br>December 31, 2018     | ₩ 926,969                          | 992,139   | 57,560           | 2,142,832            | 36,963                                     | 59,176                    | 11,075     | 104,311       | 13,077         | 4,340,922   |
| Amortization as of<br>December 31, 2018         | ₩ (696,948)                        | (814,540) |                  | (1,775,922)          |  | (34,854)                  | (9,598)    |               | (13,077)       | (3,345,339) |
| Accumulated impairment<br>of December 31,       | ₩                                  |           | (11,521)         |                      |  |                           |            |               |                | (11,521)    |



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

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10. Intangible Assets, Continued

(b) Changes in intangible assets for the year ended December 31, 2017 are as follows:

| <i>Acquisitions of won)</i>                    | <b>Intellectual<br/>property<br/>rights</b> | <b>Software</b> | <b>Member-<br/>ships</b> | <b>Development<br/>costs</b> | <b>Construction-<br/>in-progress<br/>(software)</b> | <b>Customer<br/>relationships</b> | <b>Technology</b> | <b>Good-<br/>will(*2)</b> | <b>Others<br/>(*3)</b> | <b>Total</b> |
|--|---|-----------------|--------------------------|------------------------------|---|-----------------------------------|-------------------|---------------------------|------------------------|--------------|
| Acquisition cost as of<br>January 1, 2017      | ₩ 904,664                                   | 806,835         | 51,564                   | 1,433,791                    | 18,738  | 59,176                            | 11,074            | 110,072                   | 13,077                 | 3,400,817    |
| Amortization<br>calculated                     |   |                 |                          |                              |   |                                   |                   |                           |                        |              |
| Provision as of<br>December 31, 2017           | (618,398)                                   | (661,063)       |                          | (1,177,451)                  |   | (26,678)                          | (7,382)           |                           | (13,071)               | (2,503,463)  |
| Provision for<br>impairment<br>of January 1,   |   |                 | (10,011)                 |                              |   |                                   |                   |                           |                        | (10,011)     |
| Value as of<br>December 31, 2017               | ₩ 286,266                                   | 145,772         | 41,553                   | 256,340                      | 18,738  | 32,498                            | 3,692             | 110,072                   | 6                      | 894,357      |
| Acquisitions - internally<br>developed         |   |                 |                          | 336,207                      |   |                                   |                   |                           |                        | 336,207      |
| Acquisitions - external<br>purchases           | 22,746                                      |                 | 4,819                    |                              | 108,761   |                                   |                   |                           |                        | 136,326      |
| Amortization (*1)                              | (42,195)                                    | (78,939)        |                          | (295,787)                    |   | (4,659)                           | (1,108)           |                           | (5)                    | (420,583)    |
| Impairment<br>loss                             | (4)   |                 | (1,392)                  |                              |   |                                   |                   |                           |                        | (1,396)      |
| Reversal of impairment                         |   |                 |                          |                              |   |                                   |                   |                           |                        |              |
| Transfer from<br>construction-in-progress      |   | 98,989          |                          |                              | (98,989)  |                                   |                   | (3,218)                   |                        | (3,218)      |
| Change in<br>exchange rates                    | (19,847)                                    | (4,332)         | (6)                      |                              | 2,423   |                                   |                   | (3,806)                   |                        | (21,568)     |
| Value as of<br>December 31, 2017               | ₩ 246,966                                   | 161,490         | 43,200                   | 296,760                      | 30,933  | 27,839                            | 2,584             | 103,048                   | 1                      | 910,817      |
| Acquisition cost as of<br>December 31, 2017    | ₩ 895,721                                   | 898,278         | 54,985                   | 1,769,998                    | 30,933  | 59,176                            | 11,074            | 103,048                   | 13,077                 | 3,833,212    |
| Amortization<br>calculated                     |   |                 |                          |                              |   |                                   |                   |                           |                        |              |
| Provision as of<br>December 31, 2017           | ₩ (648,755)                                 | (736,788)       |                          | (1,473,238)                  |   | (31,337)                          | (8,490)           |                           | (13,076)               | (2,918,284)  |
| Provision for<br>impairment<br>of December 31, | ₩   |                 | (11,785)                 |                              |   |                                   |                   |                           |                        | (11,785)     |



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10. Intangible Assets, Continued

(\*1) The Group has classified the amortization as manufacturing overhead costs, selling expenses, administrative expenses and research and development expenses.

(\*2) As of December 31, 2017, the book value of goodwill decreased ~~by~~ W3,218 million as the Group completed the fair value measurement of land use right, acquired from business combination during the year ended December 31, 2016.

(\*3) Others mainly consist of rights to use electricity and gas supply facilities.

**Table of Contents**10. Intangible Assets, Continued

(c) 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.

(d) Development costs as of December 31, 2018 and 2017 are as follows:

(i) As of December 31, 2018

*(In millions of won and in years)*

| <b>Classification</b>  | <b>Product</b> | <b>Book Value</b> | <b>Remaining Useful life</b> |
|------------------------|----------------|-------------------|------------------------------|
| Development completed  | Mobile         | ₩ 108,467         | 0.5                          |
|                        | TV             | 28,001            | 0.5                          |
|                        | Notebook       | 4,458             | 0.6                          |
|                        | Others         | 9,475             | 0.5                          |
|                        | Sub-Total      | ₩ 150,401         |                              |
| Development in process | Mobile         | ₩ 144,679         |                              |
|                        | TV             | 55,580            |                              |
|                        | Notebook       | 9,639             |                              |
|                        | Others         | 6,611             |                              |
|                        | Sub-Total      | ₩ 216,509         |                              |
|                        | Total          | ₩ 366,910         |                              |

(ii) As of December 31, 2017

*(In millions of won and in years)*

| <b>Classification</b> | <b>Product</b> | <b>Book Value</b> | <b>Remaining Useful life</b> |
|-----------------------|----------------|-------------------|------------------------------|
| Development completed | Mobile         | ₩ 79,372          | 0.6                          |
|                       | TV             | 36,038            | 0.6                          |
|                       | Notebook       | 14,311            | 0.5                          |
|                       | Others         | 12,444            | 0.4                          |

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|                        |           |           |
|------------------------|-----------|-----------|
|                        | Sub-Total | ₩ 142,165 |
| Development in process | Mobile    | ₩ 117,222 |
|                        | TV        | 30,670    |
|                        | Notebook  | 2,356     |
|                        | Others    | 4,347     |
|                        | Sub-Total | ₩ 154,595 |
|                        | Total     | ₩ 296,760 |

**Table of Contents**11. Financial Liabilities

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

| <i>(In millions of won)</i>                       | <b>December 31, 2018</b> | <b>December 31, 2017</b> |
|---|--------------------------|--------------------------|
| <b>Current</b>                                    |                          |                          |
| Current portion of long-term borrowings and bonds | ₩ 1,553,907              | 1,452,926                |
|   | ₩ 1,553,907              | 1,452,926                |
| <b>Non-current</b>                                |                          |                          |
| Won denominated borrowings                        | ₩ 2,700,608              | 1,251,258                |
| Foreign currency denominated borrowings           | 2,531,663                | 1,392,931                |
| Bonds   | 1,772,599                | 1,506,003                |
| Derivatives(*)                                    | 25,758                   |                          |
|   | ₩ 7,030,628              | 4,150,192                |

(\*) Represents exchange rate swap contracts related to foreign currency denominated borrowings and bonds.

(b) Won denominated long-term borrowings at the reporting date are as follows:

*(In millions of won)*

| <b>Lender</b>                                | <b>Annual interest rate<br/>as of<br/>December 31, 2018 (%)</b> | <b>December 31,<br/>2018</b> | <b>December 31,<br/>2017</b> |
|--|---|------------------------------|------------------------------|
| Woori Bank                                   | 3-year Korean Treasury Bond<br>rate 2.75                        | ₩ 1,259                      | 1,922                        |
| Shinhan Bank                                 |   |                              | 200,000                      |
| Korea Development Bank and others            | CD rate (91 days) + 0.64,<br>2.43~3.25                          | 2,850,000                    | 1,250,000                    |
| Less current portion of long-term borrowings |   | (150,651)                    | (200,664)                    |
|  |   | ₩ 2,700,608                  | 1,251,258                    |

**Table of Contents**11. Financial Liabilities, Continued

(c) Foreign currency denominated long-term borrowings at the reporting date are as follows:

(In millions of won and USD,  
CNY)

| <b>Lender</b>                                | <b>Annual interest rate<br/>as of<br/>December 31, 2018 (%)</b> (*) | <b>December 31,<br/>2018</b> | <b>December 31,<br/>2017</b> |
|--|---|------------------------------|------------------------------|
| The Export-Import Bank of Korea              | 3ML+0.75~1.70   | ₩ 955,975                    | 755,337                      |
| China Construction Bank and others           | USD: 3ML+0.80~2.00<br>CNY: PBOC*(0.90~1.05)                         | 2,419,286                    | 1,385,097                    |
| Foreign currency equivalent                  |   | USD 2,262<br>CNY 5,198       | USD 1,500<br>CNY 3,263       |
| Less current portion of long-term borrowings |   | ₩ (843,598)                  | (747,503)                    |
|  |   | ₩ 2,531,663                  | 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 at the reporting date are as follows:

(In millions of won)

|                              | <b>Maturity</b> | <b>Annual interest rate<br/>as of<br/>December 31, 2018 (%)</b> | <b>December 31,<br/>2018</b> | <b>December 31,<br/>2017</b> |
|------------------------------|-----------------|---|------------------------------|------------------------------|
| <b>Won denominated bonds</b> |                 |   |                              |                              |
| <b>(*1)</b>                  |                 |   |                              |                              |
| Publicly issued bonds        | March 2018 ~    |   |                              |                              |
|                              | October 2022    | 1.80~3.45   | ₩ 1,900,000                  | 2,015,000                    |
| Privately issued bonds       | May 2025 ~      |   |                              |                              |
|                              | May 2033        | 3.25~4.25   | 110,000                      |                              |
| Less discount on bonds       |                 |   | (3,949)                      | (4,238)                      |
| Less current portion         |                 |   | (559,658)                    | (504,759)                    |
|                              |                 |   | ₩ 1,446,393                  | 1,506,003                    |



| <b>Foreign currency denominated bond (*2)</b> |          |      |   |           |
|---|----------|------|---|-----------|
| Publicly issued bond                          | November |      |   |           |
|   | 2021     | 3.88 | ₩ | 335,430   |
| Foreign currency equivalent                   |          |      |   | USD 300   |
| Less discount on bonds                        |          |      |   | (9,224)   |
|   |          |      |   | 326,206   |
|   |          |      | ₩ | 1,772,599 |
|   |          |      |   | 1,506,003 |

(\*1) Principal of the won denominated bonds is to be repaid at maturity and interests are paid quarterly.

(\*2) Principal of the foreign currency denominated bond is to be repaid at maturity and interests are paid semi-annually.

**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.

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

(a) Net defined benefit liabilities recognized at the reporting date are as follows:

| <i>(In millions of won)</i>                                   | <b>December 31, 2018</b> | <b>December 31, 2017</b> |
|---|--------------------------|--------------------------|
| Present value of partially funded defined benefit obligations | ₩ 1,595,423              | 1,562,424                |
| Fair value of plan assets                                     | (1,550,063)              | (1,466,977)              |
|   | ₩ 45,360                 | 95,447                   |

(b) Changes in the present value of the defined benefit obligations for the years ended December 31, 2018 and 2017 are as follows:

| <i>(In millions of won)</i>         | <b>2018</b> | <b>2017</b> |
|-------------------------------------|-------------|-------------|
| Opening defined benefit obligations | ₩ 1,562,424 | 1,401,396   |
| Current service cost                | 204,668     | 195,850     |
| Past service cost                   | (25,749)    |             |
| Interest cost                       | 49,145      | 40,844      |
| Remeasurements (before tax)         | (27,885)    | (114)       |
| Benefit payments                    | (88,562)    | (76,011)    |
| Transfers from (to) related parties | (4,217)     | 534         |
| Curtailment of plans                | (74,459)    |             |
| Others                              | 58          | (75)        |
| Closing defined benefit obligations | ₩ 1,595,423 | 1,562,424   |

Weighted average remaining maturity of defined benefit obligations as of December 31, 2018 and 2017 are 14.4 years and 14.0 years, respectively.

(c) Changes in fair value of plan assets for the years ended December 31, 2018 and 2017 are as follows:

| <i>(In millions of won)</i>       | <b>2018</b> | <b>2017</b> |
|-----------------------------------|-------------|-------------|
| Opening fair value of plan assets | ₩ 1,466,977 | 1,258,409   |

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|   |             |           |
|---|-------------|-----------|
| Expected return on plan assets                    | 48,184      | 38,453    |
| Remeasurements (before tax)                       | (22,195)    | (16,374)  |
| Contributions by employer directly to plan assets | 212,224     | 250,998   |
| Benefit payments                                  | (80,690)    | (64,509)  |
| Curtailement of plans                             | (74,437)    |           |
| Closing fair value of plan assets                 | ₩ 1,550,063 | 1,466,977 |

**Table of Contents**12. Employee Benefits, Continued

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

*(In millions of won)*

|                              | <b>December 31, 2018</b> | <b>December 31, 2017</b> |
|------------------------------|--------------------------|--------------------------|
| Guaranteed deposits in banks | ₩ 1,550,063              | 1,466,977                |

As of December 31, 2018, the Controlling Company maintains the plan assets with Mirae Asset Securities Co., Ltd., KB Insurance Co., Ltd. and others.

The Group's estimated additional contribution to the plan assets for the year ending December 31, 2019 is ₩63,688 million.

(e) Expenses recognized in profit or loss for the years ended December 31, 2018 and 2017 are as follows:

| <i>(In millions of won)</i> | <b>2018</b> | <b>2017</b> |
|-----------------------------|-------------|-------------|
| Current service cost        | ₩ 204,668   | 195,850     |
| Past service cost           | (25,749)    |             |
| Net interest cost           | 961         | 2,391       |
|                             | ₩ 179,880   | 198,241     |

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

| <i>(In millions of won)</i>       | <b>2018</b> | <b>2017</b> |
|-----------------------------------|-------------|-------------|
| Cost of sales                     | ₩ 134,879   | 158,418     |
| Selling expenses                  | 11,045      | 11,114      |
| Administrative expenses           | 19,472      | 16,287      |
| Research and development expenses | 14,484      | 12,422      |
|                                   | ₩ 179,880   | 198,241     |

(f) Remeasurements of net defined benefit liabilities (assets) included in other comprehensive income (loss) for the years ended December 31, 2018 and 2017 are as follows:

| <i>(In millions of won)</i> | <b>2018</b> | <b>2017</b> |
|-----------------------------|-------------|-------------|
| Balance at January 1        | ₩ (170,510) | (163,950)   |
| Remeasurements              |             |             |

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|  |                        |           |
|--|------------------------|-----------|
| Actuarial profit or loss arising from:       |                        |           |
| Experience adjustment                        | 56,225                 | (48,890)  |
| Demographic assumptions                      | (15,379)               | (7,702)   |
| Financial assumptions                        | (12,961)               | 56,706    |
| Return on plan assets                        | (22,195)               | (16,374)  |
| Share of associates regarding remeasurements | 20                     | 441       |
|  | <del>₩</del> 5,710     | (15,819)  |
| Income tax                                   | <del>₩</del> (1,169)   | 9,259     |
| Balance at December 31                       | <del>₩</del> (165,969) | (170,510) |

**Table of Contents**12. Employee Benefits, Continued

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

|   | December 31, 2018 | December 31, 2017 |
|---|-------------------|-------------------|
| Expected rate of salary increase              | 4.3%              | 4.7%              |
| Discount rate for defined benefit obligations | 2.8%              | 3.2%              |

Assumptions regarding future mortality are based on published statistics and mortality tables. The current mortality underlying the values of the liabilities in the defined benefit plans are as follows:

|          |         | December 31, 2018 | December 31, 2017 |
|----------|---------|-------------------|-------------------|
| Teens    | Males   | 0.01%             | 0.01%             |
|          | Females | 0.00%             | 0.00%             |
| Twenties | Males   | 0.01%             | 0.01%             |
|          | Females | 0.00%             | 0.00%             |
| Thirties | Males   | 0.01%             | 0.01%             |
|          | Females | 0.01%             | 0.01%             |
| Forties  | Males   | 0.03%             | 0.03%             |
|          | Females | 0.02%             | 0.02%             |
| Fifties  | Males   | 0.05%             | 0.05%             |
|          | Females | 0.02%             | 0.02%             |

(h) Reasonably possible changes to respective relevant actuarial assumptions would have affected the defined benefit obligations by the following amounts as of December 31, 2018:

| <i>(In millions of won)</i>                   | <b>Defined benefit obligation</b> |                    |
|---|-----------------------------------|--------------------|
|   | <b>1% increase</b>                | <b>1% decrease</b> |
| Discount rate for defined benefit obligations | ₩ (199,750)                       | 241,608            |
| Expected rate of salary increase              | 236,002                           | (199,363)          |

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

(a) Changes in provisions for the year ended December 31, 2018 are as follows:

(In millions of won)

|   | <b>Litigations<br/>and<br/>claims</b> | <b>Warranties (*)</b> | <b>Others</b> | <b>Total</b> |
|---|---------------------------------------|-----------------------|---------------|--------------|
| 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)                       |                                       | 234,928               | (2,694)       | 232,234      |
| Usage                                       | (43)                                  | (215,290)             |               | (215,333)    |
| Balance at December 31, 2018                | ₩                                     | 122,088               | 8,930         | 131,018      |
| Current                                     | ₩                                     | 89,324                | 8,930         | 98,254       |
| Non-current                                 | ₩                                     | 32,764                |               | 32,764       |

(\*) 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 at the reporting date are as follows:

(In millions of won)

|                                  | <b>December 31, 2018</b> | <b>December 31, 2017</b> |
|----------------------------------|--------------------------|--------------------------|
| <b>Current liabilities</b>       |                          |                          |
| Withholdings                     | ₩ 30,970                 | 63,766                   |
| Unearned revenues                | 43,841                   | 12,225                   |
| Security deposits                | 165                      |                          |
|                                  | ₩ 74,976                 | 72,991                   |
| <b>Non-current liabilities</b>   |                          |                          |
| Long-term accrued expenses       | ₩ 80,817                 | 70,561                   |
| Long-term other accounts payable | 3,103                    | 2                        |
| Long-term unearned revenue       | 2,116                    |                          |
| Security deposits                | 10,790                   |                          |
|                                  | ₩ 96,826                 | 70,563                   |





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14. Contingent Liabilities 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. The Controlling Company and LG Display Taiwan Co., Ltd. reached a settlement with Argos in November 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 December 31, 2018.

**Table of Contents**14. Contingent Liabilities and Commitments, Continued

## (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 USD1,670 million (~~₩~~1,867,227 million) in connection with the Controlling Company's export sales transactions with its subsidiaries. As of December 31, 2018, no short-term borrowings were outstanding in connection with these agreements. In connection with all of the contracts mentioned above, the Controlling Company has sold its accounts receivable with recourse.

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

(In millions of USD and KRW)

| Classification                 | Financial institutions                | Maximum            |                | Not yet due        |                |
|--------------------------------|---------------------------------------|--------------------|----------------|--------------------|----------------|
|                                |                                       | Contractual amount | KRW equivalent | Contractual amount | KRW equivalent |
| <b>Controlling Company</b>     | Shinhan Bank                          | KRW 90,000         | 90,000         |                    |                |
|                                |                                       | USD 25             | 27,953         | USD 12             | 13,286         |
|                                | Sumitomo Mitsui Banking Corporation   | USD 20             | 22,362         |                    |                |
|                                |                                       | KRW 130,000        | 130,000        | KRW 36,089         | 36,089         |
|                                | Bank of Tokyo-Mitsubishi UFJ          | USD 40             | 44,724         | USD 40             | 44,516         |
|                                | BNP Paribas                           | USD 200            | 223,620        | USD 12             | 13,630         |
|                                | ING Bank                              | USD 150            | 167,715        | USD 31             | 35,554         |
|                                |                                       | USD 435            |                | USD 95             |                |
|                                |                                       | KRW 220,000        | 706,374        | KRW 36,089         | 143,075        |
| <b>Subsidiaries</b>            |                                       |                    |                |                    |                |
| LG Display Singapore Pte. Ltd. | Standard Chartered Bank               | USD 300            | 335,430        | USD 209            | 233,364        |
| LG Display Taiwan Co., Ltd.    | BNP Paribas Australia and New Zealand | USD 52             | 58,141         | USD 9              | 10,063         |
|                                | Banking Group Ltd                     | USD 70             | 78,267         | USD 52             | 58,142         |
|                                | Taishin International Bank            | USD 289            | 323,131        | USD 86             | 96,157         |
|                                | Citibank                              | USD 160            | 178,896        |                    |                |

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|  |   |     |         |           |     |        |           |
|--|---|-----|---------|-----------|-----|--------|-----------|
| LG Display Germany GmbH                | BNP Paribas                             | USD | 75      | 83,858    | USD | 75     | 83,767    |
| LG Display America, Inc.               | Hongkong & Shanghai Banking Corp.       | USD | 400     | 447,240   | USD | 230    | 257,164   |
|  | Standard Chartered Bank                 | USD | 600     | 670,860   | USD | 515    | 575,823   |
|  | Sumitomo Mitsui Banking Corporation     | USD | 80      | 89,448    | USD | 67     | 74,915    |
| LG Display Japan Co., Ltd.             | Sumitomo Mitsui Banking Corporation     | USD | 20      | 22,362    |     |        |           |
| LG Display Guangzhou Trading Co., Ltd. | Industrial and Commercial Bank of China |     |         |           |     |        |           |
|  |   | USD | 2,046   | 2,287,633 | USD | 1,243  | 1,389,395 |
|  |   | USD | 2,481   |           | USD | 1,338  |           |
|  |   | KRW | 220,000 | 2,994,007 | KRW | 36,089 | 1,532,470 |

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**Table of Contents****14. Contingent Liabilities and Commitments, Continued****(b) Commitments, Continued**

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

**Letters of credit**

As of December 31, 2018, the Controlling Company has agreements in relation to the opening of letters of credit up to USD 30 million (~~₩~~33,543 million) with KEB Hana Bank, USD 80 million (~~₩~~89,448 million) with Bank of China and USD 50 million (~~₩~~9,504 million) with Sumitomo Mitsui Banking Corporation.

**Payment guarantees**

The Controlling Company obtained payment guarantees amounting to USD 1,538 million (~~₩~~1,719,079 million) from KEB Hana Bank and others for advance received related to the long-term supply agreements. The Controlling Company also obtained payment guarantees amounting to USD 306 million (~~₩~~341,929 million) from Korea Development Bank for foreign currency denominated bonds and USD 8.5 million (~~₩~~9,504 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 and other various banks amounting to CNY1,711 million (~~₩~~278,401 million), JPY 900 million (~~₩~~9,119 million), EUR 2.5 million (~~₩~~3,198 million), VND 40,498 million (~~₩~~1,952 million), USD 0.5 million (~~₩~~559 million), PLN 0.1 million (~~₩~~30 million) and, respectively, for their local tax payments and utility payments.

**License agreements**

As of December 31, 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 December 31, 2018, in connection with long-term supply agreements with customers, the Controlling Company recognized USD 1,475 million (~~₩~~1,649,198 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 1,538 million (~~₩~~1,719,079 million) from KEB Hana Bank and other various banks relating to advance received.

**Pledged Assets**

Regarding the secured bank loan amounting to USD 240 million (~~₩~~268,093 million) from China Construction Bank, as of December 31, 2018, the Group provided its property, plant and equipment and others with carrying amount of ~~₩~~146,262 million as pledged assets.



**Table of Contents**15. Capital and Reserves

## (a) Share capital

The Controlling Company is authorized to issue 500,000,000 shares of capital stock (par value ₩5,000), and as of December 31, 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, 2018 to December 31, 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 December 31, 2018 and 2017 are as follows:

| <i>(In millions of won)</i>                                     | <b>December 31, 2018</b> | <b>December 31, 2017</b> |
|---|--------------------------|--------------------------|
| Foreign currency translation differences for foreign operations | ₩ (272,474)              | (259,749)                |
| Other comprehensive loss from associates                        | (28,494)                 |                          |
| (excluding remeasurements of net defined benefit liabilities)   |                          | (28,531)                 |
|   | ₩ (300,968)              | (288,280)                |

**Table of Contents**15. Capital and Reserves, Continued

## (b) Reserves, Continued

The movement in reserves for the years ended December 31, 2018 and 2017 are as follows:

*(In millions of won)*

|                    | <b>Foreign currency<br/>translation difference<br/>for foreign<br/>operations</b> | <b>Other comprehensive income<br/>(loss) from associates (excluding<br/>remeasurements)</b> | <b>Total</b> |
|--------------------|---|---|--------------|
| January 1, 2017    | ₩ (59,042)  | (29,436)  | (88,478)     |
| Change in reserves | (200,707)   | 905   | (199,802)    |
| December 31, 2017  | (259,749)   | (28,531)  | (288,280)    |
| January 1, 2018    | (259,749)   | (28,531)  | (288,280)    |
| Change in reserves | (12,725)  | 37  | (12,688)     |
| December 31, 2018  | (272,474)   | (28,494)  | (300,968)    |

**Table of Contents****16. Revenue**

Details of revenue for the years ended December 31, 2018 and 2017 are as follows:

*(In millions of won)*

|                | <b>2018</b>  | <b>2017</b> |
|----------------|--------------|-------------|
| Sales of goods | ₩ 24,293,798 | 27,745,047  |
| Royalties      | 17,513       | 20,175      |
| Others         | 25,260       | 24,994      |
|                | ₩ 24,336,571 | 27,790,216  |

**17. Geographic and Other Information**

The following is a summary of sales by region based on the location of the customers for the years ended December 31, 2018 and 2017.

**(a) Revenue by geography**

*(In millions of won)*

| <b>Region</b>             | <b>2018</b>  | <b>2017</b> |
|---------------------------|--------------|-------------|
| Domestic                  | ₩ 1,589,452  | 1,996,183   |
| Foreign                   |              |             |
| China                     | 15,242,533   | 18,090,974  |
| Asia (excluding China)    | 2,481,112    | 2,383,390   |
| United States             | 2,462,918    | 2,724,714   |
| Europe (excluding Poland) | 1,496,138    | 1,433,126   |
| Poland                    | 1,064,418    | 1,161,829   |
|                           | ₩ 22,747,119 | 25,794,033  |
|                           | ₩ 24,336,571 | 27,790,216  |

Sales to Company A and Company B amount to ₩7,262,255 million and ₩5,171,354 million, respectively, for the year ended December 31, 2018 (2017: ₩9,027,165 million and ₩6,511,961 million). The Group's top ten end-brand customers together accounted for 77% of sales for the year ended December 31, 2018 (2017: 81%).

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

*(In millions of won)*



| Region   | December 31, 2018                      |                      | December 31, 2017                   |                      |
|----------|--|----------------------|-------------------------------------|----------------------|
|          | Property,<br>plant<br>and<br>equipment | Intangible<br>assets | Property, plant<br>and<br>equipment | Intangible<br>assets |
| Domestic | ₩ 14,984,688                           | 816,808              | 12,487,111                          | 731,373              |
| Foreign  |  |                      |                                     |                      |
| China    | 5,049,216                              | 12,332               | 2,929,739                           | 17,244               |
| Others   | 1,566,226                              | 158,502              | 785,110                             | 164,204              |
|          | ₩ 6,615,442                            | 170,834              | 3,714,849                           | 181,448              |
|          | ₩ 21,600,130                           | 987,642              | 16,201,960                          | 912,821              |

**Table of Contents**17. Geographic and Other Information, Continued

## (c) Revenue by product and services

*(In millions of won)*

|                    | <b>2018</b>  | <b>2017</b> |
|--------------------|--------------|-------------|
| Televisions        | ₩ 9,727,260  | 11,717,982  |
| Desktop monitors   | 4,040,025    | 4,393,482   |
| Tablet products    | 1,990,766    | 2,369,634   |
| Notebook computers | 2,836,888    | 2,244,088   |
| Mobile and others  | 5,741,632    | 7,065,030   |
|                    | ₩ 24,336,571 | 27,790,216  |

18. The Nature of Expenses and Others

The classification of expenses by nature for the years ended December 31, 2018 and 2017 are as follows:

*(In millions of won)*

|  | <b>2018</b>  | <b>2017</b> |
|--|--------------|-------------|
| Changes in inventories                             | ₩ (341,120)  | (62,299)    |
| Purchases of raw materials, merchandise and others | 12,863,812   | 13,548,848  |
| Depreciation and amortization                      | 3,554,565    | 3,214,576   |
| Outsourcing fees                                   | 825,393      | 771,697     |
| Labor costs  | 3,222,110    | 3,258,427   |
| Supplies and others                                | 1,010,352    | 1,239,915   |
| Utility  | 899,075      | 865,347     |
| Fees and commissions                               | 722,134      | 692,125     |
| Shipping costs                                     | 240,288      | 249,820     |
| Advertising  | 112,400      | 236,440     |
| Warranty expenses                                  | 234,928      | 251,131     |
| Travel   | 104,009      | 92,976      |
| Taxes and dues                                     | 123,210      | 91,806      |
| Others   | 757,673      | 919,051     |
|  | ₩ 24,328,829 | 25,369,860  |

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 years ended December 31, 2018 and 2017 are as follows:

*(In millions of won)*

|   | <b>2018</b>        | <b>2017</b>      |
|---|--------------------|------------------|
| Salaries(*1)                                  | ₩ 500,610          | 327,288          |
| Expenses related to defined benefit plans(*2) | 30,724             | 27,401           |
| Other employee benefits                       | 90,348             | 94,740           |
| Shipping costs                                | 200,434            | 214,866          |
| Fees and commissions                          | 221,050            | 197,070          |
| Depreciation                                  | 174,575            | 138,711          |
| Taxes and dues                                | 65,621             | 46,317           |
| Advertising                                   | 112,400            | 236,440          |
| Warranty expenses                             | 234,928            | 251,131          |
| Rent  | 26,691             | 26,711           |
| Insurance                                     | 11,584             | 12,459           |
| Travel  | 24,659             | 27,879           |
| Training                                      | 13,309             | 16,311           |
| Others  | 64,244             | 73,181           |
|   | <b>₩ 1,771,177</b> | <b>1,690,505</b> |

(\*1) The expense related to retirement allowance for the year ended December 31, 2018 is ₩184,941 million.

(\*2) The expense related to the define contribution plan for the year ended December 31, 2018 is ₩111 million.

**20. Personnel Expenses**

Details of personnel expenses for the years ended December 31, 2018 and 2017 are as follows:

*(In millions of won)*

|   | <b>2018</b>        | <b>2017</b>      |
|---|--------------------|------------------|
| Salaries and wages  | ₩ 2,720,014        | 2,704,217        |
| Other employee benefits   | 500,169            | 483,704          |
| Contributions to National Pension plan                                    | 75,668             | 73,061           |
| Expenses related to defined benefit plan and defined contribution plan(*) | 180,737            | 198,241          |
|   | <b>₩ 3,476,588</b> | <b>3,459,223</b> |

(\*) The expense related to the define contribution plan for the year ended December 31, 2018 is ₩857 million.



**Table of Contents**21. Other Non-operating Income and Other Non-operating Expenses

(a) Details of other non-operating income for the years ended December 31, 2018 and 2017 are as follows:

*(In millions of won)*

|   | <b>2018</b>        | <b>2017</b>      |
|---|--------------------|------------------|
| Foreign currency gain                             | ₩ 970,306          | 969,425          |
| Gain on disposal of property, plant and equipment | 6,620              | 101,227          |
| Gain on disposal of intangible assets             | 239                | 308              |
| Reversal of impairment loss on intangible assets  | 348                | 35               |
| Rental income                                     | 3,584              | 2,212            |
| Others  | 21,941             | 8,539            |
|   | <b>₩ 1,003,038</b> | <b>1,081,746</b> |

(b) Details of other non-operating expenses for the years ended December 31, 2018 and 2017 are as follows:

*(In millions of won)*

|  | <b>2018</b>        | <b>2017</b>      |
|--|--------------------|------------------|
| Foreign currency loss                                      | ₩ 1,030,084        | 1,189,193        |
| Other bad debt expenses                                    | 4                  | 1,798            |
| Loss on disposal of property, plant and equipment          | 15,048             | 20,030           |
| Impairment loss on property, plant, and equipment          | 43,601             |                  |
| Loss on disposal of intangible assets                      |                    | 30               |
| Impairment loss on intangible assets                       | 82                 | 1,809            |
| Donations  | 7,698              | 17,152           |
| Expenses related to legal proceedings or claims and others | 18,716             | 443              |
|  | <b>₩ 1,115,233</b> | <b>1,230,455</b> |

**Table of Contents**22. Finance Income and Finance Costs

- (a) Finance income and costs recognized in profit or loss for the years ended December 31, 2018 and 2017 are as follows:

*(In millions of won)*

|   | 2018      | 2017    |
|---|-----------|---------|
| <b>Finance income</b>   |           |         |
| Interest income   | ₩ 69,020  | 60,106  |
| Foreign currency gain   | 160,989   | 210,890 |
| Gain on disposal of investments in equity accounted investees             |           | 3,669   |
| Reversal of impairment loss of investments in equity accounted investees  | 802       |         |
| Gain on transaction of derivatives  | 2,075     | 3,106   |
| Gain on valuation of derivatives  | 13,059    | 1,070   |
| Gain on disposal of available-for-sale financial assets                   |           | 8       |
| Gain on valuation of financial asset at fair value through profit or loss | 8,186     | 170     |
|   | ₩ 254,131 | 279,019 |
| <b>Finance costs</b>  |           |         |
| Interest expense  | ₩ 80,517  | 90,538  |
| Foreign currency loss   | 184,309   | 126,642 |
| Loss on disposal of investments in equity accounted investees             | 595       | 42,112  |
| Loss on impairment of investments in equity accounted investees           | 17,397    | 4,234   |
| Loss on impairment of available-for-sale financial assets                 |           | 1,948   |
| Loss on valuation of financial asset at fair value through profit or loss | 225       |         |
| Loss on sale of trade accounts and notes receivable                       | 13,361    | 784     |
| Loss on transaction of derivatives  | 49        | 514     |
| Loss on valuation of derivatives  | 26,600    |         |
| Others  | 3,840     | 2,084   |
|   | ₩ 326,893 | 268,856 |

- (b) Finance income and costs recognized in other comprehensive income or loss for the years ended December 31, 2018 and 2017 are as follows:

*(In millions of won)*

|   | <b>2018</b> | <b>2017</b> |
|---|-------------|-------------|
| Foreign currency translation differences for foreign operations                   | ₩(19,987)   | (231,738)   |
| Finance income (costs) recognized in other comprehensive income or loss after tax | ₩(19,987)   | (231,738)   |

**Table of Contents**23. Income Taxes

(a) Details of income tax expense (benefit) for the years ended December 31, 2018 and 2017 are as follows:

*(In millions of won)*

|   | <b>2018</b>        | <b>2017</b>    |
|---|--------------------|----------------|
| <b>Current tax expense</b>                        |                    |                |
| Current year                                      | 167,394            | 512,123        |
| Adjustment for prior years                        | 82,225             |                |
|   | <b>₩ 249,619</b>   | 512,123        |
| <b>Deferred tax expense (benefit)</b>             |                    |                |
| Origination and reversal of temporary differences | (226,360)          | (104,835)      |
| Change in unrecognized deferred tax assets        | 64,818             | (11,708)       |
|   | <b>₩ (161,542)</b> | (116,543)      |
| <b>Income tax expense</b>                         | <b>₩ 88,077</b>    | <b>395,580</b> |

(b) Income taxes recognized directly in other comprehensive income or loss for the years ended December 31, 2018 and 2017 are as follows:

*(In millions of won)*

|   | <b>2018</b>           |                        |                       | <b>2017</b>           |                                      |                       |
|---|-----------------------|------------------------|-----------------------|-----------------------|--------------------------------------|-----------------------|
|   | <b>Before<br/>tax</b> | <b>Tax<br/>benefit</b> | <b>Net of<br/>tax</b> | <b>Before<br/>tax</b> | <b>Tax<br/>benefit<br/>(expense)</b> | <b>Net of<br/>tax</b> |
| Remeasurements of net defined benefit liabilities (assets)      | 5,690                 | (1,169)                | 4,521                 | (16,260)              | 9,259                                | (7,001)               |
| Foreign currency translation differences for foreign operations | (19,987)              |                        | (19,987)              | (231,738)             |                                      | (231,738)             |
| Change in equity of equity method investee                      | 57                    |                        | 57                    | 1,346                 |                                      | 1,346                 |
|   | <b>₩ (14,240)</b>     | <b>(1,169)</b>         | <b>(15,409)</b>       | <b>(246,652)</b>      | <b>9,259</b>                         | <b>(237,393)</b>      |



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

(c) Reconciliation of the actual effective tax rate for the years ended December 31, 2018 and 2017 is as follows:

| <i>(In millions of won)</i>                                     |   | <b>2018</b>       |          | <b>2017</b> |
|---|---|-------------------|----------|-------------|
| Profit (loss) for the year                                      | ₩ | (179,443)         |          | 1,937,052   |
| Income tax expense  |   | 88,077            |          | 395,580     |
| Profit (loss) before income tax                                 |   | (91,366)          |          | 2,332,632   |
| Income tax expense using the statutory tax rate of each country |   | (33.60%) 30,695   | 28.54%   | 665,733     |
| Non-deductible expenses   |   | (40.07%) 36,608   | 2.72%    | 63,416      |
| Tax credits   |   | 117.27% (107,146) | (10.64%) | (248,191)   |
| Change in unrecognized deferred tax assets                      |   | (70.94%) 64,818   | (0.50%)  | (11,708)    |
| Adjustment for prior years                                      |   | (90.00%) 82,225   |          |             |
| Effect on change in tax rate (Note 24(d))                       |   | 15.68% (14,326)   | (3.10%)  | (72,376)    |
| Others  |   | 5.25% (4,797)     | (0.06%)  | (1,294)     |
| Actual income tax expense                                       | ₩ | 88,077            |          | 395,580     |
| Actual effective tax rate                                       |   |                   | (*)      | 16.96%      |

(\*) Actual effective tax rate are not calculated due to loss before income tax.

24. Deferred Tax Assets and Liabilities

## (a) Unrecognized deferred tax liabilities

As of December 31, 2018, in relation to the temporary differences on investments in subsidiaries amounting to ₩85,368 million, the Controlling Company did not recognize deferred tax liabilities since the Controlling Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary differences will not reverse in the foreseeable future.

**Table of Contents**24. Deferred Tax Assets and Liabilities, Continued

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

Realization of deferred tax assets related to tax credit carryforwards which are primarily related to Korea is dependent on whether sufficient taxable income will be generated prior to their expiration. As of December 31, 2018, the Controlling Company recognized deferred tax assets of ₩308,393 million, in relation to tax credit carryforwards, to the extent that management believes the realization is probable. The amount of unused tax credit carryforwards for which no deferred tax asset is recognized and their expiration dates are as follows:

*(In millions of won)*

|                          | <b>December 31,<br/>2019</b> | <b>December 31,<br/>2020</b> | <b>December 31,<br/>2021</b> | <b>December 31,<br/>2022</b> |
|--------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Tax credit carryforwards | ₩ 29,770                     |                              | 58,391                       | 91,862                       |

**Table of Contents**24. Deferred Tax Assets and Liabilities, Continued

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

*(In millions of won)*

|   | Assets             |                    | Liabilities        |                    | Total              |                    |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
|   | December, 31, 2018 | December, 31, 2017 | December, 31, 2018 | December, 31, 2017 | December, 31, 2018 | December, 31, 2017 |
| Other accounts receivable, net                    | ₩                  |                    | (1,013)            | (1,441)            | (1,013)            | (1,441)            |
| Inventories, net                                  | 60,606             | 34,550             |                    |                    | 60,606             | 34,550             |
| Defined benefit liabilities, net                  |                    | 2,375              |                    |                    |                    | 2,375              |
| Unrealized gain or loss and others                | 13,404             | 29,061             |                    |                    | 13,404             | 29,061             |
| Accrued expenses                                  | 126,072            | 183,903            |                    |                    | 126,072            | 183,903            |
| Property, plant and equipment                     | 445,721            | 409,928            | (1,495)            |                    | 444,226            | 409,928            |
| Intangible assets                                 | 3,468              | 3,457              | (14,588)           | (24,646)           | (11,120)           | (21,189)           |
| Provisions  | 32,468             | 27,018             |                    |                    | 32,468             | 27,018             |
| Gain or loss on foreign currency translation, net | 13                 | 13                 |                    |                    | 13                 | 13                 |
| Others  | 20,850             | 27,562             | (7,665)            |                    | 13,185             | 27,562             |
| Tax loss carryforwards                            | 134,845            |                    |                    |                    | 134,845            |                    |
| Tax credit carryforwards                          | 308,393            | 268,926            |                    |                    | 308,393            | 268,926            |
| Deferred tax assets (liabilities)                 | ₩ 1,145,840        | 986,793            | (24,761)           | (26,087)           | 1,121,079          | 960,706            |

**Table of Contents**24. Deferred Tax Assets and Liabilities, Continued

- (d) Changes in deferred tax assets and liabilities for the years ended December 31, 2018 and 2017 are as follows:

(In millions of won)

|   | January<br>1,<br>2017 | Profit<br>or<br>loss | Other<br>compre-<br>hensive<br>income<br>(loss) | December 31,<br>2017 | Profit<br>or<br>loss | Other<br>compre-<br>hensive<br>income | December 31,<br>2018 |
|---|-----------------------|----------------------|---|----------------------|----------------------|---------------------------------------|----------------------|
| Other accounts receivable, net                    | ₩ (1,190)             | (251)                |   | (1,441)              | 428                  |                                       | (1,013)              |
| Inventories, net                                  | 35,771                | (1,221)              |   | 34,550               | 26,056               |                                       | 60,606               |
| Defined benefit liabilities, net                  | 10,817                | (17,701)             | 9,259   | 2,375                | (1,206)              | (1,169)                               |                      |
| Subsidiaries and associates                       | 34,777                | (5,716)              |   | 29,061               | (15,657)             |                                       | 13,404               |
| Accrued expenses                                  | 122,998               | 60,905               |   | 183,903              | (57,831)             |                                       | 126,072              |
| Property, plant and equipment                     | 338,860               | 71,068               |   | 409,928              | 34,298               |                                       | 444,226              |
| Intangible assets                                 | (31,027)              | 9,838                |   | (21,189)             | 10,069               |                                       | (11,120)             |
| Provisions  | 15,051                | 11,967               |   | 27,018               | 5,450                |                                       | 32,468               |
| Gain or loss on foreign currency translation, net | 11                    | 2                    |   | 13                   |                      |                                       | 13                   |
| Others  | 21,435                | 6,127                |   | 27,562               | (14,377)             |                                       | 13,185               |
| Tax loss carryforwards                            |                       |                      |   |                      | 134,845              |                                       | 134,845              |
| Tax credit carryforwards                          | 287,400               | (18,474)             |   | 268,926              | 39,467               |                                       | 308,393              |
| Deferred tax assets (liabilities)                 | ₩ 834,903             | 116,544              | 9,259   | 960,706              | 161,542              | (1,169)                               | 1,121,079            |

Statutory tax rate applicable to the Controlling Company is 24.2% for the year ended December 31, 2017. During the year ended December 31, 2017, certain amendments to corporate income tax rules in 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 December 31, 2018 and December 31, 2017 have been measured using the applicable tax rates from the amendment.

**Table of Contents**25. Earnings (Loss) Per Share Attributable to Owners of the Controlling Company

(a) Basic earnings (loss) per share for the years ended December 31, 2018 and 2017 are as follows:

| <i>(In won and No. of shares)</i>                                      | <b>2018</b>         | <b>2017</b>       |
|--|---------------------|-------------------|
| <b>Profit (loss) attributable to owners of the Controlling Company</b> | ₩ (207,239,484,774) | 1,802,756,119,275 |
| Weighted-average number of common stocks outstanding                   | 357,815,700         | 357,815,700       |
| <b>Earnings (loss) per share</b>                                       | ₩ (579)             | 5,038             |

For the years ended December 31, 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 years ended December 31, 2018 and 2017 are not calculated since there was no potential common stock.

26. 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 Controlling Company, 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, USD and CNY.

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. The Group entered into a currency swap contract to hedge currency risk with respect to foreign currency borrowings and bonds.

**Table of Contents**26. Financial Risk Management, Continued(i) Currency Risk, Continued

## i) Exposure to currency risk

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

*(In millions)*

|  | December 31, 2018 |          |         |     |     |     |             |
|--|-------------------|----------|---------|-----|-----|-----|-------------|
|  | USD               | JPY      | CNY     | TWD | EUR | PLN | VND         |
| Cash and cash equivalents                        | 790               | 83       | 5,515   | 121 | 8   | 206 | 2,070,889   |
| Trade accounts and notes receivable              | 2,175             | 7        | 1,098   |     |     |     |             |
| Non-trade receivable                             | 21                | 852      | 201     | 3   | 4   |     | 23,182      |
| Other assets denominated in foreign currencies   | 33                | 220      | 11,157  | 108 | 12  | 23  | 2,782       |
| Trade accounts and notes payable                 | (863)             | (12,501) | (2,862) |     |     |     | (355,390)   |
| Other accounts payable                           | (928)             | (20,326) | (4,762) | (6) | (3) | (4) | (1,585,130) |
| Borrowings                                       | (2,571)           |          | (5,198) |     |     |     |             |
| Aggregate notional amounts in financial position | (1,343)           | (31,665) | 5,149   | 226 | 21  | 225 | 156,333     |
| Currency swap contracts                          | 780               |          |         |     |     |     |             |
| Net exposure                                     | (563)             | (31,665) | 5,149   | 226 | 21  | 225 | 156,333     |

*(In millions)*

|  | 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) |

**Table of Contents**26. Financial Risk Management, Continued

## (i) Currency Risk, Continued

## i) Exposure to currency risk, Continued

Average exchange rates applied for the years ended December 31, 2018 and 2017 and the exchange rates at December 31, 2018 and December 31, 2017 are as follows:

| <i>(In won)</i> | Average rate |          | Reporting date spot rate |                   |
|-----------------|--------------|----------|--------------------------|-------------------|
|                 | 2018         | 2017     | December 31, 2018        | December 31, 2017 |
| USD             | ₩ 1,100.21   | 1,131.08 | 1,118.10                 | 1,071.40          |
| JPY             | 9.96         | 10.09    | 10.13                    | 9.49              |
| CNY             | 166.41       | 167.52   | 162.76                   | 163.65            |
| TWD             | 36.51        | 37.16    | 36.58                    | 35.92             |
| EUR             | 1,298.53     | 1,277.01 | 1,279.16                 | 1,279.25          |
| PLN             | 304.87       | 299.98   | 297.33                   | 306.07            |
| VND             | 0.0478       | 0.0498   | 0.0482                   | 0.0472            |

## ii) Sensitivity analysis

A weaker won, as indicated below, against the following currencies which comprise the Group's assets or liabilities denominated in a foreign currency as of December 31, 2018 and 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> | December 31, 2018 |                | December 31, 2017 |                |
|-----------------------------|-------------------|----------------|-------------------|----------------|
|                             | Equity            | Profit or loss | Equity            | Profit or loss |
| USD (5 percent weakening)   | ₩ (46,136)        | 38,725         | 50,040            | 91,238         |
| JPY (5 percent weakening)   | (12,060)          | (10,497)       | (10,294)          | (9,141)        |
| CNY (5 percent weakening)   | 41,779            | 318            | 13,212            | (6,396)        |
| TWD (5 percent weakening)   | 413               | 1              | 23                | 1              |
| EUR (5 percent weakening)   | 1,197             | 390            | 16                | 594            |
| PLN (5 percent weakening)   | 3,451             | (236)          | 2,515             | (120)          |
| VND (5 percent weakening)   | 273               | 273            | (4,445)           |                |

A stronger won against the above currencies as of December 31, 2018 and 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 Contents**26. **Financial Risk Management, Continued**

## (ii) Interest Rate Risk

## i) Profile

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

| <i>(In millions of won)</i>      | <b>December 31,<br/>2018</b> | <b>December 31,<br/>2017</b> |
|----------------------------------|------------------------------|------------------------------|
| <b>Fixed rate instruments</b>    |                              |                              |
| Financial assets                 | ₩ 2,443,583                  | 3,360,800                    |
| Financial liabilities            | (5,033,515)                  | (2,962,671)                  |
|                                  | ₩ (2,589,932)                | 398,129                      |
| <b>Variable rate instruments</b> |                              |                              |
| Financial liabilities            | ₩ (3,525,262)                | (2,640,447)                  |

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

For the years ended December 31, 2018 and 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 the respective following years. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

| <i>(In millions of won)</i>  | <b>Equity</b>            |                          | <b>Profit or loss</b>    |                          |
|------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
|                              | <b>1% p<br/>increase</b> | <b>1% p<br/>decrease</b> | <b>1% p<br/>increase</b> | <b>1% p<br/>decrease</b> |
| <b>December 31, 2018</b>     |                          |                          |                          |                          |
| Variable rate instruments(*) | ₩ (25,558)               | 25,558                   | (25,558)                 | 25,558                   |
| <b>December 31, 2017</b>     |                          |                          |                          |                          |
| Variable rate instruments(*) | ₩ (17,362)               | 17,362                   | (17,362)                 | 17,362                   |

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

## (iii) 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.

**Table of Contents**26. Financial Risk Management, Continued

## (iii) Credit risk, Continued

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 December 31, 2018 and 2017 are as follows:

## i) As of December 31, 2018

*(In millions of won)*

|  | <b>December 31, 2018</b> |           |
|--|--------------------------|-----------|
| <b>Financial assets carried at amortized cost</b>                        |                          |           |
| Cash and cash equivalents  | ₩                        | 2,365,022 |
| Deposits in banks  |                          | 78,411    |
| Trade accounts and notes receivable                                      |                          | 2,829,163 |
| Non-trade receivable   |                          | 159,238   |
| Accrued income   |                          | 10,075    |
| Deposits   |                          | 91,123    |
| Short-term loans   |                          | 16,116    |
| Long-term loans  |                          | 55,048    |
| Long-term non-trade receivable   |                          | 11,448    |
|  | ₩                        | 5,615,644 |
| <b>Financial assets at fair value through profit or loss</b>             |                          |           |
| Convertible bonds  | ₩                        | 1,327     |
| Derivatives  |                          | 13,059    |
|  | ₩                        | 14,386    |
| <b>Financial assets at fair value through other comprehensive income</b> |                          |           |
| Debt instrument  | ₩                        | 161       |
|  | ₩                        | 5,630,191 |



**Table of Contents**25. Financial Risk Management, Continued

ii) As of December 31, 2017

*(In millions of won)*

|   | <b>December 31, 2017</b> |
|---|--------------------------|
| 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 Contents**26. 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 securities, equity-linked and other debt securities. 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 December 31, 2018.

(In millions of won)

|   | Carrying amount | Total      | Contractual cash flows |             |           |           |                   |  |
|---|-----------------|------------|------------------------|-------------|-----------|-----------|-------------------|--|
|   |                 |            | 6 months or less       | 6-12 months | 1-2 years | 2-5 years | More than 5 years |  |
| <b>Non-derivative financial liabilities</b> |                 |            |                        |             |           |           |                   |  |
| Secured bank borrowings                     | ₩ 268,093       | 268,190    | 268,190                |             |           |           |                   |  |
| Unsecured bank borrowings                   | 5,958,427       | 6,588,502  | 565,832                | 356,688     | 973,297   | 4,169,682 | 523,003           |  |
| Unsecured bond issues                       | 2,332,257       | 2,537,553  | 291,738                | 328,400     | 456,990   | 1,320,248 | 140,177           |  |
| Trade accounts and notes payable            | 3,087,461       | 3,087,461  | 3,087,461              |             |           |           |                   |  |
| Other accounts payable                      | 3,566,629       | 3,566,629  | 3,565,599              | 1,030       |           |           |                   |  |
| Long-term other accounts payable            | 3,103           | 3,103      |                        |             | 2,077     | 1,026     |                   |  |
| Security deposits                           | 10,955          | 10,955     |                        | 165         | 10,790    |           |                   |  |
| <b>Derivative financial liabilities</b>     |                 |            |                        |             |           |           |                   |  |
| Derivatives                                 | ₩ 25,758        | (35,140)   | (6,742)                | (6,728)     | (12,517)  | (9,153)   |                   |  |
|   | ₩ 15,252,683    | 16,027,253 | 7,772,078              | 679,555     | 1,430,637 | 5,481,803 | 663,180           |  |

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





**Table of Contents**26. **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.

*(In millions of won)*

|                                     | <b>December 31, 2018</b> | <b>December 31, 2017</b> |
|-------------------------------------|--------------------------|--------------------------|
| Total liabilities                   | ₩ 18,289,464             | 14,178,177               |
| Total equity                        | 14,886,246               | 14,981,510               |
| Cash and deposits in banks (*1)     | 2,443,422                | 3,360,638                |
| Borrowings (including bonds)        | 8,558,777                | 5,603,118                |
| Total liabilities to equity ratio   | 123%                     | 95%                      |
| Net borrowings to equity ratio (*2) | 41%                      | 15%                      |

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

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

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26. 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 securities

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 Contents**26. Financial Risk Management, Continued

## (e) Determination of fair value, Continued

## (ii) Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the consolidated statements of financial position as of December 31, 2018 and 2017 are as follows:

## i) As of December 31, 2018

(In millions of won)

|  | <b>December 31, 2018</b> |                    |
|--|--------------------------|--------------------|
|  | <b>Carrying amounts</b>  | <b>Fair values</b> |
| <b>Financial assets carried at amortized cost</b>                        |                          |                    |
| Cash and cash equivalents  | ₩ 2,365,022              | (*)                |
| Deposits in banks  | 78,411                   | (*)                |
| Trade accounts and notes receivable                                      | 2,829,163                | (*)                |
| Non-trade receivable   | 159,238                  | (*)                |
| Accrued income   | 10,075                   | (*)                |
| Deposits   | 91,123                   | (*)                |
| Short-term loans   | 16,116                   | (*)                |
| Long-term loans  | 55,048                   | (*)                |
| Long-term non-trade receivable   | 11,448                   | (*)                |
| <b>Financial assets at fair value through profit or loss</b>             |                          |                    |
| Equity instrument  | ₩ 13,681                 | 13,681             |
| Convertible bonds  | 1,327                    | 1,327              |
| Derivatives  | 13,059                   | 13,059             |
| <b>Financial assets at fair value through other comprehensive income</b> |                          |                    |
| Debt instrument  | ₩ 161                    | 161                |
| <b>Financial liabilities at fair value through profit or loss</b>        |                          |                    |
| Derivatives  | ₩ 25,758                 | 25,758             |
| <b>Financial liabilities carried at amortized cost</b>                   |                          |                    |
| Secured bank borrowings  | ₩ 268,093                | 268,093            |
| Unsecured bank borrowings  | 5,958,427                | 6,013,903          |
| Unsecured bond issues  | 2,332,257                | 2,384,987          |
| Trade accounts and notes payable   | 3,087,461                | (*)                |
| Other accounts payable   | 3,566,629                | (*)                |
| Long-term other accounts payable   | 3,103                    | (*)                |
| Security deposits  | 10,955                   | (*)                |

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

**Table of Contents**26. Financial Risk Management, Continued

## (e) Determination of fair value, Continued

## ii) As of December 31, 2017

*(In millions of won)*

|  | <b>December 31, 2017</b> |                    |
|--|--------------------------|--------------------|
|  | <b>Carrying amounts</b>  | <b>Fair values</b> |
| <b>Assets carried at fair value</b>                  |                          |                    |
| Available-for-sale financial assets                  | ₩ 162                    | 162                |
| Financial asset at fair value through profit or loss | 1,552                    | 1,552              |
| Derivatives  | 842                      | 842                |
| <b>Assets carried at amortized cost</b>              |                          |                    |
| 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                    | (*)                |
| <b>Liabilities carried at amortized cost</b>         |                          |                    |
| 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 Contents**26. Financial Risk Management, Continued

(e) Determination of fair value, Continued

(iii) Fair values of financial assets and liabilities

i) Fair value hierarchy

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

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

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

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

ii) Financial instruments measured at fair value

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

*(In millions of won)*

|   | Level 1 | Level 2 | Level 3 | Total  |
|---|---------|---------|---------|--------|
| <b>December 31, 2018</b>  |         |         |         |        |
| <b>Financial assets at fair value through profit or loss</b>            |         |         |         |        |
| Equity instrument   | ₩       |         | 13,681  | 13,681 |
| Convertible bonds   |         |         | 1,327   | 1,327  |
| Derivatives   |         |         | 13,059  | 13,059 |
| <b>Financial asset at fair value through other comprehensive income</b> |         |         |         |        |
| Debt instrument   | ₩       | 161     |         | 161    |
| <b>Financial liabilities at fair value through profit or loss</b>       |         |         |         |        |
| Derivatives   | ₩       |         | 25,758  | 25,758 |

*(In millions of won)*

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

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**Table of Contents**26. Financial Risk Management, Continued

## (e) Determination of fair value, Continued

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

Fair value hierarchy classifications, valuation technique and inputs for fair value measurements of the financial instruments not measured at fair value but for which the fair value is disclosed as of December 31, 2018 and December 31, 2017 are as follows:

| <i>(In millions of won)</i> | <b>December 31, 2018</b> |                |                | <b>Valuation technique</b> | <b>Input</b>  |
|-----------------------------|--------------------------|----------------|----------------|----------------------------|---------------|
| <b>Classification</b>       | <b>Level 1</b>           | <b>Level 2</b> | <b>Level 3</b> |                            |               |
| <b>Liabilities</b>          |                          |                |                |                            |               |
| Secured bank borrowings     | ₩                        |                | 268,093        | Discounted cash flow       | Discount rate |
| Unsecured bank borrowings   |                          |                | 6,013,903      | Discounted cash flow       | Discount rate |
| Unsecured bond issues       |                          |                | 2,384,987      | Discounted cash flow       | Discount rate |

| <i>(In millions of won)</i> | <b>December 31, 2017</b> |                |                | <b>Valuation technique</b> | <b>Input</b>  |
|-----------------------------|--------------------------|----------------|----------------|----------------------------|---------------|
| <b>Classification</b>       | <b>Level 1</b>           | <b>Level 2</b> | <b>Level 3</b> |                            |               |
| <b>Liabilities</b>          |                          |                |                |                            |               |
| 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 |

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

|                              | <b>December 31, 2018</b> | <b>December 31, 2017</b> |
|------------------------------|--------------------------|--------------------------|
| Borrowings, bonds and others | 2.09~3.37%               | 1.57~2.92%               |



**Table of Contents****27. Changes in liabilities arising from financing activities**

Changes in liabilities arising from financing activities for the year ended December 31, 2018 are as follows:

(In millions of won)

|   | <b>January 1,<br/>2018</b> | <b>Cash flows from<br/>financing activities</b> | <b>Reclassification</b> | <b>Non-cash transactions<br/>Exchange rate effect</b> | <b>Effective interest<br/>adjustment</b> | <b>December 31,<br/>2018</b> |
|---|----------------------------|---|-------------------------|---|--|------------------------------|
| Short-term borrowings                             | ₩                          | (720)   |                         | 720   |  |                              |
| Current portion of long-term borrowings and bonds | 1,452,926                  | (1,859,098)                                     | 1,904,888               | 54,659  | 532                                      | 1,553,907                    |
| Long-term borrowings                              | 2,644,189                  | 3,882,958                                       | (1,345,520)             | 50,644  |  | 5,232,271                    |
| Bonds   | 1,506,003                  | 828,169   | (559,368)               | (4,172)   | 1,967                                    | 1,772,599                    |
|   | ₩ 5,603,118                | 2,851,309                                       |                         | 101,851   | 2,499                                    | 8,558,777                    |

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28. Related Parties and Others

(a) Related parties

Related parties for the year ended December 31, 2018 are as follows:

| <b>Classification</b>  | <b>Description</b>                       |
|--|--|
| Associates(*)  | Paju Electric Glass 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 Contents**28. 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 years ended December 31, 2018 and 2017 are as follows:

(In millions of won)

|   | <b>2018</b>                       |                 |                     |               |                  |                    |         |
|---|-----------------------------------|-----------------|---------------------|---------------|------------------|--------------------|---------|
|   | <b>Purchase and others</b>        |                 |                     |               |                  |                    |         |
|   | <b>Purchase of Acquisition of</b> |                 |                     |               |                  |                    |         |
|   | <b>Sales</b>                      | <b>Dividend</b> | <b>raw material</b> | <b>and</b>    | <b>property,</b> | <b>Outsourcing</b> |         |
|   | <b>and others</b>                 | <b>income</b>   | <b>and</b>          | <b>others</b> | <b>plant and</b> | <b>fees</b>        |         |
|   |                                   |                 | <b>Other costs</b>  |               | <b>equipment</b> |                    |         |
| <b>Associates and their subsidiaries</b>  |                                   |                 |                     |               |                  |                    |         |
| INVENIA Co., Ltd.   | ₩                                 | 30              | 1,608               |               | 58,111           |                    | 896     |
| AVATEC Co., Ltd.  |                                   | 530             |                     |               |                  | 71,403             | 905     |
| Paju Electric Glass Co., Ltd.   |                                   | 4,172           | 364,183             |               |                  |                    | 4,411   |
| WooRee E&L Co., Ltd.  |                                   |                 | 58                  |               |                  |                    | 144     |
| YAS Co., Ltd.   |                                   |                 | 5,281               |               | 143,192          |                    | 3,391   |
| LB Gemini New Growth Fund<br>No. 16(*)  |                                   | 1,112           | 540                 |               |                  |                    |         |
|   | ₩                                 | 1,112           | 5,272               | 371,130       | 201,303          | 71,403             | 9,747   |
| <b>Entity that has significant influence over the Controlling Company</b>                     |                                   |                 |                     |               |                  |                    |         |
| LG Electronics Inc.   | ₩                                 | 1,215,153       | 36,522              |               | 1,041,563        |                    | 127,775 |
| <b>Subsidiaries of the entity that has significant influence over the Controlling Company</b> |                                   |                 |                     |               |                  |                    |         |
| LG Electronics India Pvt. Ltd.  | ₩                                 | 71,798          |                     |               |                  |                    | 103     |
| LG Electronics Vietnam Haiphong<br>Co., Ltd.  |                                   | 173,051         |                     |               | 4,541            |                    | 166     |

**Table of Contents**28. Related Parties and Others, Continued*(In millions of won)*

|  | <b>2018</b>                                |                        |   |                    |                            |                |
|--|--|------------------------|---|--------------------|----------------------------|----------------|
|  | <b>Purchase of raw material and others</b> |                        | <b>Acquisition of property, plant and equipment</b> |                    | <b>Purchase and others</b> |                |
|  | <b>Sales and others</b>                    | <b>Dividend income</b> | <b>Outsourcing fees</b>                             | <b>Other costs</b> |                            |                |
| LG Electronics Nanjing New Technology Co., Ltd.      | ₩ 223,524                                  |                        |   | 424                |                            | 1,528          |
| LG Electronics RUS, LLC                              | 106,631                                    |                        |   |                    |                            | 2,673          |
| LG Electronics do Brasil Ltda.                       | 192,775                                    |                        |   |                    |                            | 350            |
| LG Innotek Co., Ltd.                                 | 29,267                                     |                        |   | 147,453            |                            | 39,136         |
| Qingdao LG Inspur Digital Communication Co., Ltd.    | 37,738                                     |                        |   |                    |                            |                |
| Inspur LG Digital Mobile Communications Co., Ltd.    | 131,970                                    |                        |   |                    |                            | 1              |
| LG Electronics Mexicali, S.A. DE C.V.                | 187,844                                    |                        |   |                    |                            | 210            |
| LG Electronics Mlawa Sp. z o.o.                      | 740,784                                    |                        |   |                    |                            | 631            |
| LG Electronics Taiwan Taipei Co., Ltd.               | 12,746                                     |                        |   |                    |                            | 330            |
| LG Hitachi Water Solutions Co., Ltd.                 | 9,100                                      |                        |   | 304,365            |                            | 8,980          |
| LG Electronics Reynosa, S.A. DE C.V.                 | 1,030,414                                  |                        |   |                    |                            | 2,021          |
| LG Electronics Almaty Kazakhstan                     | 3,759                                      |                        |   |                    |                            | 42             |
| LG Electronics Air-Conditioning (Shandong) Co., Ltd. |  |                        |   | 330                | 26,871                     | 7,264          |
| HiEntech Co., Ltd.                                   |  |                        |   |                    | 22,378                     | 29,215         |
| Hientech (Tianjin) Co., Ltd.                         |  |                        |   |                    | 92,900                     | 23,880         |
| LG Electronics S.A. (Pty) Ltd.                       | 7,244                                      |                        |   |                    |                            | 20             |
| LG Electronics Egypt S.A.E.                          | 25,491                                     |                        |   |                    |                            | 16             |
| Others   | 5,195                                      |                        |   | 28                 | 15                         | 11,480         |
|  | <b>₩ 2,989,331</b>                         |                        |   | <b>147,811</b>     | <b>451,494</b>             | <b>128,046</b> |
|  | <b>₩ 4,205,596</b>                         | <b>5,272</b>           |   | <b>555,463</b>     | <b>1,694,360</b>           | <b>71,403</b>  |
|  |  |                        |   |                    |                            | <b>265,556</b> |

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

**Table of Contents**28. Related Parties and Others, Continued*(In millions of won)*

|   | 2017             |           |                 |         |  |         |
|---|------------------|-----------|-----------------|---------|--|---------|
|   | Sales and others |           | Dividend income |         | Purchase and others                          |         |
|   | Sales and others |           | Dividend income |         | Purchase of material and others              |         |
|   | Sales and others |           | Dividend income |         | Acquisition of property, plant and equipment |         |
|   | Sales and others |           | Dividend income |         | Outsourcing fees                             |         |
|   | Sales and others |           | Dividend income |         | Other costs                                  |         |
| <b>Associates and their subsidiaries</b>  |                  |           |                 |         |  |         |
| New Optics Ltd. (*)   | ₩                | 1         |                 |         | 4  | 6       |
| INVENIA Co., Ltd.   |                  |           |                 | 1,862   | 66,548                                       | 2,259   |
| AVATEC Co., Ltd.  |                  |           | 530             |         | 90,785                                       | 720     |
| Paju Electric Glass Co., Ltd.   |                  |           | 8,109           | 380,815 |  | 4,225   |
| Shinbo Electric Co., Ltd. (*)   |                  | 15,812    |                 |         |  | 21      |
| Narenanotech Corporation (*)  |                  |           |                 | 279     | 21,727                                       | 244     |
| WooRee E&L Co., Ltd.  |                  |           |                 |         |  | 175     |
| YAS Co., Ltd.   |                  |           |                 | 6,347   | 69,243                                       | 2,474   |
|   | ₩                | 15,813    | 8,639           | 389,303 | 157,518                                      | 10,124  |
| <b>Entity that has significant influence over the Controlling Company</b>                     |                  |           |                 |         |  |         |
| LG Electronics Inc.   | ₩                | 1,689,381 |                 | 47,898  | 906,427                                      | 109,865 |
| <b>Subsidiaries of the entity that has significant influence over the Controlling Company</b> |                  |           |                 |         |  |         |
| LG Electronics India Pvt. Ltd.  | ₩                | 71,597    |                 |         |  | 163     |
| LG Electronics Vietnam Haiphong Co., Ltd.   |                  | 205,934   |                 |         | 8,892  | 198     |

**Table of Contents**28. Related Parties and Others, Continued*(In millions of won)*

|   | 2017                |                    |  |   |                     |             |
|---|---------------------|--------------------|--|---|---------------------|-------------|
|   | Sales<br>and others | Dividend<br>income | Purchase of raw<br>material<br>and<br>others | Acquisition of<br>property,<br>plant and<br>equipment | Outsourcing<br>fees | Other costs |
| LG Electronics Nanjing New<br>Technology Co., Ltd.      | ₩ 300,785           |                    |  | 245   |                     | 379         |
| LG Electronics RUS, LLC                                 | 103,479             |                    |  |   |                     | 963         |
| LG Electronics do Brasil Ltda.                          | 228,821             |                    |  |   |                     | 430         |
| LG Innotek Co., Ltd.                                    | 14,836              |                    | 199,896                                      |   |                     | 5,692       |
| Qingdao LG Inspur Digital<br>Communication Co., Ltd.    | 77,787              |                    |  |   |                     |             |
| Inspur LG Digital Mobile<br>Communications Co., Ltd.    | 230,832             |                    |  |   |                     |             |
| LG Electronics Mexicalli, S.A. DE<br>C.V.               | 319,772             |                    |  |   |                     | 186         |
| LG Electronics Mlawa Sp. z o.o.                         | 847,565             |                    |  |   |                     | 985         |
| LG Electronics Taiwan Taipei Co.,<br>Ltd.               | 13,693              |                    |  |   |                     | 164         |
| LG Hitachi Water Solutions Co.,<br>Ltd.                 |                     |                    |  | 318,978   |                     | 1,532       |
| LG Electronics Reynosa, S.A. DE<br>C.V.                 | 1,287,340           |                    |  |   |                     | 1,926       |
| LG Electronics Almaty Kazakhstan                        | 14,079              |                    |  |   |                     | 53          |
| LG Electronics Air-Conditioning<br>(Shandong) Co., Ltd. |                     |                    | 255  | 3,744   |                     | 2,621       |
| HiEntech Co., Ltd.                                      |                     |                    |  | 6,991   |                     | 34,432      |
| Hientech (Tianjin) Co., Ltd.                            |                     |                    |  | 21,838  |                     | 11,822      |
| LG Electronics S.A. (Pty) Ltd.                          | 14,155              |                    |  |   |                     | 25          |
| Others  | 857                 |                    | 3  | 14  |                     | 7,264       |
|   | ₩ 3,731,532         |                    | 200,154                                      | 360,702   |                     | 68,835      |
|   | ₩ 5,436,726         | 8,639              | 637,355                                      | 1,424,647   | 90,789              | 188,824     |

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

**Table of Contents**28. Related Parties and Others, Continued

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

(In millions of won)

|   | Trade accounts and notes<br>receivable and others |                      | Trade accounts and notes<br>payable and others |                      |
|---|---|----------------------|--|----------------------|
|   | December 31,<br>2018                              | December 31,<br>2017 | December 31,<br>2018                           | December 31,<br>2017 |
| <b>Associates</b>   |   |                      |  |                      |
| INVENIA Co., Ltd.   | 2,000   | 2,375                | 30,179   | 18,662               |
| AVATEC Co., Ltd.  |   |                      | 4,382  | 2,949                |
| Paju Electric Glass Co., Ltd.   |   |                      | 60,566   | 60,141               |
| WooRee E&L Co., Ltd.  |   |                      | 30,179   | 61                   |
| YAS Co., Ltd.   |   | 375                  | 4,382  | 6,474                |
|   | ₩ 2,000   | 2,750                | 101,279  | 88,287               |
| <b>Entity that has significant influence over<br/>the Controlling Company</b>                         |   |                      |  |                      |
| LG Electronics Inc.   | ₩ 247,679   | 550,335              | 430,677  | 257,071              |
| <b>Subsidiaries of the entity that has<br/>significant influence over the Controlling<br/>Company</b> |   |                      |  |                      |
| LG Electronics do Brasil Ltda.  | ₩ 15,608  | 19,091               | 62   | 10                   |
| LG Electronics RUS, LLC   | 22,570  | 25,102               | 90   | 80                   |
| LG Innotek Co., Ltd.  | 2,885   | 407                  | 47,382   | 62,675               |
| Qingdao LG Inspur Digital Communication<br>Co., Ltd.  | 3,530   | 13,061               |  |                      |
| Inspur LG Digital Mobile Communications<br>Co., Ltd.  | 13,172  | 55,278               |  |                      |

**Table of Contents**28. Related Parties and Others, Continued*(In millions of won)*

|   | Trade accounts and notes<br>receivable and others |                      | Trade accounts and notes<br>payable and others |                      |
|---|---|----------------------|--|----------------------|
|   | December 31,<br>2018                              | December 31,<br>2017 | December 31,<br>2018                           | December 31,<br>2017 |
| LG Electronics Mexicali, S.A. DE C.V.                   | ₩ 15,305  | 29,440               |  |                      |
| LG Electronics Mlawa Sp. z o.o.                         | 70,236  | 136,874              | 33   | 25                   |
| LG Electronics Nanjing New Technology<br>Co., Ltd.      | 43,463  | 46,373               | 139  | 699                  |
| LG Electronics Reynosa, S.A. DE C.V.                    | 69,189  | 137,413              | 134  | 82                   |
| LG Electronics Vietnam Haiphong Co.,<br>Ltd.            | 25,544  | 36,017               |  | 3,917                |
| LG Hitachi Water Solutions Co., Ltd.                    | 9,100   |                      | 50,425   | 154,864              |
| Hientech (Tianjin) Co., Ltd.                            |   |                      | 16,345   | 5,600                |
| Hientech Co., Ltd.                                      |   |                      | 16,816   | 6,679                |
| LG Electronics India Pvt. Ltd.                          | 9,047   |                      | 29   |                      |
| LG Electronics Egypt S.A.E.                             | 10,296  |                      |  |                      |
| LG Electronics Air-Conditioning<br>(Shandong) Co., Ltd. |   |                      | 17,654   |                      |
| Others  | 5,263   | 10,648               | 1,246  | 1,715                |
|   | ₩ 315,208   | 509,704              | 150,355  | 236,346              |
|   | ₩ 564,887   | 1,062,789            | 682,311  | 581,704              |



**Table of Contents**28. 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 years ended December 31, 2018 and 2017 are as follows:

(In millions of won)

| Associates        | January 1,<br>2018 | Loans(*) |          | December 31,<br>2018 |
|-------------------|--------------------|----------|----------|----------------------|
|                   |                    | Increase | Decrease |                      |
| INVENIA Co., Ltd. | 2,375              |          | 375      | 2,000                |
| YAS Co., Ltd.     | 375                |          | 375      |                      |
|                   | ₩2,750             |          | 750      | 2,000                |

(\*1) Loans are presented based on nominal amounts.

(In millions of won)

| Associates                   | January 1,<br>2017 | Loans(*1) |          | December 31,<br>2017 |
|------------------------------|--------------------|-----------|----------|----------------------|
|                              |                    | Increase  | Decrease |                      |
| New Optics Ltd.(*2)          | ₩1,000             |           | 125      | 875                  |
| INVENIA Co., Ltd.            | 833                | 2,000     | 458      | 2,375                |
| Narenanotech Corporation(*2) | 300                |           | 75       | 225                  |
| YAS Co., Ltd.                | 833                |           | 458      | 375                  |
|                              | ₩2,966             | 2,000     | 1,116    | 3,850                |

(\*1) Loans are presented based on nominal amounts.

(\*2) Excluded from related parties due to disposal of equity investments during the year ended December 31, 2017.

**Table of Contents**28. 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 years ended December 31, 2018 and 2017 are as follows. These entities are not related parties according to K-IFRS No. 1024, *Related Party Disclosures*.

(In millions of won)

|   | For the year ended<br>December 31, 2018 |                           | December 31, 2018  |  |
|---|---|---------------------------|--|--|
|   | Sales<br>and<br>others                  | Purchase<br>and<br>others | Trade accounts and<br>notes<br>receivable<br>and<br>others | Trade accounts and<br>notes payable<br>and<br>others |
| LG International Corp. and its subsidiaries(*)  | 715,835                                 | 578,153                   | 83,011   | 146,836  |
| LG Uplus Corp.                                  | 21                                      | 1,745                     |  | 178  |
| LG Chem Ltd. and its subsidiaries               | 1,648                                   | 1,233,945                 | 173  | 184,357  |
| Serveone and its subsidiaries                   | 401                                     | 1,928,820                 | 21,307   | 510,132  |
| Silicon Works Co., Ltd.                         |   | 713,093                   |  | 140,694  |
| LG Corp.  |   | 54,434                    | 11,246   |  |
| LG Management Development Institute             |   | 9,734                     | 3,480  | 441  |
| LG CNS Co., Ltd. and its subsidiaries           |   | 278,330                   | 1  | 95,703   |
| LG Hausys Ltd                                   | 1,111                                   | 4                         |  | 3  |
| LG Household & Health Care and its subsidiaries | 1                                       | 118                       |  |  |
| LG Holdings Japan Co., Ltd.                     |   | 1,836                     | 2,037  |  |
| G2R Inc. and its subsidiaries                   |   | 60,978                    |  | 19,773   |
| Robostar Co., Ltd.                              |   | 3,616                     |  | 2,723  |
|   | ₩ 719,017                               | 4,864,806                 | 121,255  | 1,100,840  |

**Table of Contents**28. 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 year ended December 31, 2018 amount to ₩770,277 million and gross purchase and others for the year ended December 31, 2018 amount to ₩1,140,207 million.

(In millions of won)

|  | For the year ended<br>December 31, 2017 |                           | December 31, 2017  |  |
|--|---|---------------------------|--|--|
|  | Sales<br>and<br>others                  | Purchase<br>and<br>others | Trade accounts and<br>notes<br>receivable<br>and<br>others | Trade accounts and<br>notes payable<br>and<br>others |
| LG International Corp. and its subsidiaries            | ₩ 734,555                               | 1,906,476                 | 112,200  | 230,179  |
| LG Household & Health Care and its subsidiaries        |   | 132                       |  | 3  |
| LG Uplus Corp.   | 152                                     | 1,859                     |  | 1,505  |
| LG Chem Ltd. and its subsidiaries                      | 16,915                                  | 1,336,867                 | 8,684  | 246,491  |
| SK Siltron Co., Ltd. (formerly, Siltron Co., Ltd.)(*)) | 10                                      |                           |  |  |
| Lusem Co., Ltd.(*))                                    | 13                                      | 694                       | 1  | 53   |
| Serveone and its subsidiaries                          | 677                                     | 1,869,660                 | 21,567   | 645,847  |
| Silicon Works Co., Ltd.                                |   | 624,127                   |  | 120,031  |
| LG Corp.   |   | 60,756                    | 4,700  | 1,523  |
| LG Management Development Institute                    |   | 10,233                    | 3,480  | 699  |
| LG CNS Co., Ltd. and its subsidiaries                  | 323                                     | 282,506                   | 4  | 115,899  |
| LG Hausys Ltd  | 1,673                                   | 391                       |  | 374  |
| LG Holdings Japan Co., Ltd.                            |   | 1,859                     | 1,908  |  |
| G2R Inc. and its subsidiaries                          |   | 97,006                    |  | 14,785   |
|  | 754,318                                 | 6,192,566                 | 152,544  | 1,377,389  |

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

**Table of Contents**28. Related Parties and Others, Continued

## (f) Key management personnel compensation

Compensation costs of key management for the years ended December 31, 2018 and 2017 are as follows:

*(In millions of won)*

|  | <b>2018</b>    | <b>2017</b>  |
|--|----------------|--------------|
| Short-term benefits                          | ₩ 2,622        | 3,724        |
| Expenses related to the defined benefit plan | 794            | 488          |
|  | <b>₩ 3,416</b> | <b>4,212</b> |

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

29. Supplemental Cash Flow Information

Supplemental cash flow information for the years ended December 31, 2018 and 2017 is as follows:

*(In millions of won)*

|  | <b>2018</b> | <b>2017</b> |
|--|-------------|-------------|
| Non-cash investing and financing activities:   |             |             |
| Changes in other accounts payable arising from the purchase of property, plant and equipment | ₩ 516,734   | 632,355     |

30. Non-current Assets Held for Sale

The Group plans to dispose a part of tangible assets of LG Display Poland Sp. z o.o. based on the management's approval and began effort to sell the disposal group. The Group expects to complete the sale within the first half of 2019.

## (1) Impairment loss of disposal group

Fair value less costs to sell of disposal group is expected to exceed the carrying amount and no impairment loss is recognized to the non-current assets held for sale.

## (2) Assets of disposal group

Non-current assets as held for sale at the reporting date is as follows:

*(In millions of won)*

|                               | <b>December 31, 2018</b> |        |
|-------------------------------|--------------------------|--------|
| Property, plant and equipment | ₩                        | 70,161 |

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LG DISPLAY CO., LTD.

Separate Financial Statements

**For the Years Ended December 31, 2018 and 2017**

(With Independent Auditors' Report Thereon)

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**Independent Auditors Report**

Based on a report originally issued in Korean

To the Board of Directors and Shareholders

LG Display Co., Ltd.:

***Opinion***

We have audited the accompanying separate financial statements of LG Display Co., Ltd. (the Company), which comprise the separate statements of financial position of the Company as of December 31, 2018 and 2017, the related separate statements of comprehensive income (loss), changes in equity and cash flows for the years then ended, and comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Company as of December 31, 2018 and 2017, and its separate financial performance and its separate cash flows for the years then ended in accordance with Korean International Financial Reporting Standards (K-IFRS).

**Basis for Opinion**

We conducted our audit in accordance with Korean Standards on Auditing. Our responsibilities under those standards are further described in the Auditors Responsibilities for the Audit of the Separate Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the separate financial statements in the Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements as of and for the year ended December 31, 2018. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(i) Impairment of non-current assets

As at December 31, 2018, goodwill amounts to ₩72,588 million and has been allocated to the entire Company as one cash generating unit. Management performs impairment assessment of the Company by estimating the recoverable amount for the Company at each reporting period. As described in note 3 (k)(ii) to the separate financial statements, an impairment loss for non-current assets is recognized if the carrying amount of the Company exceeds its recoverable amount.

The recoverable amount used in impairment testing as of December 31, 2018 is value in use, which is estimated based on the expected future cash flows including the estimates of revenue, operating expense and growth rate, and discount rate. Considering the significant degree of the judgment in estimating the value in use of the Company and the



potential impact of the impairment on its separate financial statements, we identified the impairment of non-current assets as a key audit matter.

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The primary procedures we performed to address this key audit matter included:

Testing certain internal controls over the Company's non-current assets impairment process.

Comparing the forecasts included in discounted cash flow forecasts prepared in prior year with the current year's performance to assess the Company's ability to accurately forecast.

Evaluating the key assumptions used to determine the value in use which included the estimated revenue, operating expenses and growth rate by comparison with the latest financial budgets approved by the board of directors, historical performance and industry reports.

Engaging our internal valuation specialists to assist us in assessing the discount rate applied by comparison with our recalculated rate using market data.

Performing sensitivity analysis on the discount rate and terminal growth rate applied to assess the impact of changes in these key assumptions on the conclusion reached in management's impairment assessment.

(ii) Assessment of recoverability of deferred tax assets

As described in note 3 (q)(ii) to the separate financial statements, deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. As at December 31, 2018, deferred tax assets of KRW 308,393 million are from tax credit carryforwards which are primarily related to Korea.

The determination of the recoverability of deferred tax assets is complex as it requires the exercise of management judgment in estimating future taxable income and the timing of utilization of tax credits. Considering that estimation contains certain judgmental assumptions about future taxable profits including the estimates of revenue and operating expense, which are inherently uncertain and involve significant degree of judgment, we identified the assessment of recoverability of deferred tax assets as a key audit matter.

The primary procedures we performed to address this key audit matter included:

Testing certain internal controls relating to the Company's deferred tax assets recoverability evaluation process.

Evaluating key inputs used to determine future taxable income, such as revenue and operating expense, by comparing with the latest financial budgets approved by the board of directors, historical performance and industry reports.

Comparing the forecasts of taxable income and timing of utilization of tax credit in prior years to actual results to assess the Company's ability to accurately forecast.

***Other matter***

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

***Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements***

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

In preparing these separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative to do so..

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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***Auditors Responsibilities for the Audit of the Separate Financial Statements***

Our objectives are to obtain reasonable assurance about whether these separate financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditors report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Korean Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with Korean Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors report. However, future events or conditions may cause the Company to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements as of and for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Heon Chang, Oh.

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KPMG Samjong Accounting Corp.

Seoul, Korea

February 25, 2019

This report is effective as of February 25, 2019, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying separate financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

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LG DISPLAY CO., LTD.

**Separate Statements of Financial Position**

As of December 31, 2018 and 2017

| <i>(In millions of won)</i>                | Note          | December 31,<br>2018 | December 31,<br>2017 |
|--|---------------|----------------------|----------------------|
| <b>Assets</b>                              |               |                      |                      |
| Cash and cash equivalents                  | 4, 26         | ₩ 473,283            | 566,408              |
| Deposits in banks                          | 4, 26         | 77,200               | 580,770              |
| Trade accounts and notes receivable, net   | 5, 14, 26, 28 | 3,389,108            | 4,673,570            |
| Other accounts receivable, net             | 5, 26         | 321,963              | 687,109              |
| Other current financial assets             | 6, 26         | 29,281               | 13,499               |
| Inventories                                | 7             | 1,951,155            | 1,682,245            |
| Other current assets                       | 5             | 136,349              | 177,473              |
| <b>Total current assets</b>                |               | <b>6,378,339</b>     | <b>8,381,074</b>     |
| Deposits in banks                          | 4, 26         | 11                   | 11                   |
| Investments                                | 8             | 3,602,214            | 2,683,941            |
| Other non-current accounts receivable, net | 5, 26         | 25,823               | 15,115               |
| Other non-current financial assets         | 6, 26         | 77,192               | 49,657               |
| Property, plant and equipment, net         | 9             | 14,984,564           | 12,487,001           |
| Intangible assets, net                     | 10            | 816,808              | 731,373              |
| Deferred tax assets                        | 24            | 851,936              | 727,248              |
| Other non-current assets                   | 5             | 325,219              | 333,995              |
| <b>Total non-current assets</b>            |               | <b>20,683,767</b>    | <b>17,028,341</b>    |
| <b>Total assets</b>                        |               | <b>₩ 27,062,106</b>  | <b>25,409,415</b>    |
| <b>Liabilities</b>                         |               |                      |                      |
| Trade accounts and notes payable           | 26, 28        | ₩ 3,186,123          | 2,391,493            |
| Current financial liabilities              | 11, 26        | 1,044,841            | 1,060,735            |
| Other accounts payable                     | 26            | 1,746,412            | 2,701,823            |
| Accrued expenses                           |               | 516,970              | 755,062              |
| Income tax payable                         |               | 17,404               | 235,593              |
| Provisions                                 | 13            | 96,555               | 73,685               |
| Advances received                          | 14            | 780,906              | 142,700              |
| Other current liabilities                  | 13            | 27,419               | 33,514               |
| <b>Total current liabilities</b>           |               | <b>7,416,630</b>     | <b>7,394,605</b>     |
| Non-current financial liabilities          | 11, 26        | 5,139,476            | 3,165,413            |
| Non-current provisions                     | 13            | 32,764               | 28,312               |
| Defined benefit liabilities, net           | 12            | 44,187               | 94,535               |
| Long-term advances received                | 14            | 1,122,015            | 830,335              |

|                                      |    |              |            |
|--------------------------------------|----|--------------|------------|
| Other non-current liabilities        | 13 | 94,453       | 66,956     |
| <b>Total non-current liabilities</b> |    | 6,432,895    | 4,185,551  |
| <b>Total liabilities</b>             |    | 13,849,525   | 11,580,156 |
| <b>Equity</b>                        |    |              |            |
| Share capital                        | 15 | 1,789,079    | 1,789,079  |
| Share premium                        |    | 2,251,113    | 2,251,113  |
| Retained earnings                    | 16 | 9,172,389    | 9,789,067  |
| <b>Total equity</b>                  |    | 13,212,581   | 13,829,259 |
| <b>Total liabilities and equity</b>  |    | ₩ 27,062,106 | 25,409,415 |

*See accompanying notes to the separate financial statements.*



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LG DISPLAY CO., LTD.

**Separate Statements of Comprehensive Income (Loss)**

For the years ended December 31, 2018 and 2017

| <i>(In millions of won, except earnings per share)</i>                   | <b>Note</b> | <b>2018</b>  | <b>2017</b>  |
|--|-------------|--------------|--------------|
| Revenue  | 17, 28      | ₩ 22,371,687 | 25,591,082   |
| Cost of sales  | 7, 18, 28   | (20,439,681) | (21,718,047) |
| <b>Gross profit</b>  |             | 1,932,006    | 3,873,035    |
| Selling expenses   | 19          | (519,804)    | (666,891)    |
| Administrative expenses  | 19          | (678,861)    | (473,477)    |
| Research and development expenses  |             | (1,206,336)  | (1,195,937)  |
| <b>Operating profit (loss)</b>   |             | (472,995)    | 1,536,730    |
| Finance income   | 22          | 148,301      | 763,489      |
| Finance costs  | 22          | (129,652)    | (119,534)    |
| Other non-operating income   | 21          | 541,547      | 790,476      |
| Other non-operating expenses   | 21          | (577,007)    | (931,294)    |
| <b>Profit (loss) before income tax</b>                                   |             | (489,806)    | 2,039,867    |
| Income tax expense (benefit)   | 23          | (47,515)     | 260,146      |
| <b>Profit (loss) for the year</b>  |             | (442,291)    | 1,779,721    |
| <b>Other comprehensive income (loss)</b>                                 |             |              |              |
| <b>Items that will never be reclassified to profit or loss</b>           |             |              |              |
| Remeasurements of net defined benefit liabilities                        | 12, 23      | 5,690        | (16,260)     |
| Related income tax   | 12, 23      | (1,169)      | 9,259        |
| <b>Other comprehensive income (loss) for the year, net of income tax</b> |             | 4,521        | (7,001)      |
| <b>Total comprehensive income (loss) for the year</b>                    |             | ₩ (437,770)  | 1,772,720    |
| <b>Earnings (loss) per share (In won)</b>                                |             |              |              |
| Basic earnings (loss) per share  | 25          | ₩ (1,236)    | 4,974        |
| Diluted earnings (loss) per share  | 25          | ₩ (1,236)    | 4,974        |

*See accompanying notes to the separate financial statements.*

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LG DISPLAY CO., LTD.

**Separate Statements of Changes in Equity**

For the years ended December 31, 2018 and 2017

| <i>(In millions of won)</i>                                   | <b>Share<br/>capital</b> | <b>Share<br/>premium</b> | <b>Retained<br/>earnings</b> | <b>Total<br/>equity</b> |
|---|--------------------------|--------------------------|------------------------------|-------------------------|
| <b>Balances at January 1, 2017</b>                            | ₩ 1,789,079              | 2,251,113                | 8,195,255                    | 12,235,447              |
| <b>Total comprehensive income for the year</b>                |                          |                          |                              |                         |
| Profit for the year   |                          |                          | 1,779,721                    | 1,779,721               |
| <b>Other comprehensive income (loss)</b>                      |                          |                          |                              |                         |
| Remeasurements of net defined benefit liabilities, net of tax |                          |                          | (7,001)                      | (7,001)                 |
| Total other comprehensive loss                                |                          |                          | (7,001)                      | (7,001)                 |
| Total comprehensive income for the year                       | ₩                        |                          | 1,772,720                    | 1,772,720               |
| <b>Transaction with owners, recognized directly in equity</b> |                          |                          |                              |                         |
| Dividends to equity holders                                   |                          |                          | (178,908)                    | (178,908)               |
| <b>Balances at December 31, 2017</b>                          | ₩ 1,789,079              | 2,251,113                | 9,789,067                    | 13,829,259              |
| <b>Balances at January 1, 2018</b>                            | ₩ 1,789,079              | 2,251,113                | 9,789,067                    | 13,829,259              |
| <b>Total comprehensive income for the year</b>                |                          |                          |                              |                         |
| Loss for the year   |                          |                          | (442,291)                    | (442,291)               |
| <b>Other comprehensive income (loss)</b>                      |                          |                          |                              |                         |
| Remeasurements of net defined benefit liabilities, net of tax |                          |                          | 4,521                        | 4,521                   |
| Total other comprehensive income                              |                          |                          | 4,521                        | 4,521                   |
| Total comprehensive loss for the year                         | ₩                        |                          | (437,770)                    | (437,770)               |
| <b>Transaction with owners, recognized directly in equity</b> |                          |                          |                              |                         |
| Dividends to equity holders                                   |                          |                          | (178,908)                    | (178,908)               |
| <b>Balances at December 31, 2018</b>                          | ₩ 1,789,079              | 2,251,113                | 9,172,389                    | 13,212,581              |

*See accompanying notes to the separate financial statements.*



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LG DISPLAY CO., LTD.

**Separate Statements of Cash Flows**

For the years ended December 31, 2018 and 2017

| <i>(In millions of won)</i>                                  | Note   | 2018        | 2017      |
|--|--------|-------------|-----------|
| <b>Cash flows from operating activities:</b>                 |        |             |           |
| Profit (loss) for the year                                   |        | ₩ (442,291) | 1,779,721 |
| <b>Adjustments for:</b>                                      |        |             |           |
| Income tax expense (benefit)                                 | 23     | (47,515)    | 260,146   |
| Depreciation   | 9, 18  | 1,993,133   | 1,732,901 |
| Amortization of intangible assets                            | 10, 18 | 399,635     | 391,580   |
| Gain on foreign currency translation                         |        | (38,724)    | (143,514) |
| Loss on foreign currency translation                         |        | 102,689     | 143,022   |
| Expenses related to defined benefit plans                    | 12, 20 | 178,274     | 196,853   |
| Gain on disposal of property, plant and equipment            |        | (42,864)    | (139,053) |
| Loss on disposal of property, plant and equipment            |        | 8,615       | 11,620    |
| Impairment loss on disposal of property, plant and equipment |        | 43,601      |           |
| Gain on disposal of intangible assets                        |        | (239)       | (308)     |
| Loss on disposal of intangible assets                        |        |             | 30        |
| Impairment loss on intangible assets                         |        | 82          | 1,809     |
| Reversal of impairment loss on intangible assets             |        | (348)       | (35)      |
| Warranty expenses  |        | 207,892     | 217,198   |
| Finance income   |        | (145,293)   | (761,617) |
| Finance costs  |        | 119,915     | 80,995    |
| Other income   |        | (3,400)     | (17,127)  |
| Other expenses   |        | 612         | 2,293     |
|  |        | 2,776,065   | 1,976,793 |
| <b>Changes in</b>  |        |             |           |
| Trade accounts and notes receivable                          |        | 1,110,769   | 316,119   |
| Other accounts receivable                                    |        | 21,444      | (63,844)  |
| Inventories  |        | (355,858)   | 24,738    |
| Other current assets   |        | 101,812     | 14,807    |
| Other non-current assets                                     |        | (65,166)    | (112,015) |
| Trade accounts and notes payable                             |        | 828,112     | (272,656) |
| Other accounts payable                                       |        | (223,707)   | 161,337   |
| Accrued expenses   |        | (249,579)   | 166,035   |
| Provisions   |        | (190,317)   | (177,439) |
| Other current liabilities                                    |        | 53,017      | (6,883)   |
| Defined benefit liabilities, net                             |        | (222,932)   | (260,790) |
| Long-term advances received                                  |        | 957,717     | 1,020,470 |
| Other non-current liabilities                                |        | 25,745      | 6,368     |

|  |                    |                  |
|--|--------------------|------------------|
|  | 1,791,057          | 816,247          |
| Cash generated from operating activities         | 4,124,831          | 4,572,761        |
| Income taxes paid                                | (313,867)          | (232,477)        |
| Interests received                               | 19,592             | 25,017           |
| Interests paid                                   | (145,082)          | (93,487)         |
| <b>Net cash provided by operating activities</b> | <b>₩ 3,685,474</b> | <b>4,271,814</b> |

*See accompanying notes to the separate financial statements.*

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LG DISPLAY CO., LTD.

**Separate Statements of Cash Flows, Continued**

For the years ended December 31, 2018 and 2017

| <i>(In millions of won)</i>   | Note | 2018               | 2017               |
|---|------|--------------------|--------------------|
| <b>Cash flows from investing activities:</b>  |      |                    |                    |
| Dividends received  |      | ₩ 24,136           | 409,015            |
| Increase in deposits in banks   |      | (275,700)          | (1,334,015)        |
| Proceeds from withdrawal of deposits in banks   |      | 778,915            | 1,826,523          |
| Acquisition of financial assets at fair value through profit or loss                        |      | (286)              |                    |
| Proceeds from disposal of financial assets at fair value through other comprehensive income |      | 6                  |                    |
| Acquisition of available-for-sale financial assets  |      |                    | (7)                |
| Proceeds from disposal of available-for-sale financial assets                               |      |                    | 917                |
| Acquisition of investments  |      | (192,611)          | (81,780)           |
| Proceeds from disposal of investments   |      | 4,527              | 13,128             |
| Acquisition of property, plant and equipment  |      | (5,548,289)        | (4,859,831)        |
| Proceeds from disposal of property, plant and equipment                                     |      | 201,222            | 199,769            |
| Acquisition of intangible assets  |      | (466,496)          | (437,290)          |
| Proceeds from disposal of intangible assets   |      | 960                | 1,674              |
| Government grants received  |      | 1,210              | 1,859              |
| Receipt from settlement of derivatives  |      | 2,026              | 2,592              |
| Proceeds from collection of short-term loans  |      | 11,058             | 1,118              |
| Increase in short-term loans  |      | (7,700)            |                    |
| Increase in long-term loans   |      | (36,580)           | (13,930)           |
| Increase in deposits  |      | (348)              | (1,388)            |
| Decrease in deposits  |      | 569                | 1,185              |
| Proceeds from disposal of emission rights   |      | 10,200             | 6,090              |
| <b>Net cash used in investing activities</b>  |      | <b>(5,493,181)</b> | <b>(4,264,371)</b> |
| <b>Cash flows from financing activities:</b>  |      |                    |                    |
|   | 27   |                    |                    |
| Proceeds from short-term borrowings   |      | 552,164            |                    |
| Repayments of short-term borrowings   |      | (552,884)          | (105,864)          |
| Proceeds from issuance of bonds   |      | 828,169            | 497,959            |
| Proceeds from long-term borrowings  |      | 2,489,560          | 630,000            |
| Repayments of current portion of long-term borrowings and bonds                             |      | (1,425,395)        | (544,557)          |
| Payment guarantee fee received  |      | 1,876              | 868                |
| Dividends paid  |      | (178,908)          | (178,908)          |

|   |                  |                |
|---|------------------|----------------|
| <b>Net cash provided by financing activities</b>            | 1,714,582        | 299,498        |
| <b>Net increase (decrease) in cash and cash equivalents</b> | (93,125)         | 306,941        |
| Cash and cash equivalents at January 1                      | 566,408          | 259,467        |
| <b>Cash and cash equivalents at December 31</b>             | <b>₩ 473,283</b> | <b>566,408</b> |

*See accompanying notes to the separate financial statements.*

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### 1. Organization and Description of Business

LG Display Co., Ltd. (the Company) was incorporated in February 1985 and the Company is a public corporation listed in the Korea Exchange since 2004. The main business of the Company is to manufacture and sell displays and its related products. As of December 31, 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 December 31, 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 December 31, 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 December 31, 2018, there are 20,890,926 ADSs outstanding.

### 2. Basis of Presenting Financial Statements

#### (a) Statement of Compliance

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

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

The separate financial statements were authorized for issuance by the Board of Directors on January 29, 2019, which will be submitted for approval to the shareholders' meeting to be held on March 15, 2019.



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

(b) **Basis of Measurement**

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

derivative financial instruments at fair value, 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 separate financial statements are presented in Korean won, which is the Company's functional currency.

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

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

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

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

Financial instruments (note 3(f))

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(1) and 13)

Measurement of defined benefit obligations (note 12)

Deferred tax assets(note 24)



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3. **Summary of Significant Accounting Policies**

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

(a) **Changes in Accounting Policies**

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

The Company has consistently applied the accounting policies to the separate financial statements for 2018 and 2017 except for the new amendments effective for annual period beginning January 1, 2018 as mentioned below.

(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 has initially adopted K-IFRS No. 1109, Financial Instruments, from January 1, 2018, and the Company has used an exemption not to restate the separate financial statements for prior years with respects to transition requirements.

The followings describe the nature and impact on the significant changes in accounting policies from the adoption of K-IFRS No. 1109. There is no impact on the opening balance of retained earnings at January 1, 2018 resulting from the initial adoption of K-IFRS No. 1109.

i) **Classification and measurement of financial assets and financial liabilities**

K-IFRS No. 1109 contains three principal classification categories for financial assets measured at amortized cost, FVOCI and 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. K-IFRS No. 1109 eliminates the previous K-IFRS No. 1039 categories of held to maturity, loans and receivables and available for sale.

K-IFRS No. 1109 largely retains the existing requirements in K-IFRS No. 1039 for the classification and measurement of financial liabilities.

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.

**Table of Contents**3. Summary of Significant Accounting Policies, Continued(a) Changes in Accounting Policies, Continued

The following table below explains 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.

(In millions of won)

|                               | Classification<br>under<br>K-IFRS No. 1039 | Classification<br>under<br>K-IFRS No. 1109 | Carrying amount<br>under<br>K-IFRS<br>No. 1039 | Carrying amount<br>under<br>K-IFRS<br>No. 1109 | Difference |
|-------------------------------|--|--|--|--|------------|
| <b>Financial assets</b>       |  |  |  |  |            |
| Cash and cash equivalents     | Loans and<br>receivables                   | Amortized cost                             | ₩ 566,408                                      | 566,408  |            |
| Deposits                      | Loans and<br>receivables                   | Amortized cost                             | 580,781  | 580,781  |            |
| Trade receivables             | Loans and<br>receivables                   | Amortized cost                             | 4,673,570                                      | 4,673,570                                      |            |
| Other receivables             | Loans and<br>receivables                   | Amortized cost                             | 702,224  | 702,224  |            |
| Debt instrument               | Available-for-sale                         | FVOCI-debt<br>instrument                   | 162  | 162  |            |
| Equity instrument             | Available-for-sale                         | Mandatorily at<br>FVTPL                    | 2,697  | 2,697  |            |
| Convertible bonds             | Designated as at<br>FVTPL                  | Mandatorily at<br>FVTPL                    | 1,552  | 1,552  |            |
| Derivatives                   | Designated as at<br>FVTPL                  | Mandatorily at<br>FVTPL                    | 842  | 842  |            |
| Others                        | Loans and<br>receivables                   | Amortized cost                             | 57,903   | 57,903   |            |
| <b>Total financial assets</b> |  |  | <b>₩ 6,586,139</b>                             | <b>6,586,139</b>                               |            |

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

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.

As a result of applying the new impairment model under K-IFRS No. 1109, as of January 1, 2018, there is no additional allowance for impairments recognized as compared with the impairment model under K-IFRS No. 1039.

Hedge Accounting

When initially applying K-IFRS No. 1109, the Company has elected as its accounting policy to continue to apply hedge accounting requirements under K-IFRS No. 1039 and as a result, there is no impact of applying K-IFRS No. 1109 on the separate financial statements as at January 1, 2018.

**Table of Contents**3. Summary of Significant Accounting Policies, Continued(a) Changes in Accounting Policies, continued(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 adopted K-IFRS No. 1115, *Revenue from contracts with customers*, from January 1, 2018. The Company has adopted K-IFRS No. 1115 using the cumulative effect method with the effect of initially applying this standard recognized at the date of initial application, January 1, 2018. 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 Company's separate statement of financial position as of December 31, 2018 is as follows. There is no significant impact on the separate statement of comprehensive income and the cash flows for the year ended December 31, 2018.

(In millions of won)

| Categories                 | As reported | Adjustments | Amounts without adoption of K-IFRS No. 1115 |
|----------------------------|-------------|-------------|---|
| <b>Current Assets</b>      |             |             |   |
| Other current assets       | ₩ 136,349   | (7,489)     | 128,860                                     |
| <b>Current Liabilities</b> |             |             |   |
| Provisions                 | ₩ 96,555    | (7,489)     | 89,066                                      |

(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 separate financial statements of the Company.

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**Table of Contents****3. Summary of Significant Accounting Policies, Continued****(b) Interest in subsidiaries, associates and joint ventures**

These separate financial statements are prepared and presented in accordance with K-IFRS No.1027, *Separate Financial Statements*. The Company applied the cost method to investments in subsidiaries, associates and joint ventures in accordance with K-IFRS No.1027. Dividends from subsidiaries, associates or joint ventures are recognized in profit or loss when the right to receive the dividend is established.

**(c) Foreign Currency Transaction and Translation**

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

**(d) 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.

**(e) Inventories**

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





**Table of Contents**3. Summary of Significant Accounting Policies, Continued(f) Financial Instruments(i) Non-derivative financial assetsRecognition and initial measurement

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets or liabilities are recognized in statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument.

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

Classification and subsequent measurement

## i) Financial assets: Policy applicable from January 1, 2018

On initial recognition, a financial asset is classified as measured at: amortized cost; FVOCI – debt investment; FVOCI – equity investments; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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

it is held within a business model whose objective is to hold assets to collect contractual cash flows;  
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

the 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 investments 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. At 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.

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3. Summary of Significant Accounting Policies, Continued

(f) Financial Instruments, Continued

ii) Financial assets: business model: Policy applicable from January 1, 2018

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;

how the performance of the portfolio is evaluated and reported to the Company's management;

the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

how managers of the business are compensated e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial asset to third parties in transaction that do not qualify for derecognition are not considered sale for this purpose.

A financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

iii) Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest: Policy applicable from January 1, 2018

For the purpose of this assessment, principal is defined as the fair value of the financial asset on initial recognition. Interest is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and cost (e.g. liquidity risk and administrative costs), as well as profit margin.



**Table of Contents**3. Summary of Significant Accounting Policies, Continued(f) Financial Instruments, Continued

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers.

contingent events that would change the amount or timing of cash flows:

terms that may adjust the contractual coupon rate, including variable-rate features;

prepayment and extension features; and

terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features)

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest or the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

- iv) Financial assets: Subsequent measurement and gains and losses: Policy applicable from January 1, 2018

|                                    |  |
|------------------------------------|--|
| 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.

v) Financial assets: Policy applicable before January 1, 2018

The Company has classified financial assets into one of the following categories

loans and receivables

available-for-sale

at FVTPL

**Table of Contents**

3. Summary of Significant Accounting Policies, Continued

(f) Financial Instruments, Continued

- vi) Financial assets: subsequent measurement, gains and losses: Policy applicable before January 1, 2018

|                                     |  |
|-------------------------------------|--|
| Financial assets at FVTPL           | Measured at fair value and changes therein, including any interest or dividend income, were recognized in profit or loss.  |
| Loans and receivables               | Measured at amortized cost using the effective interest method.  |
| Available-for-sale financial assets | Measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on debt instruments, were recognized in OCI and accumulated in the fair value reserves. When these assets were derecognized, the gain or loss accumulated in equity was classified to profit or loss. |

Derecognition

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, 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, or it transfers or does not retain substantially all the risks and rewards of ownership of a transferred asset, and does not retain control of the transferred asset.

If the Company has retained substantially all the risks and rewards of ownership of the transferred asset, the Company continue to recognize the transferred asset.

Offset

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

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**Table of Contents****3. Summary of Significant Accounting Policies, Continued****(f) Financial Instruments, Continued****(ii) Non-derivative financial liabilities**

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

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

Non-derivative financial liabilities other than financial liabilities classified as FVTPL are classified as other financial liabilities and measured initially at fair value minus transaction costs that are directly attributable to the issuance of financial liabilities. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. As of December 31, 2018, non-derivative financial liabilities comprise borrowings, bonds and others.

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

**(iii) Share Capital**

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

**(iv) Derivative financial instruments**

Derivatives are initially recognized at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

**Hedge Accounting**

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

On initial designation of the hedge, the Company's management formally designates and 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, both at the inception of the hedge relationship as well as on an ongoing basis.





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**Table of Contents**3. Summary of Significant Accounting Policies, Continued(f) Financial Instruments, Continuedi) Fair value hedges

Change in the fair value of a derivative hedging instrument designated as a fair value hedge and the hedged item is recognized in profit or loss, respectively. The gain or loss from remeasuring the hedging instrument at fair value and the gain or loss on the hedged item attributable to the hedged risk are recognized in profit or loss in the same line item of the statement of comprehensive income. The Company discontinues fair value hedge accounting if it does not designate the derivative hedging instrument and the hedged item as the hedge relationship between them anymore or if the hedging instrument expires or is sold, terminated or exercised, or if the hedge no longer meets the criteria for hedge accounting. Any adjustment arising from gain or loss on the hedged item attributable to the hedged risk is amortized to profit or loss from the date the hedge accounting is discontinued.

ii) Cash flow hedges

When a derivative designated as a cash flow hedging instrument meets the criteria of cash flow hedge accounting, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and the ineffective portion of changes in the fair value of the derivative is recognized in profit or loss. The Company discontinues cash flow hedge accounting if it does not designate the derivative hedging instrument and the hedged item as the hedge relationship between them any more or if the hedging instruments expires or is sold, terminated or exercised, or if the hedge no longer meets the criteria for hedge accounting. The cumulative gain or loss on the hedging instrument that has been recognized in other comprehensive income is reclassified to profit or loss in the periods during which the forecasted transaction occurs. If the forecasted transaction is no longer expected to occur, then the balance in other comprehensive income is recognized immediately in profit or loss.

Embedded derivative

Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Other derivative financial instruments

Derivative financial instruments are measured at fair value and changes of them not designated as a hedging instrument or not effective for hedging are recognized in profit or loss.

**Table of Contents**3. Summary of Significant Accounting Policies, Continued(g) Property, Plant and Equipment(i) Recognition and measurement

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

Estimated useful lives of the assets are as follows:

|                               | <b>Useful lives (years)</b> |
|-------------------------------|-----------------------------|
| Buildings and structures      | 20, 40                      |
| Machinery                     | 4, 5                        |
| Furniture and fixtures        | 4                           |
| Equipment, tools and vehicles | 2,<br>4, 12                 |

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate and any changes are accounted for as changes in accounting estimates.

**Table of Contents**3. Summary of Significant Accounting Policies, Continued(g) Property, Plant and Equipment, Continued

During the year ended December 31, 2018, the Company changed estimated useful lives of the mask and mold which had previously been classified as inventories. Based on the review of the accumulated historical usage information that became available, it is expected that the mask and mold will be used for the period exceeding one year. Accordingly, the Company changed useful lives of Mask and Mold to two years, accounted for the change in accounting estimate and reclassified the mask and mold to property, plant and equipment from inventories. As a result of such change, the Company reclassified inventories amounting to ₩90,955 million at the beginning of January 1, 2018 to property, plant, and equipment. The impact on the depreciation expense of the property, plant and equipment at the beginning of January 1, 2018 and newly acquired property, plant and equipment during the year ended December 31, 2018 are as follows:

*(In millions of won)*

|  | <b>2018</b> | <b>2019</b> | <b>2020</b> |
|--|-------------|-------------|-------------|
| Increase(decrease) in depreciation expense | ₩(93,729)   | 47,682      | 46,047      |

(h) Borrowing Costs

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

(i) Government Grants

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

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

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

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

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

**Table of Contents**

3. Summary of Significant Accounting Policies, Continued

(i) Government Grants, Continued

(iii) Other government grants

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

(j) Intangible Assets

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

(i) Goodwill

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

(ii) Research and development

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

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

the technical feasibility of completing the intangible asset so that it will be available for use or sale,

its intention to complete the intangible asset and use or sell it,

its ability to use or sell the intangible asset,

how the intangible asset will generate probable future economic benefits. Among other things, the Company can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset,

the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset, and

its ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

(iii) Other intangible assets

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

**Table of Contents**3. Summary of Significant Accounting Policies, Continued(i) Government Grants, Continued(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.

(v) Amortization

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

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

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

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

(k) Impairment(i) Financial assets

Financial instruments and contract assets: Policy applicable from January 1, 2018



The Company recognizes loss allowance for financial assets measured at amortized cost and debt investments at FVOCI at the expected credit loss (ECL).

The Company recognizes a loss allowance for the life-time expected credit losses except for following, which are measured at 12-month ECLs:

debt securities that are determined to have low credit risk at the reporting date; and

other debt securities and bank securities for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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**Table of Contents**

3. Summary of Significant Accounting Policies, Continued

(k) Impairment, Continued

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both qualitative and quantitative information and analysis, based on the Company's historical experience and informed credit assessment including forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of the ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

*Estimation of expected credit losses: Policy applicable from January 1, 2018*

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. Credit losses are measured using the present value of a cash shortfall (the difference between the contractual cash flows and the expected contractual cash flows). The expected credit losses are discounted using effective interest rate of the financial assets.

*Credit-impaired financial assets: Policy applicable from January 1, 2018*

At each reporting period-end, the Company assesses whether financial assets carried at amortized cost and debt securities 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.

Evidence that a financial asset is credit-impaired includes the following observable data:

significant financial difficulty of the issuer or the borrower;

the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;

it is probable that the borrower will enter bankruptcy or other financial reorganization; or

the disappearance of an active market for a security because of financial difficulties;

*Presentation of loss allowance for ECL in the statement of financial position: Policy applicable from January 1, 2018*

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognized in OCI.

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**Table of Contents**

3. Summary of Significant Accounting Policies, Continued

(k) Impairment, Continued

Write-off: Policy applicable from January 1, 2018

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations for recovering a financial asset in its entirety or a portion thereof. The Company assess whether there are reasonable expectations of recovering the contractual cash flows from customers and individually assess the timing and amount of write-off. The Company expects no significant recovery from the amount written-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Non-derivative financial assets: Policy applicable before January 1, 2018

Financial assets not classified as at FVTPL were assessed at each reporting date to determine whether there was objective evidence of impairment.

Objective evidence that financial assets were impaired included:

default or delinquency by a debtor;

restructuring of an amount due to the Company on terms that the Company would not consider otherwise

indications that a debtor or issuer would enter bankruptcy

adverse changes in the payment status of borrowers or issuers;

the disappearance of an active market for a security because of financial difficulties

observable data indicating that there was measurable decrease in the expected cash flows from a group of financial assets.

**Table of Contents**3. Summary of Significant Accounting Policies, Continued(k) Impairment, Continued

For an investment in an equity instrument, objective evidence of impairment include a significant or prolonged decline in its fair value below its cost.

Financial assets at amortized cost      The Company considered evidence of impairment for these assets at both collective level and individual asset. All individual significant assets were individually assessed for impairment. Those found not to be impaired were then collectively assessed for any impairment that had been incurred but not yet individually identified. Assets that were not individually significant were collectively assessed for impairment. Collective assessment was carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Company used historical information on the timing of recoveries and the amount of loss incurred and made an adjustment if current economic and credit conditions were such that the actual losses were likely to be greater or lesser than suggested by historical trends.

An impairment loss was calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses were recognized in profit or loss and reflected in an allowance account.

For financial assets such as equity instruments which the carrying amount would be the cost, the impairment loss is the difference between the carrying value and the present value of estimated future cash receipts of a similar financial instruments discounted at current market rate. The impairment loss is recognized as profit and losses and would be not reversed as profit and losses.

Available-for-sale financial assets      For the financial assets classified as available-for-sale which its decrease in the fair value has been recognized as other comprehensive income, the loss which has been recognized as other comprehensive income would be reclassified from other comprehensive income to profit and losses less the amount already recognized as profit and losses.

If the fair value of an impaired available-for-sale debt security subsequently increased and the increase was related objectively to an event occurring after the impairment loss was recognized, then the impairment loss was reversed through profit or loss. Impairment losses recognized in profit or loss for an investment in an equity instrument classified as available-for-sale were not reversed through profit or loss.

(ii) Non-financial assets

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

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**Table of Contents****3. Summary of Significant Accounting Policies, Continued****(k) Impairment, Continued**

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

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

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

**(l) Provisions**

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

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

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

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**Table of Contents****3. Summary of Significant Accounting Policies, Continued****(l) Provisions, Continued**

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

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

**(m) Employee Benefits****(i) Short-term employee benefits**

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

**(ii) Other long-term employee benefits**

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

**(iii) Defined contribution plan**

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

**(iv) Defined benefit plan**



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

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

**Table of Contents**3. Summary of Significant Accounting Policies, Continued(m) Employee Benefits, Continued(iv) Defined benefit plan, Continued

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

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

(v) Termination benefits

The Company recognizes expense for termination benefits at the earlier of the date when the entity can no longer withdraw the offer of those benefits and when the entity recognizes costs for a restructuring that is within the scope of K-IFRS 1037 and involves the payment of termination benefits. If the termination benefits are not expected to be settled wholly before twelve months after the end of the annual reporting period, the Company measures the termination benefit with present value of future cash payments.

(n) Revenue from contracts with customers

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of estimated returns, earned trade discounts, volume rebates and other cash incentives paid to customers. The Company has initially applied K-IFRS 1115 from January 1, 2018 and recognized revenue according to the 5 stage revenue recognition model ( Identifying the contractg Identifying performance obligation g Determining transaction priceg Allocating the transaction price to performance obligation g Recognition of revenue at performance of obligation). The Company generates revenue primarily from sales of display panels to customer. Product revenue is recognized when the customer obtains control over the products, which typically occurs upon shipment or delivery depending on the terms of the contracts with the customers.

The Company includes return option in the sales contract of display panels to its customers thus the consideration received from the customer is subject to change. The Company has recognized the expected return amount of gross revenue as warranty provision until previous financial year. After applying the K-IFRS 1115 Revenue from contracts with customers , the Company estimates an amount of variable consideration by using the expected value method which the Company expects to better predict the amount of consideration. The Company includes in the transaction p[rice some or all of an amount of variable consideration estimated only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated

with the variable consideration is subsequently resolved. The Company recognizes a refund liability and an asset for its right to recover products from customers if the Company receives consideration from a customer and expects to refund some or all of that consideration to the customer. Sales taxes collected from customers and remitted to governmental authorities are accounted for on a net basis and therefore are excluded from revenues in the separate statements of comprehensive income.

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**Table of Contents****3. Summary of Significant Accounting Policies, Continued****(o) Operating Segments**

In accordance with K-IFRS No. 1108, *Operating Segments*, entity wide disclosures of geographic and product revenue information are provided in the separate financial statements.

**(p) Finance Income and Finance Costs**

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

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

**(q) Income Tax**

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

**(i) Current tax**

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

**(ii) Deferred tax**

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



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**Table of Contents**3. Summary of Significant Accounting Policies, Continued(q) Income Tax, Continued(ii) Deferred tax, Continued

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

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

The Company offsets deferred tax assets and deferred tax liabilities if, and only if, the Company has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority.

(r) Earnings Per Share

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

(s) Business Combinations

The Company accounts for business combinations using the acquisition method when control is transferred to the Company. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities in accordance with K-IFRS No. 1032 and K-IFRS No. 1109.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss

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**Table of Contents**

3. Summary of Significant Accounting Policies, Continued

(t) New Standards and Amendments Not Yet Adopted

The following new standards and amendments to existing standards have been published and are mandatory for the Company for annual periods beginning after January 1, 2018, and the Company has not early adopted them.

(i) K-IFRS No. 1116, Leases

K-IFRS No. 1116, *Leases*, published on May 22, 2017 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. K-IFRS No. 1116 replaces existing leases guidance including K-IFRS No. 1017, *Leases*, K-IFRS No.2014, *Determining whether an Arrangement contains a Lease*, K-IFRS No.2015, *Operating Leases Incentives* and K-IFRS No.2027, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

K-IFRS No. 1116, *Leases* introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard i.e lessors continue to classify leases as finance or operating leases.

The Company is assessing the potential impact on its separate financial statements resulting from the application of K-IFRS no.1116 and the actual impacts are determined based on the future economic environment at the date of initial recognition such as interest rate implicit in the lease, lease portfolio, certainty of exercising purchase option, the extent which the practical expedient and recognition exemption election to be utilized.

Previously, the Company recognized operating lease expense on a straight-line basis over the term of the lease. The nature of expenses related to those leases will now change because the Company will recognize a depreciation charge for right-of-use assets and interest expense on lease liabilities.

No significant impact is expected for the Company's finance lease.

A lessee may apply the K-IFRS No.1116 to its leases either:

Retrospectively to each prior reporting period presented

Retrospectively with the cumulative effect of initially applying the Standard recognized at the date of initial application

**Table of Contents**3. Summary of Significant Accounting Policies, Continued(t) New Standards and Amendments Not Yet Adopted, Continued

A lessee shall apply the election consistently to all of its lease in which it is a lessee. The Company plans to apply K-IFRS No. 1116 initially on January 1, 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting K-IFRS No. 1116 will be recognized as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information.

A lessee may use various practical expedients when applying K-IFRS No. 1116 retrospectively to leases previously classified as operating leases applying IAS 17. The Company is currently assessing the potential impacts when applying the practical expedients. The Company expects that additional amounts to be recognized as right-of-use assets and lease liabilities are not significant when practical expedient is applied.

(ii) Other standards

The following amended standards and interpretations are not expected to have a significant impact on the Company's financial statements.

K-IFRS No. 2123, *Uncertainty over Tax Treatments*

K-IFRS No. 1109, *Prepayment Features with Negative Compensation* (Amendments to K-IFRS 1109)

K-IFRS No. 1028, *Long-term Interests in Associates and Joint Ventures* (Amendments to K-IFRS 1028)

K-IFRS No. 1019, *Plan Amendment, Curtailment or Settlement* (Amendments to K-IFRS 1019)

*Amendments to References to Conceptual Framework in IFRS Standards.*



**Table of Contents****4. Cash and Cash Equivalents and Deposits in Banks**

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

*(In millions of won)*

|                                  | December 31, 2018 | December 31, 2017 |
|----------------------------------|-------------------|-------------------|
| <b>Current assets</b>            |                   |                   |
| <b>Cash and cash equivalents</b> |                   |                   |
| Demand deposits                  | ₩ 473,283         | 566,408           |
| <b>Deposits in banks</b>         |                   |                   |
| Time deposits                    | ₩ 3,118           | 507,930           |
| Restricted cash (*)              | 74,082            | 72,840            |
|                                  | ₩ 77,200          | 580,770           |
| <b>Non-current assets</b>        |                   |                   |
| <b>Deposits in banks</b>         |                   |                   |
| Restricted cash (*)              | ₩ 11              | 11                |
|                                  | ₩ 550,494         | 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.

**5. Receivables and Other Assets**

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

*(In millions of won)*

|                          | December 31, 2018 | December 31, 2017 |
|--------------------------|-------------------|-------------------|
| Trade, net               | ₩ 257,037         | 355,332           |
| Due from related parties | 3,132,071         | 4,318,238         |
|                          | ₩ 3,389,108       | 4,673,570         |

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

*(In millions of won)*

|  | December 31, 2018 | December 31, 2017 |
|--|-------------------|-------------------|
|--|-------------------|-------------------|

| <b>Current assets</b>          |   |         |         |
|--------------------------------|---|---------|---------|
| Non-trade receivable, net      | ₩ | 316,069 | 678,454 |
| Accrued income                 |   | 5,894   | 8,655   |
|                                | ₩ | 321,963 | 687,109 |
| <b>Non-current assets</b>      |   |         |         |
| Long-term non-trade receivable | ₩ | 25,823  | 15,115  |
|                                | ₩ | 347,786 | 702,224 |

Due from related parties included in other accounts receivable, as of December 31, 2018 and 2017 are ₩247,677 million and ₩567,996 million, respectively.

**Table of Contents**5. Receivables and Other Assets, Continued

- (c) The aging of trade accounts and notes receivable, and other accounts receivable as of December 31, 2018 and December 31, 2017 are as follows:

(In millions of won)

|                            | December 31, 2018                   |                           |                      |                           |
|----------------------------|-------------------------------------|---------------------------|----------------------|---------------------------|
|                            | Book value                          |                           | Impairment loss      |                           |
|                            |                                     |                           | Trade accounts       |                           |
|                            | Trade accounts and notes receivable | Other accounts receivable | and notes receivable | Other accounts receivable |
| Not past due               | ₩ 3,387,653                         | 347,669                   | (5)                  | (551)                     |
| Past due 1-15 days         | 1,353                               | 274                       |                      | (2)                       |
| Past due 16-30 days        | 79                                  | 69                        |                      | (1)                       |
| Past due 31-60 days        | 28                                  | 95                        |                      | (1)                       |
| Past due more than 60 days |                                     | 668                       |                      | (434)                     |
|                            | ₩ 3,389,113                         | 348,775                   | (5)                  | (989)                     |

(In millions of won)

|                            | December 31, 2017                   |                           |                      |                           |
|----------------------------|-------------------------------------|---------------------------|----------------------|---------------------------|
|                            | Book value                          |                           | Impairment loss      |                           |
|                            |                                     |                           | Trade accounts       |                           |
|                            | Trade accounts and notes receivable | Other accounts receivable | and notes receivable | Other accounts receivable |
| Not past due               | ₩ 4,673,660                         | 701,952                   | (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                         | 703,316                   | (570)                | (1,092)                   |

The movement in the allowance for impairment in respect of trade accounts and notes receivable and other accounts receivable for the years ended December 31, 2018 and 2017 are as follows:

(In millions of won)

|  | 2018                                |                           | 2017                                |                           |
|--|-------------------------------------|---------------------------|-------------------------------------|---------------------------|
|  | Trade accounts and notes receivable | Other accounts receivable | Trade accounts and notes receivable | Other accounts receivable |
| Balance at the beginning of the period | ₩ 570                               | 1,092                     | 520                                 | 827                       |

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|                                |                |       |     |       |
|--------------------------------|----------------|-------|-----|-------|
| (Reversal of) bad debt expense | (565)          | (103) | 50  | 265   |
| Balance at the reporting date  | <del>₩</del> 5 | 989   | 570 | 1,092 |

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**Table of Contents**5. Receivables and Other Assets, Continued

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

*(In millions of won)*

|                                    | <b>December 31, 2018</b> | <b>December 31, 2017</b> |
|------------------------------------|--------------------------|--------------------------|
| <b>Current assets</b>              |                          |                          |
| Advance payments                   | ₩ 3,354                  | 3,597                    |
| Prepaid expenses                   | 73,254                   | 76,129                   |
| Value added tax refundable         | 52,252                   | 95,769                   |
| Emission rights                    |                          | 1,978                    |
| Right to recover returned goods(*) | 7,489                    |                          |
|                                    | ₩ 136,349                | 177,473                  |
| <b>Non-current assets</b>          |                          |                          |
| Long-term prepaid expenses         | ₩ 325,219                | 333,995                  |

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

**Table of Contents**6. Other Financial Assets

(a) Other financial assets as of December 31, 2018 are as follows:

| <i>(In millions of won)</i>   | <b>December 31, 2018</b> |        |
|---|--------------------------|--------|
| <b>Current assets</b>   |                          |        |
| <b>Financial asset at fair value through profit or loss</b>             |                          |        |
| Derivatives(*)  | ₩                        | 13,059 |
| <b>Financial asset at fair value through other comprehensive income</b> |                          |        |
| Debt instrument   |                          |        |
| Government bonds  | ₩                        | 106    |
| <b>Financial asset carried at amortized cost</b>                        |                          |        |
| Short-term loans  | ₩                        | 16,116 |
|   | ₩                        | 29,281 |
| <b>Non-current assets</b>   |                          |        |
| <b>Financial asset at fair value through profit or loss</b>             |                          |        |
| Equity instrument   |                          |        |
| Intellectual Discovery, Ltd.  | ₩                        | 4,598  |
| Kyulux, Inc.  |                          | 2,460  |
| Fineeva Co., Ltd.   |                          | 286    |
|   | ₩                        | 7,344  |
| Convertible bonds   | ₩                        | 1,327  |
| <b>Financial asset at fair value through other comprehensive income</b> |                          |        |
| Debt instrument   |                          |        |
| Government bonds  | ₩                        | 55     |
| <b>Financial asset carried at amortized cost</b>                        |                          |        |
| Deposits  | ₩                        | 13,418 |
| Long-term loans   |                          | 55,048 |
|   | ₩                        | 77,192 |

(\*) Represents exchange rate swap contracts related to foreign currency denominated borrowings and bonds.

**Table of Contents**6. Other Financial Assets, Continued

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

| <i>(In millions of won)</i>                                 | <b>December 31, 2017</b> |        |
|---|--------------------------|--------|
| <b>Current assets</b>                                       |                          |        |
| Available-for-sale financial assets                         |                          |        |
| Debt instrument   |                          |        |
| Government bonds  | ₩                        | 6      |
| Short-term loans  |                          | 13,493 |
|   | ₩                        | 13,499 |
| <b>Non-current assets</b>                                   |                          |        |
| <b>Financial asset at fair value through profit or loss</b> | ₩                        | 1,552  |
| <b>Available-for-sale financial assets</b>                  |                          |        |
| 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 |
| Derivatives(*)  |                          | 842    |
|   | ₩                        | 49,657 |

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

Other financial assets of related parties as of September 30, 2018 and December 31, 2017 are ₩2,000 million and ₩2,750 million, respectively.

**Table of Contents**7. Inventories

Inventories at the reporting date are as follows:

| <i>(In millions of won)</i> | <b>December 31,<br/>2018</b> | <b>December 31,<br/>2017</b> |
|-----------------------------|------------------------------|------------------------------|
| Finished goods              | ₩ 539,859                    | 491,330                      |
| Work-in-process             | 791,396                      | 675,324                      |
| Raw materials               | 500,413                      | 286,934                      |
| Supplies                    | 119,487                      | 228,657                      |
|                             | <b>₩ 1,951,155</b>           | <b>1,682,245</b>             |

For the years ended December 31, 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>                            | <b>2018</b>  | <b>2017</b> |
|--|--------------|-------------|
| Inventories recognized as cost of sales                | ₩ 20,439,681 | 21,718,047  |
| Including: inventory write-downs                       | 280,323      | 184,139     |
| Including: reversal and usage of inventory write-downs | (184,139)    | (185,454)   |

There were no significant reversals of inventory write-downs recognized during 2018 and 2017.



**Table of Contents**8. Investments

(a) Investments in subsidiaries consist of the following:

*(In millions of won)*

| Overseas Subsidiaries                   | Location          | Business                                    | December 31, 2018       |            | December 31, 2017       |            |
|---|-------------------|---|-------------------------|------------|-------------------------|------------|
|   |                   |   | 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 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  | Business and obtain technologies                     | 100% | 2,249              |      |                    |
| LG Display High-Tech (China) Co., Ltd.(*3) | Guangzhou, China   | Manufacture Display products                         | 69%  | 749,154            |      |                    |
| MMT(*4)                                    | Seoul, Korea       | Money Market Trust                                   | 100% | 24,501             | 100% | 61,471             |
|  |                    |  |      | <b>₩ 3,507,944</b> |      | <b>₩ 2,580,911</b> |

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

- (\*1) For the year ended December 31, 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 year ended December 31, 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 year ended December 31, 2018, the Company established LG Display High-Tech (China) Co., Ltd. in Guangzhou China to manufacture Display products and the Company has a 69% equity interest of this subsidiary.
- (\*4) For the year ended December 31, 2018, the Company acquired and disposed interests in Money Market Trust ( MMT ) and the MMT amount as of September 30, 2018 is ₩24,501 million.

(b) Investments in associates consist of the following:

(In millions of won)

| Associates                           | Location                 | Business  | December 31, 2018       |                         | December 31, 2017       |            |
|--------------------------------------|--------------------------|---|-------------------------|-------------------------|-------------------------|------------|
|                                      |                          |   | Percentage of ownership | Book Value of ownership | Percentage of ownership | Book Value |
| Paju Electric Glass Co., Ltd.        | Paju,<br>South Korea     | Manufacture electric glass for FPDs   | 40%                     | ₩45,089                 | 40%                     | ₩45,089    |
| INVENIA Co., Ltd.                    | Seongnam,<br>South Korea | Develop and manufacture the equipment for FPDs                                | 13%                     | 6,330                   | 13%                     | 6,330      |
| WooRee E&L Co., Ltd.(*1)             | Ansan,<br>South Korea    | Manufacture LED back light unit packages                                      | 14%                     | 4,746                   | 14%                     | 10,268     |
| LB Gemini New Growth Fund No.16 (*2) | Seoul,<br>South Korea    | Invest in small and middle sized companies and benefit from M&A opportunities |                         |                         | 31%                     | 434        |
| YAS Co., Ltd.                        | Paju,<br>South Korea     | Develop and manufacture deposition equipment for OLEDs                        | 15%                     | 10,000                  | 15%                     | 10,000     |
| AVATEC Co., Ltd.                     | Daegu,<br>South Korea    | Process and sell electric glass for FPDs                                      | 17%                     | 10,600                  | 17%                     | 10,600     |
| Arctic Sentinel, Inc.                | Los Angeles<br>U.S.A.    | Develop and manufacture tablet for kids                                       | 10%                     |                         | 10%                     |            |
| CYNORA GmbH(*3)                      | Bruchsal<br>Germany      | Develop organic emitting materials for displays and lighting devices          | 14%                     | 8,668                   | 14%                     | 20,309     |

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|                                |                       |  |     |          |           |
|--------------------------------|-----------------------|--|-----|----------|-----------|
| Material Science Co., Ltd.(*4) | Seoul,<br>South Korea | Develop, manufacture and sell material for display | 10% | 3,346    |           |
| Nanosys Ic.(*5)                | Milpitas,<br>U.S.A.   | Develop, manufacture and sell material for display | 4%  | 5,491    |           |
|                                |                       |  |     |          |           |
|                                |                       |  |     | ₩ 94,270 | ₩ 103,030 |

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8. Investments, Continued

- (\*1) The Company recognized an impairment loss of ₩5,522 million as finance cost for the difference between the carrying amount and the recoverable amount of investments in WooRee E&L Co., Ltd.
- (\*2) The LB Gemini New Growth Fund No.16 ( the Fund ) which the Company was a member of a limited partnership, was approved to be dissolve at the general meeting and completed liquidation. In 2018, the Company received ₩1,545 million in cash from the Fund and recognized ₩1,111 million for the difference between the amount received and the carrying amount as finance cost.
- (\*3) The Company recognized an impairment loss of ₩11,641 million as finance cost for the difference between the carrying amount and the recoverable amount of investments in CYNORA GmbH.
- (\*4) 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 December 31, 2018, the Company recognized an impairment loss of ₩654 million as finance cost for the difference between the carrying amount and the recoverable amount of investments in Material Science Co., Ltd. As of December 31, 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.
- (\*5) 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 December 31, 2018, the Company recognized an impairment loss of ₩5,241 million as finance cost for the difference between the carrying amount and the recoverable amount of investments in Nanosys Inc. As of December 31, 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 years ended December 31, 2018 and 2017, the aggregate amount of received dividends from subsidiaries and associates are ₩95,553 million and ₩612,132 million, respectively.

**Table of Contents**9. Property, Plant and Equipment

(a) Changes in property, plant and equipment for the year ended December 31, 2018 are as follows:

*(In millions of won)*

|   | Land     | Buildings and structures | Machinery and equipment | Furniture and fixtures | Construction-in-progress (*1) | Others    | Total        |
|---|----------|--------------------------|-------------------------|------------------------|-------------------------------|-----------|--------------|
| Acquisition cost as of January 1, 2018            | ₩460,511 | 4,857,328                | 33,969,092              | 622,955                | 5,586,631                     | 139,774   | 45,636,291   |
| Accumulated depreciation as of January 1, 2018    |          | (2,218,404)              | (30,303,595)            | (531,316)              |                               | (93,685)  | (33,147,000) |
| Accumulated impairment loss as of January 1, 2018 |          |                          | (2,290)                 |                        |                               |           | (2,290)      |
| Book value as of January 1, 2018                  | ₩460,511 | 2,638,924                | 3,663,207               | 91,639                 | 5,586,631                     | 46,089    | 12,487,001   |
| Additions   |          |                          |                         |                        | 4,943,986                     |           | 4,943,986    |
| Depreciation                                      |          | (225,710)                | (1,584,542)             | (39,522)               |                               | (143,359) | (1,993,133)  |
| Disposals   | (15)     | (22)                     | (147,490)               | (305)                  |                               | (4,434)   | (152,266)    |
| Impairment loss                                   |          |                          | (25,711)                |                        | (17,890)                      |           | (43,601)     |
| Others (*2)                                       | 1,332    | 3,216                    | 1,438,365               | 31,088                 | (2,060,535)                   | 330,321   | (256,213)    |
| Government grants received                        |          |                          | (1,029)                 |                        | (181)                         |           | (1,210)      |
| Book value as of December 31, 2018                | ₩461,828 | 2,416,408                | 3,342,800               | 82,900                 | 8,452,011                     | 228,617   | 14,984,564   |
| Acquisition cost as of December 31, 2018          | ₩461,828 | 4,860,942                | 34,433,030              | 652,723                | 8,469,901                     | 479,594   | 49,358,018   |
| Accumulated depreciation as of December 31, 2018  | ₩        | (2,444,534)              | (31,062,229)            | (569,823)              |                               | (250,977) | (34,327,563) |
| Accumulated impairment loss                       | ₩        |                          | (28,001)                |                        | (17,890)                      |           | (45,891)     |

as of  
December 31,  
2018

(\*1) As of December 31, 2018, construction-in-progress mainly relates to construction of manufacturing facilities.  
(\*2) Others are mainly amounts transferred from construction-in-progress.

**Table of Contents**9. Property, Plant and Equipment, Continued

(b) Changes in property, plant and equipment for the year ended December 31, 2017 are as follows:

*(In millions of won)*

|   | Land      | Buildings and structures | Machinery and equipment | Furniture and fixtures | Construction-in-progress (*1) | Others   | Total        |
|---|-----------|--------------------------|-------------------------|------------------------|-------------------------------|----------|--------------|
| Acquisition cost as of January 1, 2017              | ₩ 461,483 | 4,730,093                | 33,536,183              | 637,918                | 2,680,073                     | 134,488  | 42,180,238   |
| Accumulated depreciation as of January 1, 2017      |           | (1,999,023)              | (30,772,830)            | (560,513)              |                               | (87,609) | (33,419,975) |
| Accumulated impairment loss as of January 1, 2017   |           |                          | (2,290)                 |                        |                               |          | (2,290)      |
| Book value as of January 1, 2017                    | ₩ 461,483 | 2,731,070                | 2,761,063               | 77,405                 | 2,680,073                     | 46,879   | 8,757,973    |
| Additions   |           |                          |                         |                        | 5,544,771                     |          | 5,544,771    |
| Depreciation  |           | (222,663)                | (1,460,085)             | (40,484)               |                               | (9,669)  | (1,732,901)  |
| Disposals   | (1,042)   | (6,727)                  | (70,068)                | (24)                   |                               | (3,122)  | (80,983)     |
| Others (*2)   | 70        | 137,792                  | 2,435,447               | 54,742                 | (2,640,052)                   | 12,001   |              |
| Government grants received                          |           | (548)                    | (3,150)                 |                        | 1,839                         |          | (1,859)      |
| Book value as of December 31, 2017                  | ₩ 460,511 | 2,638,924                | 3,663,207               | 91,639                 | 5,586,631                     | 46,089   | 12,487,001   |
| Acquisition cost as of December 31, 2017            | ₩ 460,511 | 4,857,328                | 33,969,092              | 622,955                | 5,586,631                     | 139,774  | 45,636,291   |
| Accumulated depreciation as of December 31, 2017    | ₩         | (2,218,404)              | (30,303,595)            | (531,316)              |                               | (93,685) | (33,147,000) |
| Accumulated impairment loss as of December 31, 2017 | ₩         |                          | (2,290)                 |                        |                               |          | (2,290)      |



(\*1) As of December 31, 2017, construction-in-progress mainly relates to construction of manufacturing facilities.

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

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**Table of Contents**9. **Property, Plant and Equipment, Continued**

- (c) Capitalized borrowing costs and capitalization rate for the years ended December 31, 2018 and 2017 are as follows:

*(In millions of won)*

|                             | <b>2018</b>      | <b>2017</b>   |
|-----------------------------|------------------|---------------|
| Capitalized borrowing costs | <b>₩ 121,441</b> | <b>46,033</b> |
| Capitalization rate         | 2.74%            | 1.91%         |

**Table of Contents**10. Intangible Assets

(a) Changes in intangible assets for the year ended December 31, 2018 are as follows:

*(in billions of won)*

|  | Intellectual<br>property<br>rights | Software  | Memberships | Development<br>costs | Construction-<br>in-progress<br>(software) | Customer<br>relationships | Technology | Goodwill | Others<br>(*2) | Total       |
|--|------------------------------------|-----------|-------------|----------------------|--|---------------------------|------------|----------|----------------|-------------|
| Acquisition cost as of<br>January 1, 2018          | ₩ 665,645                          | 810,270   | 54,834      | 1,769,998            | 30,722                                     | 59,176                    | 11,074     | 72,588   | 13,077         | 3,487,506   |
| Amortized<br>impairment as of<br>January 1, 2018   | (546,105)                          | (671,980) |             | (1,473,238)          |  | (31,338)                  | (8,489)    |          | (13,076)       | (2,744,136) |
| Amortized impairment<br>as of<br>January 1, 2018   |                                    |           | (11,785)    |                      |  |                           |            |          |                | (11,785)    |
| Carrying<br>value as of<br>January 1, 2018         | ₩ 119,540                          | 138,290   | 43,049      | 296,760              | 30,722                                     | 27,838                    | 2,585      | 72,588   | 1              | 731,525     |
| Acquisitions - internally<br>developed             |                                    |           |             | 372,835              |  |                           |            |          |                | 372,835     |
| Acquisitions - external<br>purchases               | 21,061                             |           | 2,844       |                      | 88,785                                     |                           |            |          |                | 112,690     |
| Amortization (*1)                                  | (24,370)                           | (67,955)  |             | (302,685)            |  | (3,516)                   | (1,108)    |          | (1)            | (399,635)   |
| Impairment<br>loss                                 |                                    |           | (721)       |                      |  |                           |            |          |                | (721)       |
| Reversal of impairment<br>loss                     |                                    |           | (82)        |                      |  |                           |            |          |                | (82)        |
| Transfer from<br>Construction-in-progress          |                                    | 85,640    |             |                      | (85,640)                                   |                           |            |          |                |             |
| Carrying<br>value as of<br>December 31, 2018       | ₩ 116,231                          | 155,975   | 45,438      | 366,910              | 33,867                                     | 24,322                    | 1,477      | 72,588   |                | 816,336     |
| Acquisition cost as of<br>December 31, 2018        | ₩ 686,707                          | 895,186   | 56,959      | 2,142,832            | 33,867                                     | 59,176                    | 11,074     | 72,588   | 13,077         | 3,971,386   |
| Amortized<br>impairment as of<br>December 31, 2018 | ₩ (570,476)                        | (739,211) |             | (1,775,922)          |  | (34,854)                  | (9,597)    |          | (13,077)       | (3,143,067) |
| Amortized impairment<br>as of December 31,<br>2018 | ₩                                  |           | (11,521)    |                      |  |                           |            |          |                | (11,521)    |

(\*1) The Company has classified the amortization as manufacturing overhead costs, selling expenses, administrative expenses, and research and development expenses.

(\*2) Others mainly consist of rights to use electricity and gas supply facilities.

**Table of Contents**10. Intangible Assets, Continued

(b) Changes in intangible assets for the year ended December 31, 2017 are as follows:

*(in billions of won)*

|  | Intellectual<br>property<br>rights | Software  | Memberships | Construction-<br>Development<br>costs | Construction-<br>in-progress<br>(software) | Customer<br>relationships | Technology | Goodwill | Others<br>(*2) | Total       |
|--|------------------------------------|-----------|-------------|---------------------------------------|--|---------------------------|------------|----------|----------------|-------------|
| Acquisition cost as of<br>January 1, 2017              | ₩ 627,998                          | 733,030   | 51,407      | 1,433,791                             | 17,782                                     | 59,176                    | 11,074     | 72,588   | 13,077         | 3,019,845   |
| Accumulated<br>amortization as of<br>January 1, 2017   | (506,117)                          | (605,247) |             | (1,177,451)                           |  | (26,678)                  | (7,382)    |          | (13,071)       | (2,335,643) |
| Accumulated impairment<br>losses as of January 1,      |                                    |           | (10,011)    |                                       |  |                           |            |          |                | (10,011)    |
| Carrying value as of<br>January 1, 2017                | ₩ 121,881                          | 127,783   | 41,396      | 256,340                               | 17,782                                     | 32,498                    | 3,692      | 72,588   | 6              | 673,049     |
| Acquisitions - internally<br>developed                 |                                    |           |             | 336,208                               |  |                           |            |          |                | 336,208     |
| Acquisitions - external<br>purchases                   | 20,295                             |           | 4,819       |                                       | 90,835                                     |                           |            |          |                | 115,949     |
| Amortization (*1)                                      | (22,632)                           | (67,388)  |             | (295,788)                             |  | (4,660)                   | (1,107)    |          | (5)            | (391,572)   |
| Impairment losses                                      | (4)                                |           | (1,392)     |                                       |  |                           |            |          |                | (1,396)     |
| Reversal of impairment<br>losses                       |                                    |           | (1,809)     |                                       |  |                           |            |          |                | (1,809)     |
| Transfer from<br>Construction-in-progress              |                                    |           | 35          |                                       |  |                           |            |          |                | 35          |
| Transfer from<br>Construction-in-progress              | ₩                                  | 77,895    |             |                                       | (77,895)                                   |                           |            |          |                |             |
| Carrying value as of<br>December 31, 2017              | ₩ 119,540                          | 138,290   | 43,049      | 296,760                               | 30,722                                     | 27,838                    | 2,585      | 72,588   | 1              | 731,593     |
| Acquisition cost as of<br>December 31, 2017            | ₩ 665,645                          | 810,270   | 54,834      | 1,769,998                             | 30,722                                     | 59,176                    | 11,074     | 72,588   | 13,077         | 3,487,602   |
| Accumulated<br>amortization as of<br>December 31, 2017 | ₩ (546,105)                        | (671,980) |             | (1,473,238)                           |  | (31,338)                  | (8,489)    |          | (13,076)       | (2,744,136) |
| Accumulated impairment<br>losses as of December 31,    | ₩                                  |           | (11,785)    |                                       |  |                           |            |          |                | (11,785)    |

(\*1) The Company has classified the amortization as manufacturing overhead costs, selling expenses, administrative expenses, and research and development expenses.

(\*2) Others mainly consist of rights to use electricity and gas supply facilities.

**Table of Contents**10. Intangible Assets, Continued

(c) 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.

(d) Development costs as of December 31, 2018 and 2017 are as follows:

(i) As of December 31, 2018

*(In millions of won and in years)*

| <b>Classification</b>  | <b>Product</b> | <b>Book Value</b> | <b>Remaining Useful life</b> |
|------------------------|----------------|-------------------|------------------------------|
| Development completed  | Mobile         | ₩ 108,467         | 0.5                          |
|                        | TV             | 28,001            | 0.5                          |
|                        | Notebook       | 4,458             | 0.6                          |
|                        | Others         | 9,475             | 0.5                          |
|                        | Sub-Total      | ₩ 150,401         |                              |
| Development in process | Mobile         | ₩ 144,679         |                              |
|                        | TV             | 55,580            |                              |
|                        | Notebook       | 9,639             |                              |
|                        | Others         | 6,611             |                              |
|                        | Sub-Total      | ₩ 216,509         |                              |
| <b>Total</b>           |                | <b>₩ 366,910</b>  |                              |

(ii) As of December 31, 2017

*(In millions of won and in years)*

| <b>Classification</b> | <b>Product</b> | <b>Book Value</b> | <b>Remaining Useful life</b> |
|-----------------------|----------------|-------------------|------------------------------|
| Development completed | Mobile         | ₩ 79,372          | 0.6                          |
|                       | TV             | 36,038            | 0.6                          |
|                       | Notebook       | 14,311            | 0.5                          |
|                       | Others         | 12,444            | 0.4                          |

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|                        |           |           |
|------------------------|-----------|-----------|
|                        | Sub-Total | ₩ 142,165 |
| Development in process | Mobile    | ₩ 117,222 |
|                        | TV        | 30,670    |
|                        | Notebook  | 2,356     |
|                        | Others    | 4,347     |
|                        | Sub-Total | ₩ 154,595 |
| Total                  |           | ₩ 296,760 |



**Table of Contents**11. Financial Liabilities

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

(In millions of won)

|  | December 31, 2018 | December 31, 2017 |
|--|-------------------|-------------------|
| <b>Current</b>                                   |                   |                   |
| Current portion of long-term borrowing and bonds | ₩ 1,040,148       | 1,058,985         |
| Current portion of payment guarantee liabilities | 4,693             | 1,750             |
|  | ₩ 1,044,841       | 1,060,735         |
| <b>Non-current</b>                               |                   |                   |
| Won denominated borrowings                       | ₩ 2,700,608       | 1,251,258         |
| Foreign currency denominated borrowings          | 626,136           | 401,775           |
| Bonds  | 1,772,599         | 1,506,003         |
| Payment guarantee Liabilities                    | 14,375            | 6,377             |
| Derivatives(*)                                   | 25,758            |                   |
|  | ₩ 5,139,476       | 3,165,413         |

(\*) Represents exchange rate swap contracts related to foreign currency denominated borrowings and bonds.

(b) Won denominated long-term borrowings at the reporting date are as follows:

(In millions of won)

| Lender                                       | Annual interest rate as of              |                   |                   |
|--|---|-------------------|-------------------|
|  | December 31, 2018 (%)                   | December 31, 2018 | December 31, 2017 |
| Woori Bank                                   | 2.75                                    | ₩ 1,259           | 1,922             |
| Shinhan Bank                                 |   |                   | 200,000           |
| Korea Development Bank and others            | CD rate (91 days)+ 0.64,<br>2.43 ~ 3.25 | 2,850,000         | 1,250,000         |
| Less current portion of long-term borrowings |   | (150,651)         | (200,664)         |
|  |   | ₩ 2,700,608       | 1,251,258         |



**Table of Contents**11. Financial Liabilities, Continued

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

(In millions of won)

| Lender                                       | Annual interest rate as of |  | December 31, |           | December 31, |           |
|--|----------------------------|--|--------------|-----------|--------------|-----------|
|  | December 31, 2018 (%)      |  | 2018         |           | 2017         |           |
| The Export-Import Bank and Others            | 3ML+0.75 ~1.70             |  | ₩            | 955,975   |              | 755,337   |
| Foreign currency equivalent                  |                            |  | USD          | 855       | USD          | 705       |
| Less current portion of long-term borrowings |                            |  |              | (329,839) |              | (353,562) |
|  |                            |  | ₩            | 626,136   |              | 401,775   |

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

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

(In millions of won)

| Won denominated bonds(*1) | Maturity  | Annual interest rate as of |   | December 31, |  | December 31, |  |
|---------------------------|-----------|----------------------------|---|--------------|--|--------------|--|
|                           |           | December 31, 2018 (%)      |   | 2018         |  | 2017         |  |
| Publicly issued bonds     | Apr 2019~ |                            |   |              |  |              |  |
|                           | Feb 2023  | 1.80~3.45                  | ₩ | 1,900,000    |  | 2,015,000    |  |
| Privately placed bonds    | May 2025~ |                            |   |              |  |              |  |
|                           | May 2033  | 3.25~4.25                  |   | 110,000      |  |              |  |
| Less discount on bonds    |           |                            |   | (3,949)      |  | (4,238)      |  |
| Less current portion      |           |                            |   | (559,658)    |  | (504,759)    |  |
|                           |           |                            | ₩ | 1,446,393    |  | 1,506,003    |  |

|   |          |      |     |           |
|---|----------|------|-----|-----------|
| <b>Foreign currency denominated Bonds(*2)</b> |          |      |     |           |
| Publicly issued bonds                         | Nov 2021 | 3.88 | ₩   | 335,430   |
| Foreign currency equivalent                   |          |      | USD | 300       |
| Less discount on bonds                        |          |      |     | (9,224)   |
| Sub-Total                                     |          |      | ₩   | 326,206   |
| Total   |          |      | ₩   | 1,772,599 |
|   |          |      |     | 1,506,003 |

(\*1) Principal of the won denominated bonds is to be repaid at maturity and interests are paid quarterly.

(\*2) Principal of the foreign currency denominated bonds is to be repaid at maturity and interests are paid semi-annually.

**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.

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

(a) Net defined benefit liabilities recognized at the reporting date are as follows:

| <i>(In millions of won)</i>                                   | <b>December 31, 2018</b> | <b>December 31, 2017</b> |
|---|--------------------------|--------------------------|
| Present value of partially funded defined benefit obligations | ₩ 1,592,366              | 1,560,525                |
| Fair value of plan assets                                     | (1,548,179)              | (1,465,990)              |
|   | ₩ 44,187                 | 94,535                   |

(b) Changes in the present value of the defined benefit obligations for the years ended December 31, 2018 and 2017 are as follows:

| <i>(In millions of won)</i>         | <b>2018</b> | <b>2017</b> |
|-------------------------------------|-------------|-------------|
| Opening defined benefit obligations | ₩ 1,560,525 | 1,400,621   |
| Current service cost                | 203,062     | 194,462     |
| Past service cost                   | (25,749)    |             |
| Interest cost                       | 49,145      | 40,844      |
| Remeasurements (before tax)         | (27,885)    | (114)       |
| Benefit payments                    | (88,056)    | (75,822)    |
| Curtailment of plans                | (74,459)    |             |
| Transfers from (to) related parties | (4,217)     | 534         |
| Closing defined benefit obligations | ₩ 1,592,366 | 1,560,525   |

Weighted average remaining maturity of defined benefit obligations as of December 31, 2018, and 2017 are 14.4 years and 14.0 years, respectively.

**Table of Contents**12. Employee Benefits, Continued

(c) Changes in fair value of plan assets for the years ended December 31, 2018 and 2017 are as follows:

*(In millions of won)*

|   | <b>2018</b> | <b>2017</b> |
|---|-------------|-------------|
| Opening fair value of plan assets                 | ₩ 1,465,990 | 1,258,409   |
| Expected return on plan assets                    | 48,184      | 38,453      |
| Remeasurements (before tax)                       | (22,195)    | (16,374)    |
| Contributions by employer directly to plan assets | 211,006     | 250,000     |
| Benefit payments                                  | (80,369)    | (64,498)    |
| Curtailement of plans                             | (74,437)    |             |
| Closing fair value of plan assets                 | ₩ 1,548,179 | 1,465,990   |

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

*(In millions of won)*

|                              | <b>December 31, 2018</b> | <b>December 31, 2017</b> |
|------------------------------|--------------------------|--------------------------|
| Guaranteed deposits in banks | ₩ 1,548,179              | 1,465,990                |

As of December 31, 2018, the Company maintains the plan assets with Mirae Asset Securities Co., Ltd., KB Insurance Co., Ltd. and others.

The Company's estimated additional contribution to the plan assets for the year ending December 31, 2019 is ₩63,688 million.

(e) Expenses recognized in profit or loss for the years ended December 31, 2018 and 2017 is as follows:

*(In millions of won)*

|                      | <b>2018</b> | <b>2017</b> |
|----------------------|-------------|-------------|
| Current service cost | ₩ 203,062   | 194,462     |
| Past service cost    | (25,749)    |             |
| Net interest cost    | 961         | 2,391       |
|                      | ₩ 178,274   | 196,853     |

Expenses are recognized in the following line items in the separate statements of comprehensive income.

*(In millions of won)*

|                                   | <b>2018</b> | <b>2017</b> |
|-----------------------------------|-------------|-------------|
| Cost of sales                     | ₩ 134,879   | 158,419     |
| Selling expenses                  | 10,719      | 10,810      |
| Administrative expenses           | 18,193      | 15,202      |
| Research and development expenses | 14,483      | 12,422      |
|                                   | ₩ 178,274   | 196,853     |

**Table of Contents**12. Employee Benefits, Continued

- (f) Remeasurements of net defined benefit liabilities (assets) included in other comprehensive income for the years ended December 31, 2018 and 2017 are as follows:

*(In millions of won)*

|  | <b>2018</b> | <b>2017</b> |
|--|-------------|-------------|
| Included in other comprehensive income |             |             |
| Balance at January 1                   | ₩ (170,134) | (163,133)   |
| Remeasurements                         |             |             |
| Actuarial profit or loss arising from: |             |             |
| Experience adjustment                  | 56,225      | (48,890)    |
| Demographic assumptions                | (15,379)    | (7,702)     |
| Financial assumptions                  | (12,961)    | 56,706      |
| Return on plan assets                  | (22,195)    | (16,374)    |
|  | ₩ 5,690     | (16,260)    |
| Income tax                             | ₩ (1,169)   | 9,259       |
| Balance at December 31                 | ₩ (165,613) | (170,134)   |

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

|   | <b>December 31, 2018</b> | <b>December 31, 2017</b> |
|---|--------------------------|--------------------------|
| Expected rate of salary increase              | 4.3%                     | 4.7%                     |
| Discount rate for defined benefit obligations | 2.8%                     | 3.2%                     |

Assumptions regarding future mortality are based on published statistics and mortality tables. The current mortality underlying the values of the liabilities in the defined benefit plans are as follows:

|          |         | <b>December 31, 2018</b> | <b>December 31, 2017</b> |
|----------|---------|--------------------------|--------------------------|
| Teens    | Males   | 0.01%                    | 0.01%                    |
|          | Females | 0.00%                    | 0.00%                    |
| Twenties | Males   | 0.01%                    | 0.01%                    |
|          | Females | 0.00%                    | 0.00%                    |
| Thirties | Males   | 0.01%                    | 0.01%                    |
|          | Females | 0.01%                    | 0.01%                    |
| Forties  | Males   | 0.03%                    | 0.03%                    |
|          | Females | 0.02%                    | 0.02%                    |
| Fifties  | Males   | 0.05%                    | 0.05%                    |



|         |       |       |
|---------|-------|-------|
| Females | 0.02% | 0.02% |
|---------|-------|-------|

**Table of Contents**12. Employee Benefits, Continued

- (h) Reasonably possible changes to respective relevant actuarial assumptions would have affected the defined benefit obligations by the following amounts as of December 31, 2018:

| <i>(In millions of won)</i>                   | <b>Defined benefit obligation</b> |                    |
|---|-----------------------------------|--------------------|
|   | <b>1% increase</b>                | <b>1% decrease</b> |
| Discount rate for defined benefit obligations | ₩ (199,750)                       | 241,608            |
| Expected rate of salary increase              | 236,002                           | (199,363)          |

13. Provisions and Other Liabilities

- (a) Changes in provisions for the year ended December 31, 2018 are as follows:

*(In millions of won)*

|   | <b>Litigations and<br/>claims</b> | <b>Warranties (*)</b> | <b>Others</b> | <b>Total</b> |
|---|-----------------------------------|-----------------------|---------------|--------------|
| Balance at January 1, 2018              | ₩ 43                              | 100,119               | 1,835         | 101,997      |
| Adjustments for adoption of K-IFRS 1115 |                                   |                       | 9,789         | 9,789        |
| Additions (reversals)                   |                                   | 207,892               | (2,694)       | 205,198      |
| Usage and reclassification              | (43)                              | (187,622)             |               | (187,665)    |
| Balance at December 31, 2018            | ₩                                 | 120,389               | 8,930         | 129,319      |
| Current                                 | ₩                                 | 87,625                | 8,930         | 96,555       |
| Non-current                             | ₩                                 | 32,764                |               | 32,764       |

- (\*) 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 at the reporting date is as follows:

*(In millions of won)*

|                            | <b>December 31, 2018</b> | <b>December 31, 2017</b> |
|----------------------------|--------------------------|--------------------------|
| <b>Current liabilities</b> |                          |                          |
| Withholdings               | ₩ 16,181                 | 23,948                   |
| Unearned revenues          | 11,073                   | 9,566                    |
| Security deposits          | 165                      |                          |

|                                  |          |               |               |
|----------------------------------|----------|---------------|---------------|
|                                  | ₩        | 27,419        | 33,514        |
| <b>Non-current liabilities</b>   |          |               |               |
| Long-term accrued expenses       | ₩        | 78,466        | 66,956        |
| Long-term other accounts payable |          | 3,081         |               |
| Long-term advances received      |          | 2,116         |               |
| Security deposits                |          | 10,790        |               |
| <b>Total</b>                     | <b>₩</b> | <b>94,453</b> | <b>66,956</b> |

**Table of Contents**

14. Contingent Liabilities 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. The Company and LG Display Taiwan Co., Ltd. reached a settlement with Argos in November 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 December 31, 2018.

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**Table of Contents****14. Contingent Liabilities and Commitments, Continued****(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 1,670 million (₩1,867,227 million) in connection with the Company's export sales transactions with its subsidiaries. As of December 31, 2018, no short-term borrowings were outstanding in connection with these agreements. In connection with all of the contracts mentioned about, 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 ₩706,374 million in connection with its domestic and export sales transactions and, as of December 31, 2018, ₩143,075 amount of accounts and notes receivable sold to Shinhan Bank were outstanding in connection with the agreement. In connection with the contract above, the Company has sold its accounts receivable without recourse.

**Letters of credit**

As of December 31, 2018, the Company has agreements in relation to the opening of letters of credit up to USD 30 million (₩33,543 million) with KEB Hana Bank, USD 80 million (₩89,448 million) with Bank of China and USD 50 million (₩55,905 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 1,167 million (₩1,305,167 million) for principals.

In addition, the Company obtained payment guarantees amounting to USD 1,538 million (₩1,719,079 million) from KEB Hana Bank and others for advance received related to the long-term supply agreements. The Company also obtained payment guarantees amounting to USD 306 million (₩341,929 million) from Korea Development Bank for foreign currency denominated bonds and USD 8.5 million (₩9,504 million) from Shinhan bank for value added tax payments in Poland.

**License agreements**

As of December 31, 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 December 31, 2018, in connection with long-term supply agreements with customers, the Company recognized USD 1,475 million (₩1,649,198 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 1,538 million (₩1,719,079 million) from KEB Hana Bank and other various banks relating to advance received.



**Table of Contents**15. Share Capital

The Company is authorized to issue 500,000,000 shares of capital stock (par value ₩5,000), and as of December 31, 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, 2018 to December 31, 2018.

16. Retained earnings

(a) Retained earnings at the reporting date is as follows:

*(In millions of won)*

|                                     | <b>2018</b>        | <b>2017</b>      |
|-------------------------------------|--------------------|------------------|
| Legal reserve                       | ₩ 212,158          | 194,267          |
| Other reserve                       | 68,251             | 68,251           |
| Defined benefit plan actuarial loss | (165,613)          | (170,134)        |
| Retained earnings                   | 9,057,593          | 9,696,683        |
|                                     | <b>₩ 9,172,389</b> | <b>9,789,067</b> |

(b) For the years ended December 31, 2018 and 2017, details of the Company's appropriations of retained earnings are as follows:

*(In millions of won, except for cash dividend per common stock)*

|   | <b>2018</b>        | <b>2017</b>      |
|---|--------------------|------------------|
| <b>Retained earnings before appropriations</b>                                |                    |                  |
| Unappropriated retained earnings carried over from prior year                 | ₩ 9,499,884        | 7,916,962        |
| Profit for the year   | (442,291)          | 1,779,721        |
|   | 9,057,593          | 9,696,683        |
| <b>Appropriation of retained earnings (*)</b>                                 |                    |                  |
| Earned surplus reserve  |                    | 17,891           |
| Cash dividend (Dividend per common stock (%): 2017: ₩500 (10%))               |                    | 178,908          |
|   |                    | 196,799          |
| <b>Unappropriated retained earnings carried forward to the following year</b> | <b>₩ 9,057,593</b> | <b>9,499,884</b> |

(\* ) For the years ended December 31, 2018 and 2017, the date of appropriation is March 15, 2019 and March 15, 2018, respectively.



**Table of Contents****17. Revenue**

Details of revenue for the years ended December 31, 2018 and 2017 are as follows:

*(In millions of won)*

|                | <b>2018</b>  | <b>2017</b> |
|----------------|--------------|-------------|
| Sales of goods | ₩ 22,324,003 | 25,541,281  |
| Royalties      | 20,970       | 17,236      |
| Others         | 26,714       | 32,565      |
|                | ₩ 22,371,687 | 25,591,082  |

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

The classification of expenses by nature for the years ended December 31, 2018 and 2017 are as follows:

*(In millions of won)*

|  | <b>2018</b>  | <b>2017</b> |
|--|--------------|-------------|
| Changes in inventories                             | ₩ (268,910)  | 24,738      |
| Purchases of raw materials, merchandise and others | 8,875,141    | 10,140,086  |
| Depreciation and amortization                      | 2,392,768    | 2,124,481   |
| Outsourcing fees                                   | 6,012,740    | 5,372,293   |
| Labor costs  | 2,592,716    | 2,696,869   |
| Supplies and others                                | 795,935      | 1,011,035   |
| Utility  | 728,166      | 716,354     |
| Fees and commissions                               | 522,328      | 486,939     |
| Shipping costs                                     | 102,913      | 124,303     |
| Advertising  | 111,972      | 230,453     |
| Warranty expenses                                  | 207,892      | 217,198     |
| Travel   | 95,003       | 81,731      |
| Taxes and dues                                     | 59,207       | 48,043      |
| Others   | 694,166      | 812,902     |
| Total(*)   | ₩ 22,922,037 | 24,087,425  |

(\*) 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 years ended December 31, 2018 and 2017 are as follows:

*(In millions of won)*

|   | <b>2018</b>        | <b>2017</b>      |
|---|--------------------|------------------|
| Salaries(*1)                                  | ₩ 396,223          | 220,300          |
| Expenses related to defined benefit plans(*2) | 29,023             | 26,012           |
| Other employee benefits                       | 42,987             | 49,769           |
| Shipping costs                                | 72,876             | 97,666           |
| Fees and commissions                          | 136,417            | 112,035          |
| Depreciation                                  | 111,133            | 88,665           |
| Taxes and dues                                | 4,777              | 2,449            |
| Advertising                                   | 111,972            | 230,453          |
| Warranty expenses                             | 207,892            | 217,198          |
| Rent  | 10,597             | 10,004           |
| Insurance                                     | 6,175              | 6,620            |
| Travel  | 18,197             | 19,812           |
| Training                                      | 10,910             | 13,862           |
| Others  | 39,486             | 45,523           |
|   | <b>₩ 1,198,665</b> | <b>1,140,368</b> |

(\*1) The expense related to retirement allowance for the year ended December 31, 2018 is ₩184,941 million.

(\*2) The expense related to the define contribution plan for the year ended December 31, 2018 is ₩111 million.

**20. Personnel Expenses**

Details of personnel expenses for the years ended December 31, 2018 and 2017 are as follows:

*(In millions of won)*

|   | <b>2018</b>        | <b>2017</b>      |
|---|--------------------|------------------|
| Salaries and wages  | ₩ 2,280,341        | 2,314,935        |
| Other employee benefits   | 312,050            | 312,816          |
| Contributions to National Pension plan                                    | 75,668             | 73,061           |
| Expenses related to defined benefit plan and defined contribution plan(*) | 179,137            | 196,853          |
|   | <b>₩ 2,847,196</b> | <b>2,897,665</b> |

(\*) The expense related to defined contribution plan for the year ended December 31, 2018 is ₩863 million.



**Table of Contents**21. Other Non-operating Income and Other Non-operating Expenses

(a) Details of other non-operating income for the years ended December 31, 2018 and 2017 are as follows:

*(In millions of won)*

|   | <b>2018</b>      | <b>2017</b>    |
|---|------------------|----------------|
| Foreign currency gain                             | ₩ 483,160        | 642,208        |
| Gain on disposal of property, plant and equipment | 42,864           | 139,053        |
| Gain on disposal of intangible assets             | 239              | 308            |
| Reversal of impairment loss on intangible assets  | 348              | 35             |
| Rental income                                     | 1,764            | 3,514          |
| Others  | 13,172           | 5,358          |
|   | <b>₩ 541,547</b> | <b>790,476</b> |

(b) Details of other non-operating expenses for the years ended December 31, 2018 and 2017 are as follows:

*(In millions of won)*

|   | <b>2018</b>      | <b>2017</b>    |
|---|------------------|----------------|
| Foreign currency loss                             | ₩ 499,652        | 898,221        |
| Other bad debt expense                            | 23               | 2,180          |
| Loss on disposal of property, plant and equipment | 8,615            | 11,620         |
| Impairment loss on property, plant and equipment  | 43,601           |                |
| Loss on disposal of intangible assets             |                  | 30             |
| Impairment loss on intangible assets              | 82               | 1,809          |
| Donations   | 7,294            | 16,991         |
| Others  | 17,740           | 443            |
|   | <b>₩ 577,007</b> | <b>931,294</b> |

**Table of Contents****22. Finance Income and Finance Costs**

Finance income and costs recognized in profit or loss for the years ended December 31, 2018 and 2017 are as follows:

*(In millions of won)*

|   | 2018      | 2017    |
|---|-----------|---------|
| <b>Finance income</b>   |           |         |
| Interest income   | ₩ 17,938  | 25,561  |
| Dividend income   | 95,553    | 612,132 |
| Foreign currency gain   | 10,170    | 116,085 |
| Gain on disposal of investments   | 1,111     | 4,203   |
| Gain on transaction of derivatives  | 2,075     | 3,106   |
| Gain on valuation of derivatives  | 13,059    | 1,070   |
| Gain on disposal of available-for-sale financial assets                   |           | 8       |
| Gain on valuation of financial asset at fair value through profit or loss | 4,362     | 170     |
| Others  | ₩ 4,033   | 1,154   |
|   | 148,301   | 763,489 |
| <b>Finance costs</b>  |           |         |
| Interest expense  | ₩ 35,108  | 47,294  |
| Foreign currency loss   | 39,869    | 39,639  |
| Loss on disposal of investments   |           | 22,490  |
| Loss on impairment of investments   | 23,059    | 5,505   |
| Loss on sale of trade accounts and notes receivable                       | 875       | 46      |
| Loss on valuation of financial asset at fair value through profit or loss | 225       |         |
| Loss on impairment of available-for-sale financial assets                 |           | 1,948   |
| Loss on transaction of derivatives  | 49        | 514     |
| Loss on valuation of derivatives  | 26,600    |         |
| Others  | 3,867     | 2,098   |
|   | ₩ 129,652 | 119,534 |

**Table of Contents**23. Income Taxes

(a) Details of income tax expense for the years ended December 31, 2018 and 2017 are as follows:

*(In millions of won)*

|   | 2018        | 2017     |
|---|-------------|----------|
| <b>Current tax expense</b>                        |             |          |
| Current year                                      | ₩ (3,883)   | 324,522  |
| Adjustment for prior years                        | 82,225      |          |
|   | ₩ 78,342    | 324,522  |
| <b>Deferred tax expense (benefit)</b>             |             |          |
| Origination and reversal of temporary differences | ₩ (190,675) | (52,668) |
| Change in unrecognized deferred tax assets        | 64,818      | (11,708) |
|   | ₩ (125,857) | (64,376) |
| Income tax expense (benefit)                      | ₩ (47,515)  | 260,146  |

(b) Income taxes recognized directly in other comprehensive income or loss for the years ended December 31, 2018 and 2017 are as follows:

*(In millions of won)*

|  | 2018       |                          |            | 2017       |                          |            |
|--|------------|--------------------------|------------|------------|--------------------------|------------|
|  | Before tax | Tax benefit<br>(expense) | Net of tax | Before tax | Tax benefit<br>(expense) | Net of tax |
| Remeasurements of net defined benefit liabilities (assets) | ₩ 5,690    | (1,169)                  | 4,521      | (16,260)   | 9,259                    | (7,001)    |

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

(c) Reconciliation of the actual effective tax rate for the years ended December 31, 2018 and 2017 is as follows:

| <i>(In millions of won)</i>                |          | <b>2018</b> |          | <b>2017</b> |
|--|----------|-------------|----------|-------------|
| Profit (loss) for the year                 | ₩        | (442,291)   |          | 1,779,721   |
| Income tax expense (benefit)               |          | (47,515)    |          | 260,146     |
| Profit (loss) before income tax            |          | (489,806)   |          | 2,039,867   |
| Income tax expense using the Company's     |          |             |          |             |
| statutory tax rate                         | 26.65%   | (130,533)   | 24.20%   | 493,648     |
| Non-deductible expenses                    | (6.76%)  | 33,112      | 2.63%    | 53,671      |
| Tax credits                                | 19.97%   | (97,822)    | (11.81%) | (240,788)   |
| Change in unrecognized deferred tax assets | (13.23%) | 64,818      | (0.57%)  | (11,708)    |
| Adjustment for prior years                 | (16.79%) | 82,225      |          |             |
| Effect on change in tax rate               | 0.41%    | (2,007)     | (1.69%)  | (34,455)    |
| Others                                     | (0.55%)  | 2,692       | (0.01%)  | (222)       |
| Actual income tax expense (benefit)        | ₩        | (47,515)    |          | 260,146     |
| Actual effective tax rate                  |          | (*)         |          | 12.75%      |

(\*) Actual effective tax rate are not calculated due to loss before income tax.

**Table of Contents**24. Deferred Tax Assets and Liabilities

## (a) Unrecognized deferred tax liabilities

As of December 31, 2018, in relation to the temporary differences on investments in subsidiaries amounting to ₩211,264 million, the Company did not recognize deferred tax liabilities since the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary differences will not reverse in the foreseeable future.

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

Realization of deferred tax assets related to tax credit carryforwards is dependent on whether sufficient taxable income will be generated prior to their expiration. As of December 31, 2018, the Company recognized deferred tax assets of ₩308,393 million, in relation to tax credit carryforwards, to the extent that management believes the realization is probable.

(In millions of won)

|                          | December 31,<br>2019 | December 31,<br>2020 | December 31,<br>2021 | December 31,<br>2022 |
|--------------------------|----------------------|----------------------|----------------------|----------------------|
| Tax credit carryforwards | ₩ 29,770             |                      | 58,391               | 91,862               |

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

(In millions of won)

|   | Assets               |                      | Liabilities          |                      | Total                |                      |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
|   | December 31,<br>2018 | December 31,<br>2017 | December 31,<br>2018 | December 31,<br>2017 | December 31,<br>2018 | December 31,<br>2017 |
| Other accounts receivable, net                    | ₩                    |                      | (1,013)              | (1,378)              | (1,013)              | (1,378)              |
| Inventories, net                                  | 53,882               | 30,688               |                      |                      | 53,882               | 30,688               |
| Defined benefit liabilities, net                  |                      | 2,375                |                      |                      |                      | 2,375                |
| Accrued expenses                                  | 121,508              | 179,112              |                      |                      | 121,508              | 179,112              |
| Property, plant and equipment                     | 191,073              | 206,900              |                      |                      | 191,073              | 206,900              |
| Intangible assets                                 | 925                  | 1,249                |                      |                      | 925                  | 1,249                |
| Provisions  | 32,468               | 27,018               |                      |                      | 32,468               | 27,018               |
| Gain or loss on foreign currency translation, net | 13                   | 13                   |                      |                      | 13                   | 13                   |
| Others  | 17,932               | 12,345               |                      |                      | 17,932               | 12,345               |
| Tax loss carryforwards                            | 126,755              |                      |                      |                      | 126,755              |                      |
| Tax credit carryforwards                          | 308,393              | 268,926              |                      |                      | 308,393              | 268,926              |
| Deferred tax assets (liabilities)                 | ₩ 852,949            | 728,626              | (1,013)              | (1,378)              | 851,936              | 727,248              |





**Table of Contents**24. Deferred Tax Assets and Liabilities, Continued

- (d) Changes in deferred tax assets and liabilities for the years ended December 31, 2018 and 2017 are as follows:

(In millions of won)

|   | January 1,<br>2017 | Profit<br>or<br>loss | Other<br>comprehensive<br>income | December 31,<br>2017 | Profit<br>or<br>loss | Other<br>comprehensive<br>income | December 31,<br>2018 |
|---|--------------------|----------------------|----------------------------------|----------------------|----------------------|----------------------------------|----------------------|
| Other accounts receivable, net                    | ₩ (1,190)          | (188)                |                                  | (1,378)              | 365                  |                                  | (1,013)              |
| Inventories, net                                  | 32,150             | (1,462)              |                                  | 30,688               | 23,194               |                                  | 53,882               |
| Defined benefit liabilities, net                  | 10,817             | (17,701)             | 9,259                            | 2,375                | (1,206)              | (1,169)                          |                      |
| Accrued expenses                                  | 119,952            | 59,160               |                                  | 179,112              | (57,604)             |                                  | 121,508              |
| Property, plant and equipment                     | 177,833            | 29,067               |                                  | 206,900              | (15,827)             |                                  | 191,073              |
| Intangible assets                                 | 744                | 505                  |                                  | 1,249                | (324)                |                                  | 925                  |
| Provisions  | 15,051             | 11,967               |                                  | 27,018               | 5,450                |                                  | 32,468               |
| Gain or loss on foreign currency translation, net | 11                 | 2                    |                                  | 13                   |                      |                                  | 13                   |
| Others  | 10,845             | 1,500                |                                  | 12,345               | 5,587                |                                  | 17,932               |
| Tax loss carryforwards                            |                    |                      |                                  |                      | 126,755              |                                  | 126,755              |
| Tax credit carryforwards                          | 287,400            | (18,474)             |                                  | 268,926              | 39,467               |                                  | 308,393              |
| Deferred tax assets (liabilities)                 | ₩ 653,613          | 64,376               | 9,259                            | 727,248              | 125,857              | (1,169)                          | 851,936              |

Statutory tax rate applicable to the Company is 24.2% for the year-ended December 31, 2018. During the year ended December 31, 2018, certain amendments to corporate income tax rules in Korea were enacted and effective on January 1, 2019 that resulted in application of 27.5% for taxable income in excess of ₩300,000 million. Accordingly, the Company recorded the impact from the amendment in 2018.

**Table of Contents**25. Earnings (Loss) per Share

(a) Basic earnings (loss) per share for the years ended December 31, 2018 and 2017 are as follows:

| <i>(In won and No. of shares)</i>                    |                     |                   |
|--|---------------------|-------------------|
|  | <b>2018</b>         | <b>2017</b>       |
| <b>Profit (loss) for the period</b>                  | ₩ (442,291,281,486) | 1,779,721,318,741 |
| Weighted-average number of common stocks outstanding | 357,815,700         | 357,815,700       |
| <b>Earnings (loss) per share</b>                     | ₩ (1,236)           | 4,974             |

For the years ended December 31, 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 years ended December 31, 2018 and 2017 are not calculated since there was no potential common stock.

26. 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. Meanwhile, the Company entered into a currency swap contract to hedge currency risk with respect to foreign currency borrowings and bonds.

**Table of Contents**26. Financial Risk Management, Continued

## i) Exposure to currency risk

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

| <i>(In millions)</i>                             | <b>December 31, 2018</b> |            |            |            |            |
|--|--------------------------|------------|------------|------------|------------|
|  | <b>USD</b>               | <b>JPY</b> | <b>CNY</b> | <b>PLN</b> | <b>EUR</b> |
| Cash and cash equivalents                        | 66                       |            | 54         | 1          | 7          |
| Trade accounts and notes receivable              | 2,809                    | 2,937      |            |            |            |
| Non-trade receivable                             | 48                       | 836        | 1,018      |            |            |
| Trade accounts and notes payable                 | (1,392)                  | (11,477)   |            |            |            |
| Other accounts payable                           | (117)                    | (13,982)   |            | (18)       | (2)        |
| Borrowings                                       | (1,163)                  |            |            |            |            |
| Aggregate notional amounts in financial position | 251                      | (21,686)   | 1,072      | (17)       | 5          |
| Currency swap contracts                          | 780                      |            |            |            |            |
| Net exposure                                     | 1,031                    | (21,686)   | 1,072      | (17)       | 5          |

| <i>(In millions)</i>                | <b>December 31, 2017</b> |            |            |            |            |
|-------------------------------------|--------------------------|------------|------------|------------|------------|
|                                     | <b>USD</b>               | <b>JPY</b> | <b>CNY</b> | <b>PLN</b> | <b>EUR</b> |
| 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          |

**Table of Contents**26. Financial Risk Management, Continued

Average exchange rates applied for the years ended December 31, 2018 and 2017 and the exchange rates at December 31, 2018 and December 31, 2017 are as follows:

| <i>(In won)</i> | Average rate |          | Reporting date spot rate |                   |
|-----------------|--------------|----------|--------------------------|-------------------|
|                 | 2018         | 2017     | December 31, 2018        | December 31, 2017 |
| USD             | ₩ 1,100.21   | 1,131.08 | ₩ 1,118.10               | 1,071.40          |
| JPY             | 9.96         | 10.09    | 10.13                    | 9.49              |
| CNY             | 166.41       | 167.52   | 162.76                   | 163.65            |
| PLN             | 304.87       | 299.98   | 297.33                   | 306.07            |
| EUR             | 1,298.53     | 1,277.01 | 1,279.16                 | 1,279.25          |

## ii) Sensitivity analysis

A weaker won, as indicated below, against the following currencies which comprise the Company's assets or liabilities denominated in a foreign currency as of December 31, 2018 and 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> | December 31, 2018 |                | December 31, 2017 |                |
|-----------------------------|-------------------|----------------|-------------------|----------------|
|                             | Equity            | Profit or loss | Equity            | Profit or loss |
| USD (5 percent weakening)   | ₩ 41,788          | 41,788         | ₩ 88,643          | 88,643         |
| JPY (5 percent weakening)   | (7,965)           | (7,965)        | (8,104)           | (8,104)        |
| CNY (5 percent weakening)   | 6,325             | 6,325          | 161               | 161            |
| PLN (5 percent weakening)   | (183)             | (183)          | (93)              | (93)           |
| EUR (5 percent weakening)   | 232               | 232            | 339               | 339            |

A stronger won against the above currencies as of December 31, 2018 and 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 Contents**26. Financial Risk Management, Continued

## (ii) Interest rate risk

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

## i) Profile

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

(In millions of won)

|                                  | December 31, 2018 | December 31, 2017 |
|----------------------------------|-------------------|-------------------|
| <b>Fixed rate instruments</b>    |                   |                   |
| Financial assets                 | ₩ 550,644         | 1,147,340         |
| Financial liabilities            | (5,033,515)       | (2,962,671)       |
|                                  | ₩ (4,482,871)     | (1,815,331)       |
| <b>Variable rate instruments</b> |                   |                   |
| Financial liabilities            | ₩ (1,105,976)     | (1,255,350)       |

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

For the years ended December 31, 2018 and 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 the respective following years. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

(In millions of won)

|                              | Equity    |          | Profit or loss |          |
|------------------------------|-----------|----------|----------------|----------|
|                              | 1%        | 1%       | 1%             | 1%       |
|                              | increase  | decrease | increase       | decrease |
| <b>December 31, 2018</b>     |           |          |                |          |
| Variable rate instruments(*) | ₩ (8,018) | 8,018    | (8,018)        | 8,018    |
| <b>December 31, 2017</b>     |           |          |                |          |
| 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 Contents**26. 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.

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

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

## i) As of December 31, 2018

*(In millions of won)*

|  | <b>December 31, 2018</b> |           |
|--|--------------------------|-----------|
| <b>Financial assets carried at amortized cost</b>            |                          |           |
| Cash and cash equivalents                                    | ₩                        | 473,283   |
| Deposits in banks  |                          | 77,211    |
| Trade accounts and notes receivable                          |                          | 3,389,108 |
| Non-trade receivable   |                          | 316,069   |
| Accrued income   |                          | 5,894     |
| Deposits   |                          | 13,418    |
| Short-term loans   |                          | 16,116    |
| Long-term loans  |                          | 55,048    |
| Long-term non-trade receivable                               |                          | 25,823    |
|  | ₩                        | 4,371,970 |
| <b>Financial assets at fair value through profit or loss</b> |                          |           |
| Convertible bonds  | ₩                        | 1,327     |
| Derivatives  |                          | 13,059    |

14,386

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

|                 |   |           |
|-----------------|---|-----------|
| Debt instrument | ₩ | 161       |
|                 | ₩ | 4,386,517 |

**Table of Contents**26. Financial Risk Management, Continued

ii) As of December 31, 2017

*(In millions of won)*

|  | <b>December 31, 2017</b> |
|--|--------------------------|
| 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 asset 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                      |
|  | <b>6,583,442</b>         |

In addition to the financial assets above, as of December 31, 2018, the Company provides a payment guarantee of USD 1,167 million (₩1,305,167 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 Contents**26. 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 securities, equity-linked and other debt securities. 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 December 31, 2018.

(In millions of won)

|   | Carrying amount     | Total             | Contractual cash flows |                |                  |                  |                   |
|---|---------------------|-------------------|------------------------|----------------|------------------|------------------|-------------------|
|   |                     |                   | 6 months or less       | 6-12 months    | 1-2 years        | 2-5 years        | More than 5 years |
| <b>Non-derivative financial liabilities</b> |                     |                   |                        |                |                  |                  |                   |
| Unsecured bank loans                        | ₩ 3,807,234         | 4,148,732         | 503,257                | 85,176         | 802,857          | 2,502,969        | 254,473           |
| Unsecured bond issues                       | 2,332,257           | 2,537,553         | 291,738                | 328,400        | 456,990          | 1,320,248        | 140,177           |
| Trade accounts and notes payable            | 3,186,123           | 3,186,123         | 3,186,123              |                |                  |                  |                   |
| Other accounts payable                      | 1,746,412           | 1,746,412         | 1,745,382              | 1,030          |                  |                  |                   |
| Long-term other accounts payable            | 3,081               | 3,081             |                        |                | 2,055            | 1,026            |                   |
| Payment guarantee(*)                        | 19,068              | 1,493,425         | 41,614                 | 41,713         | 137,328          | 1,010,875        | 261,895           |
| Security deposits                           | 10,955              | 10,955            |                        | 165            | 10,790           |                  |                   |
| <b>Derivatives financial liabilities</b>    |                     |                   |                        |                |                  |                  |                   |
| Derivatives                                 | 25,758              | (35,140)          | (6,742)                | (6,728)        | (12,517)         | (9,153)          |                   |
| <b>Total</b>                                | <b>₩ 11,130,888</b> | <b>13,091,141</b> | <b>5,761,372</b>       | <b>449,756</b> | <b>1,397,503</b> | <b>4,825,965</b> | <b>656,545</b>    |

(\*) 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 Contents**26. 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.

*(In millions of won)*

|                                     | <b>December 31, 2018</b> | <b>December 31, 2017</b> |
|-------------------------------------|--------------------------|--------------------------|
| Total liabilities                   | ₩ 13,849,525             | 11,580,156               |
| Total equity                        | 13,212,581               | 13,829,259               |
| Cash and deposits in banks (*1)     | 550,483                  | 1,147,178                |
| Borrowings (including bonds)        | 6,139,491                | 4,218,021                |
| Total liabilities to equity ratio   | 105%                     | 84%                      |
| Net borrowings to equity ratio (*2) | 42%                      | 22%                      |

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

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

**Table of Contents**

26. 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) Other current financial 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 securities

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

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 Contents**26. 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 separate statement of financial position, are as follows:

## i) As of December 31, 2018

(In millions of won)

|  | <b>December 31, 2018</b> |                   |
|--|--------------------------|-------------------|
|  | <b>Carrying value</b>    | <b>Fair value</b> |
| <b>Financial assets carried at amortized cost</b>                        |                          |                   |
| Cash and cash equivalents  | ₩ 473,283                | (*)               |
| Deposits in banks  | 77,211                   | (*)               |
| Trade accounts and notes receivable                                      | 3,389,108                | (*)               |
| Non-trade receivable   | 316,069                  | (*)               |
| Accrued income   | 5,894                    | (*)               |
| Deposits   | 13,418                   | (*)               |
| Short-term loans   | 16,116                   | (*)               |
| Long-term loans  | 55,048                   | (*)               |
| Long-term non-trade receivable   | 25,823                   | (*)               |
| <b>Financial assets at fair value through profit or loss</b>             |                          |                   |
| Equity securities  | ₩ 7,344                  | 7,344             |
| Convertible bonds  | 1,327                    | 1,327             |
| Derivatives  | 13,059                   | 13,059            |
| <b>Financial assets at fair value through other comprehensive income</b> |                          |                   |
| Debt instrument  | ₩ 161                    | 161               |
| <b>Financial liabilities at fair value through profit or loss</b>        |                          |                   |
| Derivatives  | ₩ 25,758                 | 25,758            |
| <b>Financial liabilities carried at amortized cost</b>                   |                          |                   |
| Unsecured bank borrowings  | ₩ 3,807,234              | 3,862,709         |
| Unsecured bond issues  | 2,332,257                | 2,384,987         |
| Trade accounts and notes payable   | 3,186,123                | (*)               |
| Other accounts payable   | 1,746,412                | (*)               |
| Long-term other accounts payable   | 3,081                    | (*)               |
| Payment guarantee liabilities  | 19,068                   | (*)               |
| Security deposits  | 10,955                   | (*)               |

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





**Table of Contents**26. Financial Risk Management, Continued

ii) As of December 31, 2017

*(In millions of won)*

|  | <b>December 31, 2017</b> |                    |
|--|--------------------------|--------------------|
|  | <b>Carrying amounts</b>  | <b>Fair values</b> |
| <b>Assets carried at fair value</b>                  |                          |                    |
| Available-for-sale financial assets                  | ₩ 162                    | 162                |
| Financial asset at fair value through profit or loss | 1,552                    | 1,552              |
| Derivatives  | 842                      | 842                |
| <b>Assets carried at amortized cost</b>              |                          |                    |
| 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                   | (*)                |
| <b>Liabilities carried at amortized cost</b>         |                          |                    |
| 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 Contents**26. 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 December 31, 2018 and 2017 are as follows:

| <i>(In millions of won)</i>                                      | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b> |
|--|----------------|----------------|----------------|--------------|
| <b>December 31, 2018</b>   |                |                |                |              |
| Financial assets at fair value through profit or loss            |                |                |                |              |
| Equity instrument  | ₩              |                | 7,344          | 7,344        |
| Convertible bonds  |                |                | 1,327          | 1,327        |
| Derivatives  |                |                | 13,059         | 13,059       |
| Financial asset at fair value through other comprehensive income |                |                |                |              |
| Debt instrument  | 161            |                |                | 161          |
| Financial liabilities at fair value through profit or loss       |                |                |                |              |
| Derivatives  |                |                | 25,758         | 25,758       |
| <br><i>(In millions of won)</i>                                  |                |                |                |              |
| <b>December 31, 2017</b>   |                |                |                |              |
| <b>Assets</b>  |                |                |                |              |
| Available-for-sale financial assets                              | ₩ 162          |                |                | 162          |
| Financial asset at fair value through profit or loss             |                |                | 1,552          | 1,552        |
| Derivatives  |                |                | 842            | 842          |



**Table of Contents**26. 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 December 31, 2018 and December 31, 2017 are as follows:

| <i>(In millions of won)</i><br>Classification | December 31, 2018 |         |           | Valuation technique  | Input         |
|---|-------------------|---------|-----------|----------------------|---------------|
|   | Level 1           | Level 2 | Level 3   |                      |               |
| <b>Liabilities</b>                            |                   |         |           |                      |               |
| Unsecured bank borrowings                     |                   |         |           | Discounted cash flow | Discount rate |
|   | ₩                 |         | 3,862,709 |                      |               |
| Unsecured bond issues                         |                   |         |           | Discounted cash flow | Discount rate |
|   |                   |         | 2,384,987 |                      |               |

| <i>(In millions of won)</i><br>Classification | December 31, 2017 |         |           | Valuation technique  | Input         |
|---|-------------------|---------|-----------|----------------------|---------------|
|   | Level 1           | Level 2 | Level 3   |                      |               |
| <b>Liabilities</b>                            |                   |         |           |                      |               |
| 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 |                      |               |

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

|                              | December 31, 2018 | December 31, 2017 |
|------------------------------|-------------------|-------------------|
| Borrowings, bonds and others | 2.09~3.37%        | 1.57~2.92%        |

**Table of Contents****27. Changes in liabilities arising from financing activities**

Changes in liabilities arising from financing activities for the year ended December 31, 2018 are as follows:

*(In millions of won)*

|   | January 1,<br>2018 | Cash flows<br>from<br>financing<br>activities | Non-cash transactions |                            |                                     | December 31,<br>2018 |           |
|---|--------------------|---|-----------------------|----------------------------|-------------------------------------|----------------------|-----------|
|   |                    |   | Reclassification      | Exchange<br>rate<br>effect | Effective<br>interest<br>adjustment |                      | Others    |
| Short-term borrowings                                   | ₩                  | (720)   |                       | 720                        |                                     |                      |           |
| Current portion of<br>long-term borrowings and<br>bonds | 1,058,985          | (1,425,395)                                   | 1,376,081             | 29,945                     | 532                                 | 1,040,148            |           |
| Payment guarantee                                       | 8,127              | 1,876   |                       |                            |                                     | 19,068               |           |
| Long-term borrowings                                    | 1,653,033          | 2,489,560                                     | (816,713)             | 864                        |                                     | 3,326,744            |           |
| Bonds   | 1,506,003          | 828,169                                       | (559,368)             | (4,172)                    | 1,967                               | 1,772,599            |           |
|   | ₩4,226,148         | 1,893,490                                     |                       | 27,357                     | 2,499                               | 9,065                | 6,158,559 |

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28. Related Parties and Others

(a) Related parties

Related parties for the year ended December 31, 2018 are as follows:

| <b>Classification</b>  | <b>Description</b>                       |
|--|--|
| Subsidiaries(*)  | LG Display America, Inc. and others      |
| Associates(*)  | Paju Electric Glass 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 Contents**28. 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 years ended December 31, 2018 and 2017 are as follows:

*(In millions of won)*

|   | <b>2018</b>                            |                        |  |  |                         |                         |                    |
|---|--|------------------------|--|--|-------------------------|-------------------------|--------------------|
|   | <b>Purchase and others Acquisition</b> |                        |  |  |                         |                         |                    |
|   | <b>Sales and others</b>                | <b>Dividend income</b> | <b>Purchase of raw material and others</b> |  | <b>and of equipment</b> | <b>Outsourcing fees</b> | <b>Other costs</b> |
| <b>Subsidiaries</b>                     |  |                        |  |  |                         |                         |                    |
| LG Display America, Inc.                | ₩ 8,944,621                            |                        |  |  |                         |                         | 9                  |
| LG Display Japan Co., Ltd.              | 2,413,437                              |                        |  |  |                         |                         | 2,158              |
| LG Display Germany GmbH                 | 1,796,479                              |                        |  |  |                         |                         | 5,558              |
| LG Display Taiwan Co., Ltd.             | 1,488,447                              |                        |  |  |                         |                         | 568                |
| LG Display Nanjing Co., Ltd.            | 13,840                                 |                        | 6,037                                      |  | 1,321,700               |                         | 27,142             |
| LG Display Shanghai Co., Ltd.           | 963,865                                |                        |  |  |                         |                         | 52                 |
| LG Display Poland Sp. z o.o.            | 329                                    |                        |  |  | 37,307                  |                         | 16                 |
| LG Display Guangzhou Co., Ltd.          | 52,168                                 |                        | 14,043                                     |  | 1,930,113               |                         | 14,194             |
| LG Display Shenzhen Co., Ltd.           | 1,312,088                              |                        |  |  |                         |                         | 4                  |
| LG Display Yantai Co., Ltd.             | 23,018                                 |                        | 25,759                                     |  | 1,358,502               |                         | 13,597             |
| LG Display (China) Co., Ltd.            | 328                                    | 90,281                 | 1,409,953                                  |  |                         |                         | 1,253              |
| LG Display Singapore Pte. LTD.          | 1,087,835                              |                        |  |  |                         |                         | 38                 |
| L&T Display Technology (Fujian) Limited | 392,318                                |                        |  |  |                         | 8                       | 38                 |
| Nanumnuri Co., Ltd.                     | 180                                    |                        |  |  |                         |                         | 21,356             |
| Global OLED Technology, LLC             |  |                        |  |  |                         |                         | 6,007              |
| LG Display Guangzhou Trading Co., Ltd.  | 782,603                                |                        |  |  |                         |                         |                    |
| LG Display Vietnam Haiphong Co., Ltd.   | 39,639                                 |                        | 36,013                                     |  | 830,170                 |                         | 6,175              |
| Suzhou Lehui Display Co., Ltd.          | 178,357                                |                        |  |  |                         |                         |                    |
| LG Display High-Tech (China) Co., Ltd   | 12,434                                 |                        |  |  |                         |                         |                    |
|   | <b>₩ 19,501,986</b>                    | <b>90,281</b>          | <b>1,491,805</b>                           |  | <b>5,477,800</b>        |                         | <b>98,165</b>      |



**Table of Contents**28. Related Parties and Others, Continued*(In millions of won)*

|   | 2018             |                 |                                     |         |   |        |                  |             |
|---|------------------|-----------------|-------------------------------------|---------|---|--------|------------------|-------------|
|   |                  |                 | Purchase of raw material and others |         | Purchase and others<br>acquisition of property, plant and equipment |        | Outsourcing fees | Other costs |
|   | Sales and Others | Dividend income | and others                          | and     | and   | and    | and              | and         |
| <b>Associates and their subsidiaries</b>                      |                  |                 |                                     |         |   |        |                  |             |
| WooRee E&L Co., Ltd.  | ₩                |                 | 50                                  |         |   |        |                  | 144         |
| INVENIA Co., Ltd.   |                  | 30              | 1,608                               | 28,657  |   |        |                  | 795         |
| AVATEC Co., Ltd.  |                  | 530             |                                     |         |   | 71,403 |                  | 905         |
| Paju Electric Glass Co., Ltd.                                 |                  | 4,172           | 364,183                             |         |   |        |                  | 4,411       |
| LB Gemini New Growth Fund No.16(*)                            |                  | 1,112           | 540                                 |         |   |        |                  |             |
| YAS Co., Ltd.   |                  |                 | 5,281                               | 25,422  |   |        |                  | 3,391       |
|   | ₩                | 1,112           | 5,272                               | 371,122 | 54,079  | 71,403 |                  | 9,646       |
| <b>Entity that has significant influence over the Company</b> |                  |                 |                                     |         |   |        |                  |             |
| LG Electronics Inc.   | ₩                | 1,207,372       |                                     | 31,161  | 454,555   |        |                  | 107,861     |

**Table of Contents**28. Related Parties and Others, Continued*(In millions of won)*

|   | 2018                |                    |  |   |                     |                |
|---|---------------------|--------------------|--|---|---------------------|----------------|
|   |                     |                    | Purchase and others<br>Acquisition           |   |                     |                |
|   | Sales<br>and others | Dividend<br>income | Purchase of raw<br>material<br>and<br>others | of<br>property, plant<br>and<br>equipment | Outsourcing<br>fees | Other<br>costs |
| <b>Subsidiaries of the entity that<br/>has significant influence over the<br/>Company</b> |                     |                    |  |   |                     |                |
| LG Electronics India Pvt. Ltd.  | ₩ 71,798            |                    |  |   |                     | 103            |
| LG Electronics Vietnam Haiphong<br>Co., Ltd.  | 173,051             |                    |  |   |                     | 166            |
| LG Electronics Reynosa S.A. DE<br>C.V.  | 33,225              |                    |  |   |                     | 2,021          |
| LG Electronics Almaty<br>Kazakhstan   | 3,759               |                    |  |   |                     | 42             |
| LG Electronics S.A. (Pty) Ltd.  | 7,244               |                    |  |   |                     | 20             |
| LG Electronics Mexicali, S.A. DE<br>C.V.  | 10,296              |                    |  |   |                     | 210            |
| LG Electronics RUS, LLC   | 2,201               |                    |  |   |                     | 1,862          |
| LG Electronics Egypt S.A.E.   | 25,491              |                    |  |   |                     | 16             |
| LG Electronics (Kunshan)<br>Computer Co., Ltd.  | 4,804               |                    |  |   |                     |                |
| LG Innotek Co., Ltd.  | 29,148              |                    | 137,949                                      |   |                     | 38,930         |
| LG Hitachi Water Solutions Co.,<br>Ltd.   | 9,100               |                    |  | 285,514                                   |                     | 8,980          |
| Inspur LG Digital Mobile<br>Communications Co., Ltd.                                      | 69,769              |                    |  |   |                     | 1              |
| Qingdao LG Inspur Digital<br>Communication Co., Ltd.                                      | 37,738              |                    |  |   |                     |                |
| Hi Entech Co., Ltd.   |                     |                    |  |   |                     | 29,215         |
| Others  | 2,185               |                    | 27   |   |                     | 9,498          |
|   | ₩ 479,809           |                    | 137,976                                      | 285,514                                   |                     | 91,064         |
|   | ₩ 21,190,279        | 95,553             | 2,032,064                                    | 794,148                                   | 5,549,203           | 306,736        |

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

**Table of Contents**28. Related Parties and Others, Continued*(In millions of won)*

|  | <b>2017</b>                 |                            |  |  |   |                             |                        |
|--|-----------------------------|----------------------------|--|--|---|-----------------------------|------------------------|
|  |                             |                            | <b>Purchase and others<br/>Acquisition</b>         |  |   |                             |                        |
|  | <b>Sales<br/>and others</b> | <b>Dividend<br/>income</b> | <b>Purchase of raw<br/>material and<br/>others</b> |  | <b>of<br/>plant<br/>and<br/>equipment</b> | <b>Outsourcing<br/>fees</b> | <b>Other<br/>costs</b> |
| <b>Subsidiaries</b>                        |                             |                            |  |  |   |                             |                        |
| LG Display America, Inc.                   | ₩ 11,080,713                | 11,060                     |  |  |   |                             | 25                     |
| LG Display Japan Co., Ltd.                 | 2,468,424                   | 3,438                      |  |  |   |                             | 52                     |
| LG Display Germany GmbH                    | 1,804,786                   | 4,365                      |  |  |   |                             | 7,395                  |
| LG Display Taiwan Co., Ltd.                | 1,489,786                   | 3,161                      |  |  |   |                             | 1,031                  |
| LG Display Nanjing Co., Ltd.               | 17,585                      | 60,292                     |  |  |   | 525,508                     |                        |
| LG Display Shanghai Co., Ltd.              | 1,273,823                   | 11,783                     |  |  |   |                             | 366                    |
| LG Display Poland Sp. z o.o.               | 314                         |                            |  |  |   | 34,540                      | 34                     |
| LG Display Guangzhou Co., Ltd.             | 34,051                      | 363,086                    | 7,826  |  |   | 2,156,897                   | 10,152                 |
| LG Display Shenzhen Co., Ltd.              | 1,842,778                   | 4,988                      |  |  |   |                             | 7                      |
| LG Display Yantai Co., Ltd.                | 36,628                      | 128,998                    | 15,342   |  | 373                                       | 2,027,508                   | 25,890                 |
| LG Display (China) Co., Ltd.               | 68,794                      | 10,079                     | 1,552,070  |  |   |                             |                        |
| LG Display Singapore Pte LTD.              | 960,332                     | 1,917                      |  |  |   |                             | 668                    |
| L&T Display Technology (Fujian)<br>Limited | 453,757                     |                            | 15   |  |   |                             | 793                    |
| Nanumnuri Co., Ltd.                        | 95                          |                            |  |  |   |                             | 18,528                 |
| Global OLED Technology LLC                 |                             |                            |  |  |   |                             | 6,030                  |
| LG Display Guangzhou Trading<br>Co., Ltd.  | 586,062                     | 326                        |  |  |   |                             | 180                    |
| LG Display Vietnam Haiphong<br>Co., Ltd.   | 4,321                       |                            |  |  |   | 148,758                     |                        |
| Suzhou Lehui Display Co., Ltd.             | 207,280                     |                            |  |  |   |                             |                        |
|  | <b>₩ 22,329,529</b>         | <b>603,493</b>             | <b>1,575,253</b>                                   |  | <b>373</b>                                | <b>4,893,211</b>            | <b>71,151</b>          |

**Table of Contents**28. Related Parties and Others, Continued*(In millions of won)*

|   | 2017                |                 |             |               |  |               |                  |               |               |
|---|---------------------|-----------------|-------------|---------------|--|---------------|------------------|---------------|---------------|
|   | Purchase and others |                 | Acquisition |               | Purchase of raw material and property, plant and equipment |               | Outsourcing fees |               | Other costs   |
|   | Sales and Others    | Dividend income | and others  | and equipment | and equipment  | and equipment | and equipment    | and equipment | and equipment |
| <b>Associates and their subsidiaries</b>                      |                     |                 |             |               |  |               |                  |               |               |
| New Optics Ltd. (*)   | ₩                   | 1               |             |               |  |               | 4                |               | 6             |
| WooRee E&L Co., Ltd.  |                     |                 |             |               |  |               |                  |               | 175           |
| INVENIA Co., Ltd.   |                     |                 | 1,862       | 37,296        |  |               |                  |               | 2,255         |
| AVATEC Co., Ltd.  |                     | 530             |             |               |  |               | 90,785           |               | 720           |
| Paju Electric Glass Co., Ltd.                                 |                     | 8,109           | 380,815     |               |  |               |                  |               | 4,225         |
| Narenanotech Corporation(*)                                   |                     |                 | 279         | 12,251        |  |               |                  |               | 177           |
| YAS Co., Ltd.   |                     |                 | 6,347       | 69,242        |  |               |                  |               | 2,474         |
|   | ₩                   | 1               | 8,639       | 389,303       | 118,789  |               | 90,789           |               | 10,032        |
| <b>Entity that has significant influence over the Company</b> |                     |                 |             |               |  |               |                  |               |               |
| LG Electronics Inc.   | ₩                   | 1,677,434       |             | 46,765        | 696,628  |               |                  |               | 108,639       |

**Table of Contents**28. Related Parties and Others, Continued*(In millions of won)*

|   | 2017                |                    |  |  |   |           |                     |  |                |         |
|---|---------------------|--------------------|--|--|---|-----------|---------------------|--|----------------|---------|
|   |                     |                    | Purchase of raw<br>material<br>and<br>others |  | Purchase and others<br>Acquisition<br>of<br>property, plant<br>and<br>equipment |           | Outsourcing<br>fees |  | Other<br>costs |         |
|   | Sales<br>and others | Dividend<br>income |  |  |   |           |                     |  |                |         |
| <b>Subsidiaries of the entity that has significant influence over the Company</b> |                     |                    |  |  |   |           |                     |  |                |         |
| LG Electronics India Pvt. Ltd.  | ₩ 71,597            |                    |  |  |   |           |                     |  |                | 163     |
| LG Electronics Vietnam Haiphong Co., Ltd.   | 205,934             |                    |  |  |   |           |                     |  |                | 198     |
| LG Electronics Reynosa S.A. DE C.V.   | 76,277              |                    |  |  |   |           |                     |  |                | 1,926   |
| LG Electronics Almaty Kazakhstan  | 14,079              |                    |  |  |   |           |                     |  |                | 53      |
| LG Electronics S.A. (Pty) Ltd.  | 14,155              |                    |  |  |   |           |                     |  |                | 25      |
| LG Electronics Mexicali, S.A. DE C.V.   | 29,115              |                    |  |  |   |           |                     |  |                | 186     |
| LG Electronics RUS, LLC   | 3,941               |                    |  |  |   |           |                     |  |                | 963     |
| LG Innotek Co., Ltd.  | 14,836              |                    |  |  | 185,464   |           |                     |  |                | 5,245   |
| LG Hitachi Water Solutions Co., Ltd.  |                     |                    |  |  |   |           | 314,645             |  |                |         |
| Inspur LG Digital Mobile Communications Co., Ltd.                                 | 110,310             |                    |  |  |   |           |                     |  |                |         |
| Qingdao LG Inspur Digital Communication Co., Ltd.                                 | 77,355              |                    |  |  |   |           |                     |  |                |         |
| Hi Entech Co., Ltd.   |                     |                    |  |  |   |           |                     |  |                | 27,449  |
| Others  | 3,121               |                    |  |  | 3   |           |                     |  |                | 8,252   |
|   | ₩ 620,720           |                    |  |  | 185,467   |           | 314,645             |  |                | 44,460  |
|   | ₩ 24,627,684        | 612,132            | 2,196,788                                    |  | 1,130,435   | 4,984,000 |                     |  |                | 234,282 |

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

**Table of Contents**28. Related Parties and Others, Continued

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

(In millions of won)

|  | Trade accounts and notes<br>receivable<br>and others |                   | Trade accounts and notes<br>payable<br>and others |                   |
|--|--|-------------------|---|-------------------|
|  | December 31, 2018                                    | December 31, 2017 | December 31, 2018                                 | December 31, 2017 |
| <b>Subsidiaries</b>                        |  |                   |   |                   |
| LG Display America, Inc.                   | ₩ 1,031,718  | 1,795,757         |   |                   |
| LG Display Japan Co., Ltd.                 | 349,814  | 230,804           | 5   | 2                 |
| LG Display Germany GmbH                    | 433,077  | 497,677           | 4,332   |                   |
| LG Display Taiwan Co., Ltd.                | 274,860  | 436,943           | 34  | 106               |
| LG Display Nanjing Co., Ltd.               | 2,448  | 176               | 272,991   | 85,646            |
| LG Display Shanghai Co., Ltd.              | 168,117  | 176,816           | 1   | 74                |
| LG Display Poland Sp. z o. o               | 30   | 73                | 6,849   | 5,480             |
| LG Display Guangzhou Co.,<br>Ltd.          | 167,814  | 345,212           | 196,070   | 189,996           |
| LG Display Guangzhou<br>Trading Co., Ltd.  | 377,145  | 88,876            |   |                   |
| LG Display Shenzhen Co.,<br>Ltd.           | 32,759   | 217,542           |   |                   |
| LG Display Yantai Co., Ltd.                | 115  | 123,059           | 382,448   | 30,397            |
| LG Display (China) Co., Ltd.               |  | 55,309            | 187,004   | 150,933           |
| LG Display Singapore Pte.<br>Ltd.          | 85,680   | 187,420           | 1   | 1                 |
| L&T Display Technology<br>(Fujian) Limited | 62,336   | 57,545            | 139,171   | 177,487           |
| Nanumnuri Co., Ltd.                        |  |                   | 2,065   | 2,453             |
| Global OLED Technology<br>LLC              |  |                   | 1,146   |                   |
| LG Display Vietnam Haiphong<br>Co., Ltd.   | 22,113   | 9,119             | 340,780   | 58,666            |
| Suzhou Lehui Display Co.,<br>Ltd.          | 32,641   | 21,110            |   | 36,919            |
| LG Display High-Tech (China)<br>Co., Ltd.  | 17,333   |                   | 3,362   |                   |
|  | ₩ 3,058,000  | 4,243,438         | 1,536,259   | 738,160           |

**Table of Contents**28. Related Parties and Others, Continued*(In millions of won)*

|   | Trade accounts and notes<br>receivable<br>and others |                   | Trade accounts and notes<br>payable<br>and others |                   |
|---|--|-------------------|---|-------------------|
|   | December 31, 2018                                    | December 31, 2017 | December 31, 2018                                 | December 31, 2017 |
| <b>Associates and their subsidiaries</b>                      |  |                   |   |                   |
| WooRee E&L Co., Ltd.  | ₩  |                   | 6   | 61                |
| INVENIA Co., Ltd.   | 2,000  | 2,375             | 1,671   | 18,523            |
| AVATEC Co., Ltd.  |  |                   | 4,382   | 2,949             |
| Paju Electric Glass Co., Ltd.                                 |  |                   | 60,566  | 60,141            |
| YAS Co., Ltd.   |  | 375               | 2,709   | 6,474             |
|   | ₩ 2,000  | 2,750             | 69,334  | 88,148            |
| <b>Entity that has significant influence over the Company</b> |  |                   |   |                   |
| LG Electronics Inc.   | ₩ 247,134  | 550,101           | 99,574  | 206,616           |

**Table of Contents**28. Related Parties and Others, Continued*(In millions of won)*

|   | Trade accounts and notes<br>receivable<br>and others<br>December 31, 2018 |           | Trade accounts and notes<br>payable<br>and others<br>December 31, 2017 |           |           |
|---|---|-----------|--|-----------|-----------|
| <b>Subsidiaries of the entity that<br/>has significant influence over<br/>the Company</b> |   |           |  |           |           |
| LG Innotek Co., Ltd.  | ₩   | 2,782     | 407  | 45,815    | 58,741    |
| LG Hitachi Water Solutions<br>Co., Ltd.   |   | 9,100     |  | 47,463    | 154,079   |
| Hi Entech Co., Ltd.   |   |           |  | 4,782     | 4,854     |
| Inspur LG Digital Mobile<br>Communications Co., Ltd                                       |   | 6,137     | 20,953   |           |           |
| LG Electronics Reynosa S.A.<br>DE C.V   |   | 2,572     | 11,494   | 134       | 82        |
| LG Electronics India Pvt. Ltd.  |   | 9,047     | 3,030  | 29        |           |
| LG Electronics Vietnam<br>Haiphong Co., Ltd.  |   | 25,544    | 36,017   |           | 1         |
| LG Electronics S.A. (Pty) Ltd.  |   | 896       | 2,400  | 5         | 4         |
| LG Electronics Egypt S.A.E  |   | 10,296    |  |           |           |
| LG Electronics (Kunshan)<br>Computer Co., Ltd.  |   | 1,370     |  |           |           |
| Qingdao LG Inspur Digital<br>Communication Co., Ltd.                                      |   | 15        | 9  | 90        | 80        |
| Others  |   | 6,855     | 18,385   | 1,185     | 1,309     |
|   | ₩   | 74,614    | 92,695   | 99,503    | 219,150   |
|   | ₩   | 3,381,748 | 4,888,984  | 1,804,670 | 1,252,074 |



**Table of Contents**28. 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 years ended December 31, 2018 and 2017 are as follows:

(In millions of won)

| Associates        | January 1,<br>20178 | Loans(*) |          | December 31,<br>2018 |
|-------------------|---------------------|----------|----------|----------------------|
|                   |                     | Increase | Decrease |                      |
| INVENIA Co., Ltd. | ₩ 2,375             |          | 375      | 2,000                |
| YAS Co., Ltd.     | 375                 |          | 375      |                      |
|                   | ₩ 2,750             |          | 750      | 2,000                |

- (\*) Loans are presented based on nominal amounts.

(In millions of won)

| Associates                   | January 1,<br>2017 | Loans(*1) |          | December 31,<br>2017 |
|------------------------------|--------------------|-----------|----------|----------------------|
|                              |                    | Increase  | Decrease |                      |
| New Optics Ltd.(*2)          | ₩ 1,000            |           | 125      | 875                  |
| INVENIA Co., Ltd.            | 833                | 2,000     | 458      | 2,375                |
| Narenanotech Corporation(*2) | 300                |           | 75       | 225                  |
| YAS Co., Ltd.                | 833                |           | 458      | 375                  |
|                              | ₩ 2,966            | 2,000     | 1,116    | 3,850                |

- (\*1) Loans are presented based on nominal amounts.

- (\*2) Excluded from related parties due to disposal of equity investments during the year ended December 31, 2017.

**Table of Contents**28. 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 years ended December 31, 2018 and 2017 are as follows. These entities are not related parties according to K-IFRS No. 1024, *Related Party Disclosures*.

(In millions of won)

|  | For the year ended December 31, 2018 |                           | December 31, 2018  |  |
|--|--------------------------------------|---------------------------|--|--|
|  | Sales<br>and others                  | Purchase<br>and<br>others | Trade accounts and<br>notes<br>receivable<br>and<br>others | Trade accounts and<br>notes payable<br>and<br>others |
| LG International Corp. and its subsidiaries(*) | ₩ 715,580                            | 190,091                   | 82,965   | 82,028   |
| LG Uplus Corp.                                 | 21                                   | 1,739                     |  | 178  |
| LG Chem Ltd. and its subsidiaries              | 1,648                                | 776,031                   | 14   | 93,274   |
| Serveone and its subsidiaries                  | 388                                  | 1,166,309                 | 21,307   | 239,091  |
| Silicon Works Co., Ltd                         |                                      | 713,093                   |  | 140,694  |
| LG Corp.                                       |                                      | 54,434                    | 11,246   |  |
| LG Management Development Institute            |                                      | 9,734                     | 3,480  | 441  |
| LG CNS Co., Ltd. and its subsidiaries          |                                      | 210,344                   |  | 72,694   |
| LG Hausys Ltd                                  | 1,111                                | 4                         |  | 3  |
| G2R Inc. and its subsidiaries                  |                                      | 57,744                    |  | 19,773   |
| Robostar Co., Ltd.                             |                                      | 1,374                     |  | 530  |
| Total  | ₩ 718,748                            | 3,180,897                 | 119,012  | 648,706  |

(\*) 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 year ended December 31, 2018 amount to ₩715,580 million, respectively, and gross purchase and others for year ended December 31, 2018 amount to ₩596,261 million.

**Table of Contents**28. Related Parties and Others, Continued*(In millions of won)*

|   | For the year ended December 31, 2017 |                           | December 31, 2018  |  |
|---|--------------------------------------|---------------------------|--|--|
|   | Sales<br>and others                  | Purchase<br>and<br>others | Trade accounts and<br>notes<br>receivable<br>and<br>others | Trade accounts and<br>notes payable<br>and<br>others |
| LG International Corp. and its subsidiaries           | ₩ 611,274                            | 1,354,039                 | 110,786  | 186,799  |
| LG Household & Health Care and its subsidiaries       |                                      | 116                       |  |  |
| LG Uplus Corp.  | 152                                  | 1,854                     |  | 1,505  |
| LG Chem Ltd. and its subsidiaries                     | 16,915                               | 869,579                   | 8,659  | 127,416  |
| SK Siltron Co., Ltd. (formerly, Siltron Co., Ltd.)(*) | 10                                   |                           |  |  |
| Lusem Co., Ltd.(*)                                    | 13                                   | 694                       | 1  | 53   |
| Serveone and its subsidiaries                         | 677                                  | 1,390,323                 | 21,565   | 491,719  |
| Silicon Works Co., Ltd                                |                                      | 624,127                   |  | 120,031  |
| LG Corp.  |                                      | 60,756                    | 4,700  | 1,523  |
| LG Management Development Institute                   |                                      | 10,221                    | 3,480  | 699  |
| LG CNS Co., Ltd. and its subsidiaries                 | 323                                  | 226,229                   |  | 90,374   |
| LG Hausys Ltd   | 1,673                                | 391                       |  | 374  |
| G2R Inc. and its subsidiaries                         |                                      | 93,799                    |  | 14,275   |
|   | ₩ 631,037                            | 4,632,128                 | 149,191  | 1,034,768  |

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

**Table of Contents**28. Related Parties and Others, Continued

## (f) Key management personnel compensation

Compensation costs of key management for the years ended December 31, 2018 and 2017 are as follows:

*(In millions of won)*

|  | <b>2018</b>    | <b>2017</b>  |
|--|----------------|--------------|
| Short-term benefits                          | ₩ 2,622        | 3,724        |
| Expenses related to the defined benefit plan | 794            | 488          |
|  | <b>₩ 3,416</b> | <b>4,212</b> |

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

29. Supplemental Cash Flow Information

Supplemental cash flow information for the years ended December 31, 2018 and 2017 is as follows:

*(In millions of won)*

|  | <b>2018</b> | <b>2017</b> |
|--|-------------|-------------|
| Non-cash investing and financing activities:   |             |             |
| Changes in other accounts payable arising from the purchase of property, plant and equipment     | (725,744)   | 638,907     |
| Changes in other receivable arising from the investments of dividends received from subsidiaries | ₩ (405,992) |             |
| Substitution of investment shares of property, plant and equipment                               | 343,163     |             |

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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: April 1, 2019

By: /s/ Heeyeon Kim  
(Signature)

Name: Heeyeon Kim

Title: Head of IR / Vice President

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