

LG Display Co., Ltd.  
Form 6-K  
March 31, 2009  
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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 March 2009

## LG Display Co., Ltd.

(Translation of Registrant's name into English)

20 Yoido-dong, Youngdungpo-gu, Seoul 150-721, The Republic of Korea

(Address of principal executive offices)

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

Form 20-F  Form 40-F

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

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

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

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

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

Yes  No

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YEARLY REPORT

(From January 1, 2008 to December 31, 2008)

THIS IS A TRANSLATION OF THE YEARLY 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 FOR THE CONVENIENCE OF READERS.

UNLESS EXPRESSLY STATED OTHERWISE, ALL INFORMATION CONTAINED HEREIN IS PRESENTED ON A NON-CONSOLIDATED BASIS IN ACCORDANCE WITH ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN KOREA, OR KOREAN GAAP, WHICH DIFFER IN CERTAIN RESPECTS FROM GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN CERTAIN OTHER COUNTRIES, INCLUDING THE UNITED STATES. WE HAVE MADE NO ATTEMPT TO IDENTIFY OR QUANTIFY THE IMPACT OF THESE DIFFERENCES IN THIS DOCUMENT.

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### 1. Overview

#### A. Industry

##### (1) Industry characteristics and growth potential

TFT-LCD technology is one of the most widely used technologies in the manufacture of flat panel displays and the demand for flat panel displays is growing. The flat panel display industry is characterized by entry barriers due to rapidly evolving technology, capital-intensive characteristics and the significant investments required to achieve economies of scale, among other factors. There is strong competition between a relatively small number of players within the industry, and production capacity in the industry, including ours, is being continually increased.

The demand for LCD panels for notebook computers & monitors has grown, to a certain degree, in tandem with the growth in the IT industry. The demand for LCD panels for TVs has been growing as HDTV broadcasting is becoming more common and as LCD TV has come to play an important role in the digital display market. There is competition between TFT-LCD and PDP technologies in the area of large flat TV products. In addition, markets for small- to medium-sized LCD panels, such as mobile phones, P-A/V, medical applications and automobile navigation systems, among others, has shown steady growth.

The average selling prices of LCD panels may continue to decline with time irrespective of general business cycles as a result of, among other factors, technological advancements and cost reductions.

##### (2) Cyclicity

The TFT-LCD business is highly cyclical. In spite of the increase in demand for products, this industry has experienced periodic volatility caused by imbalances between demand and supply due to capacity expansion within the industry.

Intense competition and expectations of demand growth may lead panel manufacturers to invest 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, the average selling prices of display panels may decline. Conversely, demand surges and fluctuations in the supply chain may lead to price increases.

##### (3) Competitiveness

Our ability to compete successfully depends on factors both within and outside our control, including product pricing, our relationship with our customers, successful and timely investment, product development, cost competitiveness, success of our end-brand customers in marketing their brands and products, component and raw material supply costs, foreign exchange rate and general economic and industry conditions.

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Most importantly, cost leadership and stable and long-term relationships with customers are critical to secure profit 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 thus result in reduced sales.

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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 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 highly skilled line operators.

(4) Sourcing material

Key materials (including color filters) are sourced in-house as well as from domestic and overseas vendors.

A shortage of raw materials may arise temporarily due to an increase in demand for raw materials resulting from capacity expansion in the TFT-LCD industry.

A substantial portion of our equipment is sourced 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.

(5) Others

Most TFT-LCD panel makers are located in Asia.

- a. Korea: LG Display, Samsung Electronics (including a joint venture between Samsung Electronics and Sony Corporation), Hydis Technology
- b. Taiwan: AU Optronics, Chi Mei Optoelectronics, CPT, etc.
- c. Japan: Sharp, IPS-Alpha, etc.
- d. China: SVA-NEC, BOE-OT, etc.

B. Company

(1) Business overview

Commercial production for our TFT-LCD business began in September 1995 at P1, which was then the first fabrication facility of LG Electronics. At the end of 1998, LG Electronics and LG Semicon transferred their respective TFT-LCD related businesses to LG Soft Co., Ltd (currently LG Display).

It became a joint venture between LG Electronics and Philips Electronics in August 1999. In July 2004, we completed our initial public offering and listed our common stock on the Korea Exchange and our ADSs on the New York Stock Exchange. In March 2008, we changed our name

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from LG.Philips LCD Co., Ltd. to LG Display Co., Ltd. As of December 31, 2008, we operate seven fabrication facilities located in Gumi and Paju, Korea, and a total of seven module facilities located in Gumi and Paju, Korea; Nanjing (3 factories) and Guangzhou, China; and Wroclaw, Poland.

In October 2008, we established a joint venture company with AmTRAN Technology Co., Ltd. ( AmTRAN ), a Taiwan corporation, in Suzhou, China, in order to produce (i) LCD modules and (ii) LCD TV sets in China.



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We became the first LCD maker in the world to commence commercial production at a 4th generation fab (P3) in July 2000 and at a 5th generation fab (P4) in March 2002, and we started mass production at our 6th generation fab (P6) in August 2004, which allows us to produce LCD panels for large TVs and monitors. With the commencement of mass production at our 7th generation fab (P7) in January 2006 and with our decision to invest in an 8th generation fab (P8) in October 2007, we are expanding our production capacity in line with the growing large-sized LCD TV market. In addition, in July 2008, we decided to increase our TFT-LCD production capacity in Gumi to prepare for the growth of the TFT-LCD market.

Our non-consolidated sales increased by approximately 12% from KRW14,163 billion in 2007 to KRW15,865 billion in 2008. Our non-consolidated operating income increased by approximately 3% from KRW1,491 billion in 2007 to KRW1,536 billion in 2008, and our non-consolidated net income decreased by approximately 19% from KRW1,344 billion in 2007 to KRW1,087 billion in 2008. (Our consolidated sales under Korean GAAP increased by approximately 13% from KRW14,352 billion in 2007 to KRW16,264 billion in 2008. Our consolidated operating income under Korean GAAP increased by approximately 15% from KRW1,504 billion in 2007 to KRW1,735 billion in 2008, and our consolidated net income decreased by approximately 19% from KRW1,344 billion in 2007 to KRW1,087 billion in 2008.)

We reinforced our position as a leader in LCD technology by developing an ultra slim LCD module (8.9mm in thickness) for 47-inch LCD TVs, a large 3D multi-vision LCD panel which does not require special viewing glasses, one of the world's most energy efficient LCD panels for 32-inch LCD TVs which can operate on up to 56% less power, a 47-inch digital photo TV which can utilize its standby power to display digital pictures and Trumotion 480Hz LCD panel which refreshes 480 frames per second to substantially decrease afterimage and provide viewers with high-quality images that cause less eye fatigue.

Moreover, we formed strategic alliances or entered into long-term sales contracts with major global firms such as Dell, Hewlett Packard and Kodak of the United States and Japan's Toshiba, among others, to secure customers and expand partnerships for technology development.

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## (2) Market shares

Worldwide market share of large-size TFT-LCD panels ( $\geq 10$  ) based on revenue.

|                              | 2008                 | 2007  | 2006  |
|------------------------------|----------------------|-------|-------|
| Panel for Notebook Computers | 29.6% <sup>(1)</sup> | 28.5% | 26.2% |
| Panel for Monitors           | 17.7%                | 15.6% | 15.6% |
| Panel for TVs                | 19.4%                | 22.0% | 23.6% |
| Total                        | 20.6%                | 20.4% | 20.5% |

\* Source: DisplaySearch Q1 2009

(1) Includes panels for netbooks.

## (3) Market characteristics

The LCD panel has become the core component of the display industry and the demand for LCD panels has been growing steadily.

Due to the recent high growth in the display appliance market for the flat display format, the scale of the LCD market is growing, resulting in expansion of the market centered mainly in America, Japan, Europe and China.

The growth of the LCD market has mainly been driven by the demand for IT-related products. However, it is anticipated that the LCD TV display market, which has grown rapidly in recent years, will provide the main source of steady growth of the LCD market.

## (4) New business

In October 2007, we decided to invest in an 8th generation fab (P8) to expand our production capacity in line with the growing large-sized LCD TV market. The construction of the P8 has been completed and mass production at P8 has commenced for certain production lines beginning in March 2009.

In January 2008, we acquired OLED business from LG Electronics. In June 2008, we launched the OLED Business Unit in anticipation of future growth in the OLED business. In addition, we also plan to strengthen our market position in the future display technologies by accelerating the development of flexible display technologies and leading the LED back-light LCD market.

In order to facilitate a cooperative purchasing relationship with HannStar Display Corporation (HannStar), a company that manufactures TFT-LCD panels in Taiwan, we decided to purchase 180 million shares of preferred stock of HannStar at a purchase price of NT\$3,170,250,000. We acquired the preferred shares in February 2008. The preferred shares mature in three years and are convertible into shares of common stock of HannStar.

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We are making an effort to increase our competitiveness by forming cooperative relationships with our suppliers and purchasers of our products. As part of this effort, in June 2008 we purchased 2,037,204 shares of AVACO, which produces sputters, a core equipment for LCD production, and we purchased

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1,008,875 shares of TLI Co., Ltd., which produces core LCD panel components such as Timing Controllers and Driver Integrated Circuits. By promoting strategic relationships with equipments and parts suppliers, which enables us to obtain a stable source of supply of equipments and parts at competitive prices, we have strengthened our competitive position in the LCD business.

In July 2008, we and Skyworth RGB Electronics founded a R&D joint venture corporation with a registered capital of CNY50 million in China.

In July 2008, we purchased 6,850,000 shares of the common stock of New Optics, at a purchase price of KRW9,700,000,000, as part of our strategy to increase our competitiveness by forming cooperative relationships with our suppliers.

In October 2008, we established a joint venture company with AmTRAN, a Taiwan corporation, in order to produce (i) LCD modules and (ii) LCD TV sets manufactured using the EMS (Electronic Manufacturing System) method. Through the establishment of this joint venture with AmTRAN, we are able to further expand our customer base by securing a long-term stable panel dealer. It also allows us to produce LCD modules and LCD TV sets in a single factory, which enables us to provide our customers with products that are competitive both in terms of technology and price.

(5) Organization chart as of December 31, 2008

CEO : Chief Executive Officer

CFO : Chief Financial Officer

CPO : Chief Production Officer

CTO : Chief Technology Officer

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(6) Major contracts

February 2008: Extended trademark license agreement with Philips Electronics. (January 1, 2008 ~ June 30, 2008)

February 2008: Extended trademark license agreement with LG Corp. (January 1, 2008 ~ December 31, 2010)

April 2008: Entered into an agreement with Skyworth RGB Electronics to establish a research and development joint venture company.

June 2008: Skyworth TV Holdings Limited purchased approximately 16% interest in LG Display Guangzhou Co., Ltd. from us.

August 2008: Entered into an agreement with AmTRAN to establish a joint venture company in China.

January 2009: Entered into a long-term supply agreement with Apple Inc. to supply LCD panels to Apple Inc. for 5 years. In connection with the Agreement, we received long-term advances from Apple Inc. in the amount of USD500,000,000 in January 2009.

**2. Information Regarding Shares**

A. Change in Capital Stock

No change in capital stock in three years (2006 ~ 2008)

B. Convertible Bonds

| Item  |                                    | Contents   |
|---|------------------------------------|--|
| Issuing Date                                |                                    | April 18, 2007   |
| Maturity                                    |                                    | April 18, 2012   |
| (Redemption Date after Put Option Exercise) |                                    | (April 18, 2010)   |
| Face Amount                                 |                                    | USD550,000,000   |
| Offering method                             |                                    | Public offering  |
| Conversion period                           |                                    | Convertible into shares of common stock during the period from April 19, 2008 to April 3, 2012 |
| Conversion price                            |                                    | KRW48,251 per share*   |
| Conversion status                           | Number of shares already converted | None<br>10,641,851 shares if all are converted*  |

Number of convertible shares

Registered form

Remarks

Listed on Singapore Exchange

\* Conversion price was adjusted from KRW49,070 to KRW48,760 and the number of convertible shares was adjusted from 10,464,234 to 10,530,762 following the approval by the shareholders of a cash dividend of KRW750 per share at the annual general meeting of shareholders on February 29, 2008. Conversion price was further adjusted from KRW48,760 to KRW48,251, and the number of convertible shares was further adjusted from 10,530,762 to 10,641,851 following the approval by the shareholders of a cash dividend of KRW500 per share at the annual general meeting of shareholders on March 13, 2009.

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## C. Shareholder List

(1) Total shares issued and outstanding: 357,815,700 shares as of December 31, 2008

(2) Largest shareholder and related parties as of December 31, 2008

| Name           | Relationship           | (Unit: share)                 |                      |                               |
|----------------|------------------------|-------------------------------|----------------------|-------------------------------|
|                |                        | As of<br>January 1,<br>2008   | Increase /(Decrease) | As of<br>December 31,<br>2008 |
| LG Electronics | Largest<br>Shareholder | 135,625,000<br>(37.9%)        |                      | 135,625,000<br>(37.9%)        |
| Young Soo Kwon | Related<br>Party       | 15,000<br>(0.0 %)             | 8,000                | 23,000<br>(0.0%)              |
| <b>Total</b>   |                        | <b>135,640,000</b><br>(37.9%) | <b>8,000</b>         | <b>135,648,000</b><br>(37.9%) |

(3) Shareholders who owned 5% or more of our shares as of December 31, 2008

| Name                | Type of Stock | Number of shares   | (Unit: share) |
|---------------------|---------------|--------------------|---------------|
|                     |               |                    | Ratio         |
| LG Electronics      | Common Stock  | 135,625,000        | 37.9%         |
| Philips Electronics | Common Stock  | 47,225,000         | 13.2%*        |
| <b>Total</b>        |               | <b>182,580,000</b> | <b>51.1%</b>  |

\* On March 16, 2009 (settlement date), Philips Electronics sold its remaining 13.2% (47,225,000 shares of our common stock) equity interest in us.

## D. Voting rights as of December 31, 2008

| Description  | (Unit: share)      |
|--|--------------------|
|  | Number of shares   |
| 1. Shares with voting rights [A-B]                     | 357,815,700        |
| A. Total shares issued                                 | 357,815,700        |
| B. Shares without voting rights                        |                    |
| 2. Shares with restricted voting rights                |                    |
| <b>Total number of shares with voting rights [1-2]</b> | <b>357,815,700</b> |

## E. Dividends

Dividends during the recent 3 fiscal years

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| Description                                  | 2008      | 2007      | 2006       |
|--|-----------|-----------|------------|
| Par value (Won)                              | 5,000     | 5,000     | 5,000      |
| Net income (Million Won)                     | 1,086,896 | 1,344,027 | (-)769,313 |
| Earnings per share (Won)                     | 3,038     | 3,756     | (-)2,150   |
| Retained earning for dividends (Million Won) | 4,828,870 | 4,028,227 | 2,711,036  |
| Total cash dividend amount (Million Won)     | 178,908   | 268,362   |            |
| Total stock dividend amount (Million Won)    |           |           |            |
| Cash dividend payout ratio (%)               |           |           |            |
| Cash dividend yield (%)                      | 2.2%      | 1.6%      |            |
| Stock dividend yield (%)                     |           |           |            |
| Cash dividend per share (Won)                | 500       | 750       |            |
| Stock dividend per share (Won)               |           |           |            |

- \* Earnings per share is calculated based on par value of KRW5,000 per share. As a result of a two-for-one stock split that became effective on May 25, 2004, the par value of our common stock decreased from KRW10,000 per share to KRW5,000 per share.
- \* Retained earning for dividends is the amount before dividends are paid.
- \* Earnings per share is calculated by dividing net income by weighted average number of common stock.
- \* 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 stock during the one-week period ending two days prior to the closing of the register of shareholders for the purpose of determining the shareholders entitled to receive annual dividends.

**3. Major Products and Materials**

## A. Major products in 2008

| Business area | Sales types                         | Items (Market)        | Specific use  | Major trademark | (Unit: In billions of Won) |
|---------------|-------------------------------------|-----------------------|---|-----------------|----------------------------|
|               |                                     |                       |   |                 | Sales (%)                  |
| TFT-LCD       | Product/<br>Service/<br>Other Sales | TFT-LCD<br>(Overseas) | Panels for<br>Notebook<br>Computer,<br>Monitor, TV,<br>Applications, etc. | LG Display      | 14,801 (93.3%)             |
|               |                                     | TFT-LCD<br>(Korea*)   | Panels for<br>Notebook<br>Computer,<br>Monitor, TV,<br>Applications, etc. | LG Display      | 1,064 (6.7%)               |
| Total         |                                     |                       |   |                 | 15,865 (100%)              |

\* Including local export.

\*\* Period: January 1, 2008 ~ December 31, 2008

\*\*\* Our major trademark changed from LG.Philips LCD to LG Display following our name change to LG Display Co., Ltd. in March 2008.

## B. Average selling price trend of major products

| Description   | (Unit: USD / m <sup>2</sup> ) |         |         |         |
|---------------|-------------------------------|---------|---------|---------|
|               | 2008 Q4                       | 2008 Q3 | 2008 Q2 | 2008 Q1 |
| TFT-LCD panel | 766                           | 992     | 1,274   | 1,339   |



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- \* Semi-finished products in the form of cells have been excluded
- \*\* Quarterly average selling price per square meter of net display area shipped
- \*\*\* On a consolidated basis

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## C. Major materials

| Business area | Purchase types | Items      | Specific use               | Purchase amount (%) | (Unit: In billions of Won)                           |
|---------------|----------------|------------|----------------------------|---------------------|--|
|               |                |            |                            |                     | Remarks  |
| TFT-LCD       | Materials      | Back-Light | LCD Panel<br>Manufacturing | 2,249 (25.13%)      | Heesung Electronics Ltd., etc.                       |
|               |                | Glass      |                            | 2,330 (26.05%)      | Samsung Corning Precision Glass Co., Ltd., NEG, etc. |
|               |                | Polarizer  |                            | 1,176 (13.15%)      | LG Chem., etc.                                       |
|               |                | Others     |                            | 3,192 (35.67%)      |  |
| Total         |                |            |                            | 8,947 (100.0%)      |  |

\* Period : January 1, 2008 ~ December 31, 2008

## D. Price trend of major materials

Prices of major 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-size panels.

**4. Production and Equipment**

## A. Production capacity and calculation

## (1) Production capacity

| Business area | Items   | Business place | (Unit : 1,000 Glass sheets) |        |       |
|---------------|---------|----------------|-----------------------------|--------|-------|
|               |         |                | 2008                        | 2007   | 2006  |
| TFT-LCD       | TFT-LCD | Gumi, Paju     | 12,492                      | 11,544 | 9,942 |

## (2) Calculation of production capacity

## a. Method

Assumptions for calculation

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Based on input glass

### Calculation method

2007 and 2008 : Monthly maximum input capacity in the year x number of months (12 months).

2006 : Monthly maximum input capacity for 4th quarter of 2006 x number of months (12 months).

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b. Average working hours

See 4.B(2) below.

B. Production performance and working ratio

(1) Production performance

| Business area | Items   | Business place | (Unit: 1,000 Glass sheets) |        |       |
|---------------|---------|----------------|----------------------------|--------|-------|
|               |         |                | 2008                       | 2007   | 2006  |
| TFT-LCD       | TFT-LCD | Gumi, Paju     | 11,042                     | 10,182 | 9,052 |

\* Based on input glass

(2) Working ratio

| Business place (area) | Available working hours<br>of 2008 | Real working hours<br>of 2008 | (Unit: Hours)            |
|-----------------------|------------------------------------|-------------------------------|--------------------------|
|                       |                                    |                               | Average<br>working ratio |
| Gumi                  | 8,784                              | 8,616                         |                          |
| (TFT-LCD)             | (24 hours X 366 Days)              | (24 hours X 359 Days)         | 98.1%                    |
| Paju                  | 8,784                              | 8,592                         |                          |
| (TFT-LCD)             | (24 hours X 366 Days)              | (24 hours X 358 Days)         | 97.8%                    |

C. Investment plan

(1) Investment in progress

| Business area | Description              | Investment<br>period | Investment<br>assets    | Investment<br>effect | Total<br>investment | (Unit: In billions of Won) |                   | Remarks |
|---------------|--------------------------|----------------------|-------------------------|----------------------|---------------------|----------------------------|-------------------|---------|
|               |                          |                      |                         |                      |                     | Already<br>invested        | To be<br>invested |         |
| TFT-LCD       | New /<br>expansion, etc. | Q4 05~               | Building /<br>machinery | New<br>production    | 4,400               | 3,679                      | 721               |         |

(2) Investment plan (on a consolidated basis)

(Unit: In billions of Won)

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| Business area | Project               | Asset type                | Expected total investment / Expected yearly investment amount |               |         |         | Investment effects       | Remarks |
|---------------|-----------------------|---------------------------|---|---------------|---------|---------|--------------------------|---------|
|               |                       |                           | Amount  | 2009 *        | 2010 ** | 2011 ** |                          |         |
| TFT-LCD       | New / expansion, etc. | Building/ machinery, etc. | 2,000 ~ 2,500   | 2,000 ~ 2,500 |         |         | Capacity expansion, etc. |         |

\* Expected investments in 2009 are subject to change depending business and market conditions

\*\* Expected investments in 2010 and in 2011 cannot be projected due to industry characteristics

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## A. Sales performance

| Business area | Sales types    | Items (Market) | (Unit: In billions of Won) |        |        |
|---------------|----------------|----------------|----------------------------|--------|--------|
|               |                |                | 2008                       | 2007   | 2006   |
| TFT-LCD       | Products, etc. | Overseas       | 14,801                     | 13,137 | 9,355  |
|               |                | TFT-LCD Korea* | 1,064                      | 1,026  | 846    |
|               |                | Total          | 15,865                     | 14,163 | 10,201 |

\* Including local export.

## B. Sales route and sales method

## (1) Sales organization

As of December 31, 2008, each of the IT Business Unit, TV Business Unit, Mobile Business Unit and OLED Business Unit had individual sales and customer support functions.

Sales subsidiaries in the United States, Germany, Japan, Taiwan and China (Shanghai and Shenzhen) perform sales activities in overseas countries and provide local technical support to customers.

## (2) Sales route

LG Display Headquarters g Overseas subsidiaries (USA/Germany/Japan/Taiwan /Shenzhen/Shanghai), etc. g System integrators, Branded customers g End users

LG Display Headquarters g System integrators, Branded customers g End users

## (3) Sales methods and conditions

Direct sales & sales through overseas subsidiaries, etc

## (4) Sales strategy

To secure stable sales to major PC makers and the leading consumer electronics makers globally

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To increase sales of premium notebook computer products, to strengthen sales of the large-size, high-end monitor segment and to lead the large-size LCD TV market, including with respect to full-HD 120Hz TV monitors

To diversify our market in the small- to medium-sized monitor segment, including products such as mobile phone, P-A/V, automobile navigation systems, aircraft instrumentation and medical diagnostic equipment, etc.

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**6. Directors & Employees**

A. Members of the Board of Directors as of December 31, 2008

| <b>Name</b>           | <b>Date of Birth</b> | <b>Position</b>  | <b>Business Experience</b>  |
|-----------------------|----------------------|--|---|
| Young Soo Kwon        | February 6, 1957     | Representative<br><br>Director, President and<br><br>Chief Executive Officer | President and Chief Financial Officer of LG Electronics                                 |
| James (Hoyoung) Jeong | November 2, 1961     | Director and<br><br>Chief Financial Officer                                  | Executive Vice President and Chief Financial Officer of LG Electronics                  |
| Simon (Shin Ik) Kang  | May 10, 1954         | Director   | Head of Digital Display Product Business Division of LG Electronics                     |
| Paul Verhagen         | February 2, 1966     | Director   | Chief Financial Officer of Consumer Lifestyle Section, Philips Electronics              |
| Ingoo Han             | October 15, 1956     | Outside Director   | Dean, Graduate School of Management, Korea Advanced Institute of Science and Technology |
| Dongwoo Chun          | January 15, 1945     | Outside Director   | Outside Director, Pixelplus   |
| Bruce. I. Berkoff     | August 13, 1960      | Outside Director   | President of LCD TV Association   |
| Yoshihide Nakamura    | October 22, 1942     | Outside Director   | President of ULDAGE, Inc.   |
| William Y. Kim        | June 6, 1956         | Outside Director   | Partner of Ropes & Gray LLP   |

B. Committees of the Board of Directors  
Committees of the Board of Directors as of December 31, 2008

| <b>Committee</b>   | <b>Member</b>  |
|--|--|
| Audit Committee  | Mr. Ingoo Han, Mr. Yoshihide Nakamura, Mr. William Y. Kim                                  |
| Remuneration Committee   | Mr. Simon (Shin Ik) Kang, Mr. Paul Verhagen, Mr. Dongwoo Chun,<br><br>Mr. Bruce I. Berkoff |
| Outside Director Nomination and Corporate Governance Committee | Mr. Simon (Shin Ik) Kang, Mr. Paul Verhagen, Mr. Dongwoo Chun,<br><br>Mr. William Y. Kim   |



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## C. Director &amp; Officer Liability Insurance

## (1) Overview of Director &amp; Officer Liability Insurance (as of December 31, 2008)

| Name of insurance                        | (Unit: USD)          |                    |         |
|--|----------------------|--------------------|---------|
|  | Premium paid in 2008 | Limit of liability | Remarks |
| Directors & Officers Liability Insurance | 1,984,000            | 100,000,000        |         |

\* In July 2008, we renewed our director & officer liability insurance with coverage until July 2009.

## (2) The approval procedure for the Director &amp; Officer Liability Insurance

The limit for liability, coverage and premiums were approved pursuant to our internal policy.

## (3) The insured

1. LG Display and its subsidiaries and their respective Directors and Officers
2. Duly elected or appointed Directors or Officers, past and new Directors and Officers during the policy period
3. The estates and heirs of deceased Directors or Officers, and the legal representatives of Directors or Officers in the event of their incompetence, insolvency or bankruptcy (only if the Directors or Officers were employed at the time the acts were committed)

## (4) The Covered Risks

1. The liability of a director or an officer for the Loss to shareholders or 3rd parties, arising from any alleged Wrongful Act of a director or officer of the Company in their respective capacities, provided that the director or officer duly discharged his or her fiduciary duties
  - a. Wrongful Act means any breach of duty, neglect, error, misstatement, misleading statement or omission by the Directors or Officers
  - b. Loss includes damages, judgments, settlements and Defense Costs
2. Coverage for security holder derivative action & security claims

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The Loss arising out of any security holder derivative action is paid in accordance with the Security Holder Derivative Action Inclusion Clause . Securities Loss, incurred on account of a Securities Claim against the Directors, Officers and/or the Company, is covered (except for exclusions).

### (5) Exclusions

#### 1. General Exclusions (any loss related to following items):

Any illegal gaining of personal profit through, dishonest or criminal act;

Remuneration payment to the Insureds without the previous approval of the stockholders, which payment was illegal;

Profits in fact made from the purchase or sale of securities of the Company using non public information in an illegal manner;

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Payment of commissions, gratuities, benefits or any other favor provided to a political group, government official, director, officer, employee or any person having an ownership interest in any customers of the Company or their agent(s), representative(s) or member(s) of their family or any other entity(ies) with which they are affiliated;

Wrongful Acts alleged in any claim which has been reported under any policy of which this policy is a renewal or replacement;

Any pending or prior litigation as of the inception date of this policy, or derived from the same facts as alleged in such pending or prior litigation, etc.;

Wrongful Act which Insured knew or should reasonably have foreseen at the inception date of this policy;

Pollutants, contamination;

Nuclear material, radioactive contamination;

Bodily injury, disease, death or emotional distress of any person, or damage to tangible property, loss of use of property, or injury from oral or written publication of a libel or slander, or material that violates a person's right of privacy;

Any alleged Wrongful Act of any Subsidiary of which the insured did not own more than 50% of stock either directly or indirectly through its Subsidiaries.

2. Special Exclusions (any loss related to following items)

Punitive Damage

Nuclear Energy Liability

Mutual claim between Insureds

Claim of a large shareholder (one holding 15% or more of the outstanding shares)

Claim by a government entity

Professional Service liability

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Section 16(b) of the Securities Exchange Act of 1934 or a similar law

ERISA (Employee Retirement Income Security Act)

The so called Year 2000 Problem

War & Terrorism

Asbestos/Mould liability

Patent / Copyright liability, etc.

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## D. Employees

(as of December 31, 2008)

(Unit: person, in millions of Won)

| Sex          | Details of employees * |                |        | Total         | Total<br>Salary<br>in 2008 ** | Per<br>Capita<br>Salary | Average<br>Service<br>Year |
|--------------|------------------------|----------------|--------|---------------|-------------------------------|-------------------------|----------------------------|
|              | Office<br>Worker       | Line<br>Worker | Others |               |                               |                         |                            |
| Male         | 5,745                  | 7,403          |        | 13,148        | 582,969                       | 49.0                    | 5.0                        |
| Female       | 544                    | 5,264          |        | 5,808         | 181,070                       | 34.8                    | 3.1                        |
| <b>Total</b> | <b>6,289</b>           | <b>12,667</b>  |        | <b>18,956</b> | <b>764,039</b>                | <b>44.7</b>             | <b>4.4</b>                 |

-

\* Directors and executive officers have been excluded

\*\* Welfare benefit and retirement expense have been excluded

\*\* Based on cash payment

## E. Stock Option

The following table sets forth certain information regarding our stock option plan as of December 31, 2008.

| Executive Officers   | Grant Date    | Exercise Period |               | Exercise<br>Price | Number of<br>Granted<br>Options | Number of<br>Exercised<br>Options | Number of<br>Exercisable<br>Options * |
|----------------------|---------------|-----------------|---------------|-------------------|---------------------------------|-----------------------------------|---------------------------------------|
|                      |               | From            | To            |                   |                                 |                                   |                                       |
| Ron H. Wirahadiraksa | April 7, 2005 | April 8, 2008   | April 7, 2012 | (Won) 44,050      | 100,000                         | 0                                 | 50,000                                |
| Duke M. Koo          | April 7, 2005 | April 8, 2008   | April 7, 2012 | (Won) 44,050      | 40,000                          | 0                                 | 20,000                                |
| Sang Deog Yeo        | April 7, 2005 | April 8, 2008   | April 7, 2012 | (Won) 44,050      | 40,000                          | 0                                 | 20,000                                |
| Jae Geol Ju          | April 7, 2005 | April 8, 2008   | April 7, 2012 | (Won) 44,050      | 40,000                          | 0                                 | 20,000                                |
| <b>Total</b>         |               |                 |               |                   | <b>220,000</b>                  |                                   | <b>110,000</b>                        |

-

\* When the increase rate of our share price is the same or less than the increase rate of the Korea Composite Stock Price Index ( KOSPI ) over the three-year period following the grant date, only 50% of the initially granted shares are exercisable. Since the increase rate of our share price was lower than the increase rate of KOSPI during the period from April 7, 2005 to April 7, 2008, only 50% of the 220,000 initially granted shares are exercisable.

**Table of Contents****7. Financial Information**

## A. Financial Highlights (Based on Consolidated, Korean GAAP)

| Description                            | (Unit: In millions of Won) |             |             |             |             |
|--|----------------------------|-------------|-------------|-------------|-------------|
|  | 2008                       | 2007        | 2006        | 2005        | 2004        |
| Current Assets                         | 7,018,010                  | 5,746,133   | 3,154,627   | 3,846,068   | 3,391,478   |
| Quick Assets                           | 5,881,337                  | 4,922,209   | 2,101,922   | 3,155,283   | 2,586,190   |
| Inventories                            | 1,136,673                  | 823,924     | 1,052,705   | 690,785     | 805,288     |
| Non-current Assets                     | 10,370,356                 | 8,033,702   | 10,333,160  | 9,828,014   | 6,965,824   |
| Investments                            | 190,227                    | 24,718      | 19,298      | 14,173      | 16          |
| Tangible Assets                        | 9,270,262                  | 7,528,523   | 9,428,046   | 9,199,599   | 6,528,182   |
| Intangible Assets                      | 199,697                    | 123,111     | 123,826     | 159,306     | 192,010     |
| Other Non-current Asset                | 710,170                    | 357,350     | 761,990     | 454,936     | 245,616     |
| Total Assets                           | 17,388,366                 | 13,779,835  | 13,487,787  | 13,674,082  | 10,357,302  |
| Current Liabilities                    | 4,785,882                  | 2,401,222   | 3,208,789   | 3,138,835   | 2,568,264   |
| Non-current Liabilities                | 3,313,861                  | 3,089,154   | 3,389,322   | 2,859,650   | 2,016,396   |
| Total Liabilities                      | 8,099,743                  | 5,490,376   | 6,598,111   | 5,998,485   | 4,584,660   |
| Capital Stock                          | 1,789,079                  | 1,789,079   | 1,789,079   | 1,789,079   | 1,626,579   |
| Capital Surplus                        | 2,311,071                  | 2,311,071   | 2,275,172   | 2,279,250   | 1,012,271   |
| Other Accumulated Comprehensive Income | 173,938                    | 5,823       | (13,948)    | (1,418)     | 42,117      |
| Retained Earnings                      | 5,001,934                  | 4,183,400   | 2,839,373   | 3,608,686   | 3,091,675   |
| Minority Interest                      | 12,601                     | 86          |             |             |             |
| Total Shareholders Equity              | 9,288,623                  | 8,289,459   | 6,889,676   | 7,675,597   | 5,772,642   |
| <b>Description</b>                     | <b>2008</b>                | <b>2007</b> | <b>2006</b> | <b>2005</b> | <b>2004</b> |
| Sales Revenues                         | 16,263,635                 | 14,351,966  | 10,624,200  | 10,075,580  | 8,328,170   |
| Operating Income (Loss)                | 1,735,441                  | 1,504,007   | (879,038)   | 469,697     | 1,728,356   |
| Net Income (Loss)                      | 1,086,778                  | 1,344,027   | (769,313)   | 517,012     | 1,655,445   |

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## B. R&amp;D Expense

## (1) Summary

|                                   |  | (Unit: In millions of Won) |         |         |  |
|-----------------------------------|--|----------------------------|---------|---------|--|
| Account                           | 2008   | 2007                       | 2006    | Remarks |  |
| Direct Material Cost              | 302,445                                      | 246,577                    | 291,714 |         |  |
| Direct Labor Cost                 | 128,041                                      | 110,586                    | 87,078  |         |  |
| Depreciation Expense              | 21,679                                       | 22,516                     | 20,671  |         |  |
| Others                            | 49,027                                       | 34,737                     | 36,649  |         |  |
| Total R&D Expense                 | 501,192                                      | 414,416                    | 436,112 |         |  |
| Accounting                        |  |                            |         |         |  |
| Selling & Administrative Expenses | 148,037                                      | 106,082                    | 82,635  |         |  |
| Treatment                         |  |                            |         |         |  |
| Manufacturing Cost                | 353,155                                      | 308,334                    | 353,477 |         |  |
| R&D Expense / Sales Ratio         |  |                            |         |         |  |
|                                   | [Total R&D Expense/Sales for the period×100] | 3.2%                       | 2.9%    | 4.3%    |  |

## (2) R&amp;D achievements

[Achievements in 2006]

## 1) Development of high brightness/color gamut 17-inch wide slim LCD for notebook computer

Slim model (10tg7t), featuring 500nit, NTSC 72%

Development of slim and high brightness backlight

## 2) World's largest size 100-inch TFT-LCD development

High quality image without noise or signal distortion, applying low resistance copper bus line

High dignity picture for full-HD TV

## 3) 32-inch/42-inch HCFL Scanning Backlight applied LCD TV model development

Realization of MBR (Motion Blur Reduction) by application of Backlight Scanning technology

Lamp Quantity Reduction by HCFL (Hot Cathode Fluorescent Lamp) application

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- 4) World's largest 20.1-inch TFT-LCD for notebook computer development

S-IPS Mode, sRGB, Realization of DCR 3000:1 by backlight control, brightness 300nit

- 5) Ultra-slim TFT-LCD development for mobile phones

Realization of 1.3t by reducing light guide plate & glass thickness

- 6) The fast response 2.0-inch TFT-LCD development for mobile phones

Realization of high quality image by new liquid crystal development (25msg16ms)

- 7) Wide color gamut 30-inch wide TFT-LCD monitor development

Realization of 92% high color gamut by application of WCG CCFL

- 8) LGE Chassis integration model (Tornado) development (32-inch/37-inch/42-inch)

Maximized cost reduction by co-design with LGE & LPL

Improved product competitiveness by thin & light design



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- 9) 32-inch 120Hz new-mode panel development

Cost reduction & spec. upgrade by new-mode panel

MBR (Motion Blur Reduction) by 120Hz driving

- 10) CI model development (new concept BL)

Cost reduction and productivity improvement by new concept backlight

[Achievements in 2007]

- 11) Development of first Poland model

32-inch HD model

- 12) Development of socket type backlight model

42-inch FHD model

47-inch HD/FHD model

- 13) Development of new concept backlight model

Development of 32-inch HD model

Development of 42/47-inch model

- 14) Development of interlace image sticking free technology and model

Improvement of low picture quality caused by TV interlace signals

- 15) Development of TFT-LCD with ODF (One Drop Filling) for mobile phone application

Our first ODF model for mobile phone application (1.52 inch)

16) Development of GIP (Gate in Panel) application model 15XGA

Removed gate drive IC: 3ea g 0ea

Reduction in net material costs and shortening of assembly process

17) 24-inch TN (92%) monitor model development

The world's first large-size panel TN application

Realization of 92% high color gamut on the world's largest TN panel

18) 15.4-inch LED backlight applied model development

The world's first 15.4-inch wide LED-applied display panel for notebook computers

The world's largest LED-applied panel for notebook computers

19) Development of FHD 120Hz display panel

37- to 47-inch FHD model

20) Development of backlight localization model

32-inch HD model

21) Development of enhanced Dynamic Contrast Ratio technology

32-inch HD model

Enhanced from 5000:1 to 10000:1

22) Development of technology that improves panel transmittance

Expected to be applied to new models

**Table of Contents**

- 23) Development of THM (through-hole mounting) technology and model

37- to 47-inch model

Providing more mounting options to users

- 24) Development of the world's first DRD (Double Rate Driving) technology-applied model

Source Drive IC reduction: 6ea g 3ea

Reduction in net material costs and shortening of assembly process

- 25) COG (Chip On Panel) applied model development

Development of thin and light LCD panels made possible by flat type structure

- 26) 26-inch/30-inch IPS 102% monitor model development

Development of 26-inch/30-inch IPS model that can realize 102% wide color gamut

- 27) 2.4-inch narrow bezel for Mobile Display

The borders on the left and right sides of this 2.4-inch qVGA-resolution (240RGBx320) LCD panel measure just 1mm each. This is approximately 50% thinner than most a-Si TFT LCD panels currently produced, which generally have borders measuring closer to 2mm

- 28) Development of 6-inch Electrophoretic Display Product (EDP) to be used in e-books. The first EPD product for LG Display

The first EDP to be developed and launched for e-books, the 6-inch SVGA-resolution (800RGBX600) EDP will be supplied to SONY

[Achievements in 2008]

- 29) 42FHD Ultra-Slim LCD TV development

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Development of ultra-slim (19.8mm in thickness) 42-inch TV panel

- 30) 37FHD COF adoption LCD TV development

Cost reduction with TCP g COF change: \$2.4 (as of March 2008)

- 31) CCFL Scanning Backlight Technology development

Achieve 6ms MPRT from 8ms

- 32) 24WUXGA monitor model development applying RGB LED backlight

High color gamut (NTSC > 105%), color depth (10 bit)

- 33) 13.3-inch notebook computer model development applying LED backlight

Thin & Light model development applying LED backlight and COG technology (3.5mm in thickness, 275g in weight)

- 34) IPS GIP technology development

Developed LCD industry's first WUXGA GIP technology in wide view mode area (IPS, VA)

Comparative advantage in cost & transmittance over VA

- 35) 17.1-inch notebook computer model development applying RGB LED backlight

High color gamut (100%) notebook computer model development applied RGB LED backlight

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36) Free Form LCD development (Elliptical, Circle)

Development of the world's largest 6-inch elliptical and 1.4-inch circular-shaped LCD panels

Developing non-traditional shaped displays by applying (i) error-free, cutting-edge techniques to overcome technical limitations in making curved LCD panels, (ii) accumulated panel design knowledge and (iii) unique screen information processing algorithm

Potential applications of the elliptical-shaped LCD panels include digital photo frame, as well as instrument panels for automobiles and home electronics. The circular LCD panel is expected to make a huge impact in the design of small digital devices like mobile phones, watches and gaming devices.

37) 42HD power consumption saving technology development

Power consumption reduction using lamp mura coverage technology which reduces the number of lamps used for B/L from 18pcs(160W) to 9pcs(80W) in case of 42-inch HD LCD panels.

38) New liquid crystal development

CR: Up 5% compared with the MP level.

Material cost is same to the MP material.

39) New AG Polarizer development:

New Polarizer which has a low CR drop ratio under bright room condition

CR drop ratio under 1,500lux compared with dark room condition : 82% g 67%

40) PSM (Potential Sharing Method) technology development

(Improves the Yogore mura characteristics by applying a different electric circuit driving method)

The time for Yogore mura occurrence delayed by more than 50%

: Black line 1level base, 552Hrs, 720Hrs g 1,392Hrs, 2,064Hrsh

41) LED backlight 47FHD TV model in development

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Development of next generation light source which enables realization of ultra slim LCD panels

### 42) 24WUXGA monitor model development applying RGB LED backlight

Our first green & slim monitor model development applying white LED backlight (thickness 18.3mm)

Our first display port interface type monitor

### 43) Line up of aspect ratio 16:9 wide models (185W, 23W, 27W)

16:9 models provide for better productivity and larger contents area than existing 16:10 models

Supports HD or FHD that are compatible with TV applications

Development of our first 27W size model

### 44) Power consumption saving monitor model development

Reduces power consumption by 40% by decreasing the number of B/L lamps from 4pcs to 2pcs (17SXGA, 19SXGA, 185WXGA, 19WXGA+, 22WSXGA+)

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- 45) Notebook model development applying VIC (Viewing Image Control) technology

Unlike existing models which use external polarizer attachments to adjust viewing angles, the VIC technology allows for the adjustment to be controlled by the LCD panel itself. (Wide viewing angle ↔ Narrow viewing angle)

- 46) Notebook model development applying 0.3t glass

Thin & Light model development applying 0.3t glass

- 47) 8.9-inch small size Notebook (Netbook) Model development.

Development of minimum size notebook model for improved portability.

- 48) New aspect ratio 16:9 Notebook Model development

Existing aspect ratios: 16:10, 4:3

New aspect ratio 16:9, 15.6-inch Notebook Model development

- 49) Development of highest resolution for Mobile application that uses the a-Si method.

Development of the world's first 3-inch WVGA LCD panels (300ppi)

- 50) 42FHD Super Narrow Bezel LCD TV Development

Development of Narrow Bezel (10.0mm in metal bezel) 42-inch TV panel

- 51) 47FHD Slim Depth & Narrow Bezel LCD TV Development

Development of Slim (20.8mm in thickness) & Narrow Bezel (14.0mm in metal bezel) 47-inch TV panel

- 52) Display Port development

Securing the next generation Interface technology that will replace the current LVDS interface: Decreases the number of connector pins from 91pin (51+41) to 30pin and improves EMI characteristics

53) LCM Rotation Circuit development

Increases the design flexibility of TV Set Customers by using a 180° screen rotation function

54) Small- to medium-size TV model development

Catering to increased demand for a secondary TV

19/22/26 inch model development

55) 55FHD TV model development

Development of 55-inch (a new category) TV panel applying scanning B/L technology

56) TV model development applying GIP+TRD technology

Development of 32-inch and 26-inch HD TV applying GIP+TRD technology

57) One PCB structure development

Achieving cost reduction by combining Source PCB with Control PCB: \$1.94g\$1.1

58) 42FHD Gate Single Bank technology development

Gate Drive IC reduction by applying 42FHD Gate Single Bank technology: 8ea g 4ea

59) 22-inch WSXGA+ model development for Economy IPS Monitor

Development of the world's first Economy IPS 22-inch WSXGA+ model



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Achieving cost competitiveness by applying various cost reduction technologies, including DBEF-D sheet deletion

- 60) 21.5-inch TN FHD model development applying 960ch Source Driver IC chip

Development of LG Display's first 21.5-inch wide-format TN FHD model

Increased cost competitiveness by applying 960ch Source Driver IC chip, which reduces IC: 8ea g 6ea

- 61) World's largest 27" monitor LCD development applying BDI (Blank Data Insertion) technology

Achieved fms MPRT without extra-cost (equivalent to 120 hz driving)

Applying LGD's own color compensation algorithm for clear display

- 62) a-Si TFT based 3-inch DOD AMOLED technology development

Development of the world's first 3-inch AMOLED applying a-Si TFT and DOD Structure

Possible to use prior LCD infrastructure (a-Si TFT) to develop AMOLED

- 63) Development of AMOLED applying new crystallization (A-SPC) technology

Development of the world's first AMOLED applying non-laser crystallization method (A-SPC)

Development of the world's largest AMOLED TV

C. Domestic Credit Rating

| Subject             | Month of rating | Credit rating | Rating agency<br>(Rating range)                                 |
|---------------------|-----------------|---------------|---|
|                     | March 2005      | AA-           | National Information & Credit Evaluation, Inc.<br><br>(AAA ~ D) |
|                     | June 2005       | AA-           |   |
|                     | June 2006       | AA-           |   |
|                     | December 2006   | A+            |   |
|                     | June 2007       | A+            |   |
| Corporate Debenture | September 2008  | A+            |   |

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|                |     |                               |
|----------------|-----|-------------------------------|
| March 2005     | AA- | Korea Investors Service, Inc. |
| June 2005      | AA- |                               |
| June 2006      | AA- |                               |
| January 2007   | A+  |                               |
| June 2007      | A+  |                               |
| September 2008 | A+  | (AAA ~ D)                     |

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|                  |                |    |  |
|------------------|----------------|----|--|
|                  | June 2005      | A1 |  |
|                  | January 2006   | A1 | National Information & Credit Evaluation, Inc. |
|                  | June 2006      | A1 |  |
|                  | December 2006  | A1 |  |
|                  | June 2007      | A1 |  |
| Commercial Paper | December 2007  | A1 | (A1 ~ D)                                       |
|                  | September 2008 | A1 |  |
|                  | June 2006      | A1 | Korea Investors Service, Inc.                  |
|                  | January 2007   | A1 |  |
|                  | June 2007      | A1 |  |
|                  | December 2007  | A1 |  |
|                  | September 2008 | A1 | (A1 ~ D)                                       |

D. Remuneration for directors in 2008

(Unit: In millions of Won)

| Classification                | Salary Paid | Approved Salary at Shareholders Meeting | Per Capita Average Salary Paid | Fair value of stock option | Remarks   |
|-------------------------------|-------------|---|--------------------------------|----------------------------|---|
| Inside Directors (4 persons)  | 2,217       |   | 555                            |                            |   |
| Outside Directors (5 persons) | 250         | 13,400                                  | 50                             |                            | Audit committee consists of three outside directors |

\* Period: January 1, 2008 ~ December 31, 2008

\* Salary paid is calculated on the basis of actually paid salary except accrued salary and severance benefits

E. Derivative instrument

(1) Derivative instruments used by the Company for hedging purposes as of December 31, 2008 are as follows:

| Hedging purpose     | Derivative instrument        |
|---------------------|------------------------------|
| Hedge of fair value | Foreign currency forwards    |
| Hedge of cash flows | Foreign currency forwards(*) |
|                     | Cross currency swap          |
|                     | Interest rate swap           |

(\*) Effective October 1, 2008, the Company discontinued the designation of foreign currency forward contracts as a hedging instrument for hedge of future cash flows and ceased the use of hedge accounting.

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## (2) Hedge of fair value

The Company enters into foreign currency forward contracts to manage the exposure to changes in the value of foreign currency denominated accounts receivable and accounts payable in accordance with its foreign currency risk management policy. Hedge accounting is not applied related to the abovementioned derivatives.

## 1) Foreign Currency Forwards

Details of foreign currency forwards outstanding as of December 31, 2008 are as follows:

(In millions of Won and USD, except forward rate)

| Bank                           | Maturity date                     | Selling | Buying        | Forward rate                        |
|--------------------------------|-----------------------------------|---------|---------------|-------------------------------------|
| BNP Paribas Bank<br>and others | January 28, 2009~<br>May 18, 2009 | USD 225 | (Won) 306,738 | (Won)1,302.2~<br>(Won)1,419.1: USD1 |

## 2) Unrealized gains and losses related to the above derivatives as of December 31, 2008 are as follows:

(In millions of Won)

| Type                      | Unrealized gains | Unrealized losses |
|---------------------------|------------------|-------------------|
| Foreign Currency Forwards | (Won) 24,574     |                   |

The unrealized gains are charged to operations as gains on foreign currency translation for the year ended December 31, 2008.

## (3) Hedge of cash flows

The Company enters into foreign currency forward contracts to manage the exposure to changes in cash flows related to forecasted purchase of raw materials and sale of products in foreign currencies. In addition, the Company entered into cross currency swap and interest rate swap contracts to manage the exposure to changes in cash flows from changes in foreign currency exchange rates and interest rates related to floating rate notes. Details of the Company's derivative instruments related to hedge of cash flows as of December 31, 2008 are as follows:

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## 1) Foreign Currency Forwards

Details of foreign currency forwards outstanding as of December 31, 2008 are as follows:

(In millions of Won and USD, except forward rate)

| Bank                        | Maturity date                         | Selling | Buying       | Forward rate                         |
|-----------------------------|---------------------------------------|---------|--------------|--------------------------------------|
| BNP Paribas Bank and others | January 20, 2009~<br>January 28, 2009 | USD20   | (Won) 21,024 | (Won)1,046.9~<br>(Won)1,055.5 : USD1 |

The Company discontinued the cash flow hedge accounting effective October 1, 2008 for foreign currency forwards. Losses from derivative contracts incurred before October 1, 2008 were recognized as accumulated other comprehensive income, net of tax and subsequent losses from changes in the fair value of derivative instruments amounting to KRW1,517 million are recognized immediately in earnings.

Above mentioned contracts of derivatives were entered into before September 30, 2008, and are not past due as of December 31, 2008. There are no derivatives relating to cash flow hedge that are newly entered into after October 1, 2008.

The net unrealized losses, recorded under accumulated other comprehensive income, are expected to be recognized as realized gains and losses within the next twelve months.

## 2) Cross Currency Swap

(In millions of Won and USD, except forward rate)

| Bank                    | Maturity date                        | Selling       | Buying | Contract rate  |
|-------------------------|--------------------------------------|---------------|--------|--|
| Kookmin Bank and others | August 29, 2011~<br>January 31, 2012 | (Won) 143,269 | USD150 | Receive 3M LIBOR~<br>floating rate<br>Pay fixed rate 4.54%~5.35% |

Net unrealized gains and losses, net of related taxes, were recorded as accumulated other comprehensive income.

In relation to the abovementioned cross currency swap, unrealized losses amounting to KRW5,804 million, recorded as accumulated other comprehensive income, are expected to be charged to operations as losses within the next twelve months.

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## 3) Interest Rate Swap

(In millions of USD, except forward rate)

| Bank          | Maturity date                 | Contract amount | Contract rate            |               |
|---------------|-------------------------------|-----------------|--------------------------|---------------|
| SC First Bank | May 21, 2009~<br>May 24, 2010 | USD150          | Receive floating<br>rate | 6M LIBOR      |
|               |                               |                 | Pay fixed rate           | 5.375%~5.644% |

Net unrealized gains and losses, net of related taxes, were recorded as accumulated other comprehensive income.

In relation to the abovementioned interest rate swap, unrealized losses amounting to KRW5,421 million, recorded as accumulated other comprehensive income, are expected to be charged to operations as losses within the next twelve months.

## 4) Unrealized gains and losses, before tax, related to hedge of cash flows as of December 31, 2008 are as follows:

(In millions of Won)

| Type                      | Unrealized gains | Unrealized losses | Cash flow hedge requirements |
|---------------------------|------------------|-------------------|------------------------------|
| Foreign currency forwards | (Won)            | 2,534             | Fulfilled                    |
| Cross currency swap(*)    |                  | 11,511            | Fulfilled                    |
| Interest rate swap        |                  | 8,017             | Fulfilled                    |

(\*) The unrealized gains amounting to KRW47,895 million related to the foreign exchange rate risk are recognized as gains in the non-consolidated statement of income in the current period.

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- (4) Realized gains and losses related to derivative instruments for the year ended December 31, 2008 are as follows:

(In millions of Won)

| Hedge purpose    | Type                      | Transaction gains<br>(Won) | Transaction losses |
|------------------|---------------------------|----------------------------|--------------------|
| Cash flow hedge  | Cross currency swap       | 145                        | 1,101              |
| Cash flow hedge  | Interest rate swap        |                            | 3,653              |
| Cash flow hedge  | Foreign currency forwards | 5,978                      | 195,843            |
| Fair value hedge | Foreign currency forwards | 19,619                     | 240,010            |
| Fair value hedge | Range forward options     | 2,441                      | 59,538             |

- F. Status of Equity Investment as of December 31, 2008

| Company   | Total issued and<br>outstanding<br>shares | Number of shares<br>owned by us | Ownership<br>ratio |
|---|---|---------------------------------|--------------------|
| LG Display America, Inc.  | 5,000,000                                 | 5,000,000                       | 100%               |
| LG Display Japan Co., Ltd.  | 1,900                                     | 1,900                           | 100%               |
| LG Display Germany GmbH   | 960,000                                   | 960,000                         | 100%               |
| LG Display Taiwan Co., Ltd.   | 11,550,000                                | 11,550,000                      | 100%               |
| LG Display Nanjing Co., Ltd.  | *   | *                               | 100%               |
| LG Display Hong Kong Co., Ltd.  | 115,000                                   | 115,000                         | 100%               |
| LG Display Shanghai Co., Ltd.   | *   | *                               | 100%               |
| LG Display Poland Sp. zo.o.   | 5,110,710                                 | 4,103,277                       | 80%                |
| LG Display Guangzhou Co., Ltd.  | *   | *                               | 86%                |
| LG Display Shenzhen Co., Ltd.   | *   | *                               | 100%               |
| Paju Electric Glass Co., Ltd.   | 3,600,000                                 | 1,440,000                       | 40%                |
| TLI Co., Ltd.   | 7,817,950                                 | 1,008,875                       | 13%                |
| AVACO Co., Ltd.   | 10,237,204                                | 2,037,204                       | 20%                |
| Guangzhou Vision Display Technology Research and<br>Development Limited | *   | *                               | 50%                |
| NEW OPTICS., Ltd.   | 18,675,000                                | 6,850,000                       | 37%                |
| Suzhou Raken Technology Co., Ltd.                                       | *   | *                               | 51%                |

\* No shares have been issued in accordance with the local laws and regulations.

**8. Subsequent Events**

- (1) On January 12, 2009, we established LG Display Singapore Pte. Ltd., a wholly-owned subsidiary in Singapore with paid-in capital of SGD1.4 million (KRW1,250 million).
- (2) On March 16, 2009 (settlement date), Philips Electronics sold its remaining 13.2% (47,225,000 shares of our common stock) equity interest in us.

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LG DISPLAY CO., LTD.

(Formerly, LG.Philips LCD Co., Ltd.)

AND SUBSIDIARIES

Consolidated Financial Statements

**December 31, 2008**

(With Independent Auditors' Report Thereon)



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**Independent Auditors Report**

Based on a report originally issued in Korean

To the Stockholders and Board of Directors

LG Display Co., Ltd.:

We have audited the accompanying consolidated balance sheet of LG Display Co., Ltd. (formerly, LG.Philips LCD Co., Ltd.) and subsidiaries (the Company) as of December 31, 2008, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our audit. The accompanying consolidated financial statements of the Company as of December 31, 2007 were audited by Samil PricewaterhouseCoopers, whose report thereon dated February 18, 2008 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2008 and the results of its operations, the changes in its equity and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the Republic of Korea.

As discussed in note 3(b) to the consolidated financial statements, accounting principles and auditing standards and their application in practice vary among countries. The accompanying consolidated financial statements are not intended to present the financial position, results of operations, changes in stockholders' equity and cash flows in accordance with accounting principles and practices generally accepted in countries other than the Republic of Korea. In addition, 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. Accordingly, this report and the accompanying consolidated financial statements are for use by those knowledgeable about Korean accounting procedures and audit standards and their application in practice.

Without qualifying our opinion, we draw attention to the following:

As discussed in note 20(b) to the consolidated financial statements, as of December 31, 2008, the Company is under investigations by fair trade or antitrust authorities in Korea, Japan, Canada and European Commission with respect to possible anti-competitive activities in the LCD industry as of December 31, 2008. In addition, the Company has been named as defendants in a number of federal class actions in the United States and Canada alleging that the defendants violated the antitrust laws in connection with the sale of LCD panels, and the Company and certain of its officers and directors have been named as defendants in a federal class action in the United States by shareholders of the Company alleging violations of the U.S. Securities Exchange Act of 1934.

Each of these investigations, legal proceedings and claims is ongoing and the outcome in any of these matters may have a negative effect on the Company's financial condition, results of operations or cash flows.

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/s/ KPMG Samjong Accounting Corp.

Seoul, Korea

February 16, 2009

This report is effective as of February 16, 2009, 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 there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

**Notes to Consolidated Financial Statements**

December 31, 2008 and 2007

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## LG DISPLAY CO., LTD. AND SUBSIDIARIES

**Consolidated Balance Sheets**

As of December 31, 2008 and 2007

| <i>(In millions of Won)</i>              | Note          | 2008                    | 2007              |
|--|---------------|-------------------------|-------------------|
| <b>Assets</b>                            |               |                         |                   |
| Cash and cash equivalents                | 4, 18         | (Won) 1,367,752         | 1,196,423         |
| Short-term financial instruments         | 4             | 2,055,000               | 785,000           |
| Available-for-sale securities            | 7             | 74                      | 63                |
| Trade accounts and notes receivable, net | 5,9,10,18,20  | 2,004,758               | 2,339,690         |
| Other accounts receivable, net           | 5, 18         | 36,260                  | 97,098            |
| Accrued income, net                      | 5             | 87,846                  | 13,949            |
| Advance payments, net                    | 5             | 409                     | 2,783             |
| Prepaid expenses                         |               | 38,263                  | 35,613            |
| Prepaid value added tax                  | 18            | 176,379                 | 105,924           |
| Deferred income tax assets, net          | 26            | 86,048                  | 332,926           |
| Inventories, net                         | 6, 13         | 1,136,673               | 823,924           |
| Other current assets                     |               | 28,548                  | 12,740            |
| <b>Total current assets</b>              |               | <b>7,018,010</b>        | <b>5,746,133</b>  |
| Long-term financial instruments          |               | 13                      | 13                |
| Available-for-sale securities            | 7             | 129,497                 | 1                 |
| Equity method investments                | 8             | 60,717                  | 24,704            |
| Property, plant and equipment, net       | 9,10,11,12,13 | 9,270,262               | 7,528,523         |
| Intangible assets, net                   | 14            | 199,697                 | 123,111           |
| Long-term other receivable, net          | 5             | 25,056                  | 20,141            |
| Long-term prepaid expenses               |               | 150,808                 | 155,656           |
| Deferred income tax assets, net          | 26            | 443,877                 | 151,058           |
| Non-current guarantee deposits           |               | 50,781                  | 30,495            |
| Other non-current assets                 |               | 39,648                  |                   |
| <b>Total non-current assets</b>          |               | <b>10,370,356</b>       | <b>8,033,702</b>  |
| <b>Total assets</b>                      |               | <b>(Won) 17,388,366</b> | <b>13,779,835</b> |

*See accompanying notes to consolidated financial statements.*

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## LG DISPLAY CO., LTD. AND SUBSIDIARIES

**Consolidated Balance Sheets (continued)**

As of December 31, 2008 and 2007

| <i>(In millions of Won)</i>   | Note   | 2008                    | 2007              |
|---|--------|-------------------------|-------------------|
| <b>Liabilities</b>  |        |                         |                   |
| Trade accounts payable and notes payable  | 9, 18  | (Won) 988,094           | 994,701           |
| Other accounts payable  | 18     | 2,044,888               | 614,904           |
| Short-term borrowings   | 5, 16  | 601,068                 | 4,660             |
| Advances received   |        | 17,155                  | 82,101            |
| Unearned income   |        |                         | 15,248            |
| Withholdings  |        | 15,675                  | 7,160             |
| Accrued expenses  | 18     | 203,867                 | 99,288            |
| Income tax payable  | 26     | 294,494                 | 78,133            |
| Warranty reserve, current   | 19     | 48,008                  | 49,295            |
| Current portion of long-term debt and debentures, net of discounts  | 15, 16 | 553,169                 | 409,082           |
| Other current liabilities   |        | 19,464                  | 46,650            |
| <b>Total current liabilities</b>  |        | <b>4,785,882</b>        | <b>2,401,222</b>  |
| Debentures, net of current portion and discounts on debentures  | 15     | 1,490,445               | 1,998,147         |
| Long-term debt, net of current portion  | 16     | 1,242,656               | 993,785           |
| Long-term accrued expenses  | 31     | 16,471                  | 12,680            |
| Long-term other accounts payable  | 2, 20  | 462,922                 | 31,046            |
| Accrued severance benefits, net   | 17     | 70,232                  | 53,496            |
| Warranty reserve, non-current   | 19     | 10,097                  |                   |
| Other non-current liabilities   |        | 21,038                  |                   |
| <b>Total non-current liabilities</b>  |        | <b>3,313,861</b>        | <b>3,089,154</b>  |
| <b>Total liabilities</b>  |        | <b>8,099,743</b>        | <b>5,490,376</b>  |
| <b>Stockholders equity</b>  |        |                         |                   |
| <b>Controlling interest</b>   |        |                         |                   |
| Common stock, (Won)5,000 par value. Authorized 500,000,000 shares; issued and outstanding 357,815,700 shares in 2008 and 2007 | 1, 22  | 1,789,079               | 1,789,079         |
| Capital surplus   | 23     | 2,311,071               | 2,311,071         |
| Accumulated other comprehensive income  | 24     | 173,938                 | 5,823             |
| Retained earnings   |        | 5,001,934               | 4,183,400         |
| <b>Total controlling interest</b>   |        | <b>9,276,022</b>        | <b>8,289,373</b>  |
| <b>Minority interest</b>  |        | <b>12,601</b>           | <b>86</b>         |
| <b>Total stockholders equity</b>  |        | <b>9,288,623</b>        | <b>8,289,459</b>  |
| <b>Commitments and contingencies</b>  | 20     |                         |                   |
| <b>Total liabilities and stockholders equity</b>  |        | <b>(Won) 17,388,366</b> | <b>13,779,835</b> |

See accompanying notes to consolidated financial statements.

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

**Consolidated Statements of Income**

For the years ended December 31, 2008 and 2007

| <i>(In millions of Won, except earnings per share)</i>  | <b>Note</b> | <b>2008</b>      | <b>2007</b> |
|---|-------------|------------------|-------------|
| <b>Sales</b>  | 9, 10, 35   | (Won) 16,263,635 | 14,351,966  |
| <b>Cost of sales</b>                                    | 9, 10, 27   | 13,616,615       | 12,115,363  |
| <b>Gross profit</b>                                     |             | 2,647,020        | 2,236,603   |
| Selling and administrative expenses                     | 28          | 911,579          | 732,596     |
| <b>Operating income</b>                                 |             | 1,735,441        | 1,504,007   |
| Interest income   |             | 209,661          | 58,348      |
| Rental income   |             | 3,203            | 3,796       |
| Foreign exchange gains                                  |             | 2,855,861        | 376,381     |
| Gain on foreign currency translation                    |             | 281,978          | 61,315      |
| Equity income on investments                            | 8           | 8,477            | 6,860       |
| Gain on disposal of property, plant and equipment       |             | 1,066            | 1,485       |
| Gain on disposal of intangible assets                   |             | 1,633            |             |
| Commission earned                                       |             | 13,894           | 163,755     |
| Reversal of allowance for doubtful accounts             |             | 10,859           |             |
| Gain on redemption of debentures                        | 15          | 1,152            | 1,868       |
| Other income  |             | 6,124            | 9,992       |
| <b>Non-operating income</b>                             |             | 3,393,908        | 683,800     |
| Interest expense  | 5           | 153,543          | 201,296     |
| Foreign exchange losses                                 |             | 2,687,150        | 299,076     |
| Loss on foreign currency translation                    |             | 500,937          | 51,662      |
| Equity losses on investments                            | 8           | 889              |             |
| Donations   |             | 8,959            | 2,344       |
| Loss on disposal of trade accounts and notes receivable |             |                  | 18,463      |
| Loss on disposal of property, plant and equipment       |             | 736              | 4,141       |
| Impairment loss on property, plant, and equipment       | 11          | 83               | 44,398      |
| Other bad debt expenses                                 |             | 6                | 3,166       |
| Loss on redemption of debentures                        | 15          | 13               | 19,500      |
| Loss on sale of investment in equity securities         | 8           | 100              |             |
| Other expenses  | 20          | 465,434          | 802         |
| <b>Non-operating expenses</b>                           |             | 3,817,850        | 644,848     |
| <b>Income before income taxes</b>                       |             | 1,311,499        | 1,542,959   |
| <b>Income tax expense</b>                               | 26          | 224,721          | 198,932     |
| <b>Net income</b>                                       |             | (Won) 1,086,778  | 1,344,027   |
| Net income of the Controlling Company                   |             | (Won) 1,086,896  | 1,344,027   |

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|  |    |       |       |       |
|--|----|-------|-------|-------|
| Net income (loss) of minority interest |    | (Won) | (118) |       |
| <b>Earnings per share</b>              | 29 |       |       |       |
| Basic earnings per share               |    | (Won) | 3,038 | 3,756 |
| Diluted earnings per share             |    | (Won) | 3,003 | 3,716 |

*See accompanying notes to consolidated financial statements.*



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LG DISPLAY CO., LTD. AND SUBSIDIARIES

**Consolidated Statements of Changes in Stockholders' Equity**

For the years ended December 31, 2008 and 2007

| <i>(In millions of Won)</i>                                | Note   | Capital<br>stock | Capital<br>surplus | Accumulated<br>other<br>comprehensive<br>income | Retained<br>earnings | Minority<br>interest | Total     |
|--|--------|------------------|--------------------|---|----------------------|----------------------|-----------|
| <b>Balances at January 1, 2007</b>                         |        | (Won) 1,789,079  | 2,275,172          | (13,948)  | 2,839,373            |                      | 6,889,676 |
| Net income   |        |                  |                    |   | 1,344,027            |                      | 1,344,027 |
| Change in consideration for conversion rights              |        |                  | 35,899             |   |                      |                      | 35,899    |
| Change in cumulative translation adjustments               | 32     |                  |                    | 46,772  |                      |                      | 46,772    |
| Gain on valuation of cash flow hedges                      | 24, 32 |                  |                    | (22,925)  |                      |                      | (22,925)  |
| Loss on valuation of cash flow hedges                      | 24, 32 |                  |                    | (4,076)   |                      |                      | (4,076)   |
| Change in the investor's share of subsidiary               |        |                  |                    |   |                      | 86                   | 86        |
| <b>Balances at December 31, 2007</b>                       |        | 1,789,079        | 2,311,071          | 5,823   | 4,183,400            | 86                   | 8,289,459 |
| <b>Balances at January 1, 2008</b>                         |        | 1,789,079        | 2,311,071          | 5,823   | 4,183,400            | 86                   | 8,289,459 |
| Cash dividend  |        |                  |                    |   | (268,362)            |                      | (268,362) |
| Net income (loss)  |        |                  |                    |   | 1,086,896            | (118)                | 1,086,778 |
| Change in cumulative translation adjustments               | 32     |                  |                    | 144,154   |                      | (225)                | 143,929   |
| Change in fair value of available-for-sale securities      | 7, 32  |                  |                    | 25,934  |                      |                      | 25,934    |
| Change in equity arising from application of equity method | 8, 32  |                  |                    | 534   |                      |                      | 534       |
| Gain on valuation of cash flow hedges                      | 24, 32 |                  |                    | (1,498)   |                      |                      | (1,498)   |
| Loss on valuation of cash flow hedges                      | 24, 32 |                  |                    | (1,009)   |                      |                      | (1,009)   |
| Change in the investor's share of subsidiary               |        |                  |                    |   |                      | 12,858               | 12,858    |
| <b>Balances at December 31, 2008</b>                       |        | (Won) 1,789,079  | 2,311,071          | 173,938   | 5,001,934            | 12,601               | 9,288,623 |

*See accompanying notes to consolidated financial statements.*

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

**Consolidated Statements of Cash Flows**

For the years ended December 31, 2008 and 2007

| <i>(In millions of Won)</i>   | Note | 2008            | 2007        |
|---|------|-----------------|-------------|
| <b>Cash flows from operating activities:</b>                          |      |                 |             |
| Net income  |      | (Won) 1,086,778 | 1,344,027   |
| <b>Adjustments for:</b>   |      |                 |             |
| Depreciation  |      | 2,485,977       | 2,775,549   |
| Amortization of intangible assets                                     |      | 55,044          | 54,468      |
| Provision for severance benefits                                      |      | 68,992          | 62,828      |
| Provision for warranty reserve  | 19   | 90,063          | 77,852      |
| Loss (gain) on foreign currency translation, net                      |      | 218,959         | (16,682)    |
| Equity income on investments, net                                     |      | (7,588)         | (6,860)     |
| Loss on sale of Investment in equity securities, net                  |      | 100             |             |
| Loss (gain) on disposal of property, plant and equipment, net         |      | (330)           | 2,656       |
| Gain on disposal of intangible assets, net                            |      | (1,633)         |             |
| Impairment loss on property, plant and equipment                      |      | 83              | 44,398      |
| Interest expense  |      | 2,483           |             |
| Loss (gain) on redemption of debentures, net                          |      | (1,139)         | 17,632      |
| Amortization of discount on debentures, net                           |      | 30,838          | 45,323      |
| (Reversal of) compensation expenses associated with stock option      | 31   | (560)           | 560         |
| Other expenses  |      | 458,017         |             |
|   |      | 3,399,306       | 3,057,724   |
| <b>Changes in operating assets and liabilities:</b>                   |      |                 |             |
| Decrease (increase) in trade accounts receivable and notes receivable |      | 187,879         | (1,446,420) |
| Decrease (increase) in other accounts receivable                      |      | 53,562          | 15,645      |
| Decrease (increase) in accrued income                                 |      | (73,897)        | (13,098)    |
| Decrease (increase) in advance payments                               |      | 2,375           | 4,266       |
| Decrease (increase) in prepaid expenses                               |      | 26,751          | 16,939      |
| Decrease (increase) in prepaid value added tax                        |      | (70,455)        | (10,506)    |
| Decrease (increase) in other current assets                           |      | 2,154           | 13,135      |
| Decrease (increase) in inventories                                    |      | (312,749)       | 228,781     |
| Decrease (increase) in long-term other receivables                    |      | (4,915)         | (20,141)    |
| Decrease (increase) in long-term prepaid expenses                     |      | (24,554)        | (46,622)    |
| Decrease (increase) in deferred income tax assets                     |      | (100,916)       | 112,630     |
| Decrease (increase) in other non-current assets                       |      | 2,535           |             |
| Increase (decrease) in trade accounts and notes payable               |      | 83,812          | 36,778      |
| Increase (decrease) in other accounts payable                         |      | 170,689         | (19,852)    |
| Increase (decrease) in advances received                              |      | (64,946)        | 36,267      |
| Increase (decrease) in unearned income                                |      |                 | 8,193       |
| Increase (decrease) in withholdings                                   |      | 8,516           | (18,215)    |
| Increase (decrease) in accrued expenses                               |      | 103,182         | 43,421      |
| Increase (decrease) in income tax payable                             |      | 216,361         | 73,476      |
| Increase (decrease) in warranty reserve                               |      | (81,253)        | (59,818)    |
| Increase (decrease) in other current liabilities                      |      | (20,536)        | (6,699)     |
| Increase (decrease) in long-term accrued expenses                     |      | 979             | 2,892       |
| Increase (decrease) in long-term other accounts payable               |      | 1,106           |             |
| Increase (decrease) in long-term unearned income                      |      | 3,191           |             |
| Increase (decrease) in deferred income tax liabilities                |      | 2               | (19)        |
| Accrued severance benefits transferred from affiliated company, net   |      | 3,339           | 2,117       |
| Payment of severance benefits   |      | (23,853)        | (48,202)    |

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|  |                        |                  |
|--|------------------------|------------------|
| Decrease (increase) in severance insurance deposits              | (31,792)               | (45,242)         |
| Decrease (increase) in contribution to the National Pension Fund | 51                     | 110              |
| Increase (decrease) in other non-current liabilities             | 11                     |                  |
| Increase (decrease) in cumulative translation adjustments, net   | 58,368                 | 44,940           |
|  | 114,997                | (1,095,244)      |
| <b>Net cash provided by operating activities</b>                 | <b>(Won) 4,601,081</b> | <b>3,306,507</b> |

*See accompanying notes to 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, 2008 and 2007

| <i>(In millions of Won)</i>                                    | Note | 2008                   | 2007               |
|--|------|------------------------|--------------------|
| <b>Cash flows from investing activities:</b>                   |      |                        |                    |
| Acquisition of short-term financial instruments                |      | (Won) (1,270,000)      | (785,000)          |
| Increase in short-term loans                                   |      | (54)                   | (9)                |
| Disposal of available-for-sale securities                      |      | 1                      |                    |
| Acquisition of available-for-sale securities                   |      | (96,260)               | (39)               |
| Acquisition of equity method investments                       |      | (33,602)               |                    |
| Proceeds from dividend received from equity method investments |      | 5,760                  | 1,440              |
| Proceeds from disposal of property, plant and equipment        |      | 2,976                  | 5,546              |
| Proceeds from disposal of intangible assets                    |      | 3,196                  |                    |
| Acquisition of property, plant and equipment                   |      | (2,775,902)            | (1,577,319)        |
| Acquisition of intangible assets                               |      | (125,413)              | (18,651)           |
| Decrease in guarantee deposits                                 |      | 32                     | 412                |
| Payment of guarantee deposits                                  |      | (15,720)               | (8,454)            |
| <b>Net cash used in investing activities</b>                   |      | <b>(4,304,986)</b>     | <b>(2,382,074)</b> |
| <b>Cash flows from financing activities:</b>                   |      |                        |                    |
| Proceeds from short-term borrowings                            |      | 596,407                |                    |
| Repayment of short-term debt                                   |      |                        | (245,336)          |
| Proceeds from debentures                                       |      |                        | 508,997            |
| Redemption of debentures                                       |      | (78,308)               | (590,401)          |
| Proceeds from long-term debt                                   |      | 23,638                 | 378,437            |
| Repayment of long-term debt                                    |      |                        | (202,946)          |
| Repayment of current portion of long-term debt                 |      | (425,608)              | (571,052)          |
| Increase in long-term other accounts payable                   |      | 14,608                 | 39,843             |
| Increase in minority interest                                  |      | 12,947                 | 86                 |
| Decrease in minority interest                                  |      | (88)                   |                    |
| Payment of cash dividends                                      |      | (268,362)              |                    |
| <b>Net cash used in financing activities</b>                   |      | <b>(124,766)</b>       | <b>(682,372)</b>   |
| <b>Net increase in cash and cash equivalents</b>               |      | <b>171,329</b>         | <b>242,061</b>     |
| Cash and cash equivalents, beginning of the year               |      | 1,196,423              | 954,362            |
| <b>Cash and cash equivalents, end of the year</b>              |      | <b>(Won) 1,367,752</b> | <b>1,196,423</b>   |

*See accompanying notes to consolidated financial statements.*

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

**Notes to Consolidated Financial Statements**

December 31, 2008 and 2007

1 Organization and Description of Business

The accompanying consolidated financial statements include the accounts of LG Display Co., Ltd. and its consolidated subsidiaries (collectively the Company). The general information of LG Display Co., Ltd. (the Controlling Company), its consolidated subsidiaries and its equity method investees is described below.

(a) Description of the Controlling Company

LG Display Co., Ltd. (formerly, LG.Philips LCD Co., Ltd.) was incorporated in 1985 under its original name of LG Soft, Ltd. as a wholly owned subsidiary of LG Electronics Inc. In 1998, LG Electronics Inc. and LG Semicon Co., Ltd. transferred their respective Thin Film Transistor Liquid Crystal Display ( TFT-LCD ) related business to the Controlling Company. The Company's main business is to manufacture and sell TFT-LCD panels. In July 1999, LG Electronics Inc. and Koninklijke Philips Electronics N.V. ( Philips ) entered into a joint venture agreement. Pursuant to the agreement, the Controlling Company changed its name to LG.Philips LCD Co., Ltd. However, on February 29, 2008, the Controlling Company changed its name from LG.Philips LCD Co., Ltd. to LG Display Co., Ltd. based upon the approval of shareholders at the general shareholders' meeting on the same date as a result of the decrease in Philips's share interest in the Controlling Company and the possibility of its business expansion to Organic Light Emitting Diode ( OLED ) and Flexible Display products. As of December 31, 2008, the majority of shares in the Controlling Company are owned by LG Electronics Inc. and Philips, 37.9% (135,625 thousand shares) and 13.2% (47,225 thousand shares), respectively.

As of December 31, 2008, the Controlling Company has LCD Research & Development Center and TFT-LCD manufacturing plants in Paju and TFT-LCD manufacturing plants and OLED manufacturing plant in Gumi. The Controlling Company has overseas subsidiaries located in the United States of America, Europe and Asia.

(b) Consolidated Subsidiaries

(i) LG Display America, Inc. ( LGDUS , formerly, LG.Philips LCD America, Inc.)

LGDUS, which is wholly owned by the Controlling Company, was incorporated in California, U.S.A., on September 24, 1999, to sell TFT-LCD products. As of December 31, 2008 and 2007, its capital stock amounted to USD5 million.

(ii) LG Display Japan Co., Ltd. ( LGDJP , formerly, LG.Philips LCD Japan Co., Ltd.)

LGDJP, which is wholly owned by the Controlling Company, was incorporated in Tokyo, Japan, on October 12, 1999, to sell TFT-LCD products. As of December 31, 2008 and 2007, its capital stock amounted to JPY95 million.

(iii) LG Display Germany GmbH ( LGDDG , formerly, LG.Philips LCD Germany GmbH)

LGDDG, which is wholly owned by the Controlling Company, was incorporated in Dusseldorf, Germany, on November 5, 1999, to sell TFT-LCD products. As of December 31, 2008 and 2007, its capital stock amounted to EUR1 million.

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

**Notes to Consolidated Financial Statements**

December 31, 2008 and 2007

1 **Organization and Description of Business. Continued**

(b) **Consolidated Subsidiaries. Continued**

(iv) **LG Display Taiwan Co., Ltd. ( LGDTW , formerly, LG.Philips LCD Taiwan Co., Ltd.)**

LGDTW, which is wholly owned by the Controlling Company, was incorporated in Taipei, Taiwan, on April 12, 1999, to sell TFT-LCD products and its shares were acquired by the Controlling Company in May 2000 from LG Electronics Inc. As of December 31, 2008 and 2007, its capital stock amounted to NTD116 million.

(v) **LG Display Nanjing Co., Ltd. ( LGDNJ , formerly, LG.Philips LCD Nanjing Co., Ltd.)**

LGDNJ, which is wholly owned by the Controlling Company, was incorporated in Nanjing, China, on July 15, 2002, to manufacture and sell TFT-LCD products. As of December 31, 2008 and 2007, its capital stock amounted to CNY1,643 million.

(vi) **LG Display Hong Kong Co., Ltd. ( LGDHK , formerly, LG.Philips LCD Hong Kong Co., Ltd.)**

LGDHK, which is wholly owned by the Controlling Company, was incorporated in Hong Kong on January 24, 2003, to sell the TFT-LCD products. As of December 31, 2008 and 2007, its capital stock amounted to HKD12 million. LGDHK's operations was transferred to LG.Philips LCD Shenzhen in 2007 and LGDHK is expected to liquidate in 2009.

(vii) **LG Display Shanghai Co., Ltd. ( LGDSH , formerly, LG.Philips LCD Shanghai Co., Ltd.)**

LGDSH, which is wholly owned by the Controlling Company, was incorporated in Shanghai, China, on January 16, 2003, to sell TFT-LCD products. As of December 31, 2008 and 2007, its capital stock amounted to CNY4 million.

(viii) **LG Display Poland Sp. z o.o. ( LGDWR , formerly, LG.Philips LCD Poland Sp. z o.o.)**

LGDWR, which is 80.29% owned by the Controlling Company, was incorporated in Wroclaw, Poland on September 6, 2005, to manufacture and sell TFT-LCD products. As of December 31, 2008 and 2007, its capital stock amounted to PLN511 million.

(ix) **LG Display Guangzhou Co., Ltd. ( LGDGZ , formerly, LG.Philips LCD Guangzhou Co., Ltd.)**

LGDGZ, which is 84.21% owned by the Controlling Company, was incorporated in Guangzhou, China, on June 30, 2006, to manufacture and sell TFT-LCD products. As of December 31, 2008 and 2007, its capital stock amounted to CNY678 million and CNY582 million.

(x) **LG Display Shenzhen Co., Ltd. ( LGDSZ , formerly, LG.Philips LCD Shenzhen Co., Ltd.)**

LGDSZ, which is wholly owned by the Controlling Company, was incorporated in Shenzhen, China on August 28, 2007, to sell TFT-LCD products. As of December 31, 2008 and 2007, its capital stock amounted to CNY4 million.

(xi) **Suzhou Raken Technology Ltd.**

## Edgar Filing: LG Display Co., Ltd. - Form 6-K

Suzhou Raken Technology Ltd. was incorporated in Suzhou, China for production of LCD modules and LCD TV sets on October 7, 2008. The Controlling Company entered into a joint venture agreement with AmTRAN Technology Co., Ltd. and each party acquired equity interest in the joint venture a 51% and 49%, respectively. As of December 31, 2008, its capital stock amounted to CNY139 million.

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

**Notes to Consolidated Financial Statements**

December 31, 2008 and 2007

1 **Organization and Description of Business. Continued**

(c) **Equity Method Investment**

(i) **Paju Electric Glass Co., Ltd. ( PEG )**

PEG was incorporated in Paju, Korea, in January 2005, to produce electric glass. As of December 31, 2008 and 2007, its capital stock amounted to (Won)36,000 million and 40% of PEG is owned by the Controlling Company.

(ii) **TLI Inc. ( TLI )**

TLI was incorporated on October 28, 1998, to manufacture and sell semiconductor parts for flat-panel display. In May 2008, the Controlling Company acquired 1,008,875 common shares of TLI (13.0%) at (Won)14,074 million through a stock purchase agreement for strategic alliance purposes. Although the Controlling Company's share interests in TLI is below 20%, the Controlling Company is able to exercise significant influence through its right to assign a director in the board of directors of the investees and, accordingly, the investment in TLI has been accounted for using the equity method. Subsequent to the investment by the Controlling Company, TLI issued new shares due to employees exercise of stock options. Accordingly, the Controlling Company's ownership in TLI decreased from 13.0% to 12.9%.

(iii) **AVACO Co., Ltd. ( AVACO )**

AVACO was incorporated in 2000 to manufacture and sell equipment for flat-panel display. In June 2008, the Controlling Company acquired 2,037,204 common shares of AVACO (19.9%) at (Won)6,173 million through a stock purchase agreement for strategic alliance purposes. Although the Controlling Company's share interests in AVACO is below 20%, the Controlling Company is able to exercise significant influence through its right to assign a director in the board of directors of AVACO and, accordingly, the investment in AVACO has been accounted for using the equity method.

(iv) **Guangzhou New Vision Technology Research and Development Limited ( Guangzhou R&D JV Center )**

The Controlling Company entered into a joint venture agreement with Shenzhen Skyworth-RGB Electronics Co., Limited ( Skyworth-RGB ) to strengthen its strategic alliance with Skyworth-RGB and to jointly develop products for enhancing competitiveness in the Chinese market and, accordingly, Guangzhou R&D JV Center was set up for research and development on design of LCD modules and LCD TVs. Each party acquired a 50% equity interest in the joint venture and, in July 2008, the Controlling Company invested (Won)3,655 million.

(v) **NEW OPTICS Ltd.**

In July 2008, the Controlling Company acquired 6,850,000 common shares of NEW OPTICS Ltd. (36.68%) at (Won)9,700 million. The Controlling Company's share interest in the investee exceeds 30%, however, the Controlling Company is not the shareholder with the majority ownership and, accordingly, investment in this investee has been accounted for using the equity method.



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LG DISPLAY CO., LTD. AND SUBSIDIARIES

**Notes to Consolidated Financial Statements**

December 31, 2008 and 2007

**2 Summary of Consolidated Subsidiaries**

Consolidated subsidiaries as of December 31, 2008 are as follows:

|                                    | <b>Total issued<br/>and<br/>outstanding<br/>shares</b> | <b>No. of shares<br/>owned by<br/>the Controlling<br/>Company</b> | <b>Percentage of<br/>ownership</b> | <b>Closing<br/>date</b> |
|------------------------------------|--|---|------------------------------------|-------------------------|
| <b>Overseas Subsidiaries</b>       |  |   |                                    |                         |
| LG Display America, Inc.           | 5,000,000  | 5,000,000   | 100%                               | 12.31                   |
| LG Display Japan Co., Ltd.         | 1,900  | 1,900   | 100%                               | 12.31                   |
| LG Display Germany GmbH            | 960,000  | 960,000   | 100%                               | 12.31                   |
| LG Display Taiwan Co., Ltd.        | 11,550,000   | 11,550,000  | 100%                               | 12.31                   |
| LG Display Nanjing Co., Ltd.       | (*1)   | (*1)  | 100%                               | 12.31                   |
| LG Display Hong Kong Co., Ltd.     | 115,000  | 115,000   | 100%                               | 12.31                   |
| LG Display Shanghai Co., Ltd.      | (*1)   | (*1)  | 100%                               | 12.31                   |
| LG Display Poland Sp. zo.o.(*2)    | 5,110,710  | 4,103,277   | 80%                                | 12.31                   |
| LG Display Guangzhou Co., Ltd.(*3) | (*1)   | (*1)  | 84%                                | 12.31                   |
| LG Display Shenzhen Co., Ltd.      | (*1)   | (*1)  | 100%                               | 12.31                   |
| Suzhou Raken Technology Ltd.       | (*1)   | (*1)  | 51%                                | 12.31                   |

Global Professional Sourcing Co., Ltd. ( GPS ), a consolidated subsidiary in 2007, was liquidated in November 2008. Income from operations of GPS prior to the liquidation is included in the Company's consolidated income statement.

(\*1) No shares have been issued in accordance with the local laws and regulations.

(\*2) Toshiba Corporation ( Toshiba ) acquired 20% of LGDWR in December 2007. With the acquisition of the 20% interest, Toshiba and the Controlling Company and LGDWR entered into a derivative contract that is indexed to LGDWR's equity shares. According to the contract, the Controlling Company or LGDWR has a call option to buy Toshiba's 20% interest in LGDWR and Toshiba has a put option to sell its 20% interest in LGDWR to the Controlling Company or LGDWR under the same terms: the price of the call is equal to the price of the put option which is the total amount of Toshiba's investment at cost. The call and put option are exercisable after five years from the date of acquisition and on each anniversary thereafter with no stated expiry date in whole or in part. Toshiba's investment in LGDWR is regarded as a financing due to the options and recorded as long-term other accounts payable. Accordingly, LGDWR is consolidated as a wholly owned subsidiary in the consolidated financial statements.

(\*3) Skyworth TV Holdings Limited ( Skyworth ) acquired 16% of equity interest in LGDGZ in June 2008. With the acquisition of the 16% interest, Skyworth and the Controlling Company entered into a derivative contract that is indexed to LGDGZ's equity interest. According to the contract, LGD has a call option to buy Skyworth's 16% interest in LGDGZ and Skyworth has a put option to sell its 16% interest in LGDGZ to LG Display Co., Ltd. under the same terms: the price of the call is equal to the price of the put option which is the total amount of Skyworth's investment at cost. The call and put option is exercisable after five years from the date of acquisition with no stated expiry date in whole or in part. Skyworth's investment in LGDGZ is regarded as a financing due to the options and recorded as long-term other accounts payable. Accordingly, LGDGZ is consolidated as a wholly owned subsidiary in the consolidated financial statements.

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

**Notes to Consolidated Financial Statements**

December 31, 2008 and 2007

**2 Summary of Consolidated Subsidiaries, Continued**

A summary of the consolidated subsidiaries' financial data as of and for the year ended December 31, 2008, prior to the elimination of intercompany transactions is as follows:

| <i>(In millions of Won)</i>    | <b>Total<br/>assets</b> | <b>Total<br/>liabilities</b> | <b>Total<br/>stockholders<br/>equity</b> | <b>Sales</b> | <b>Net<br/>income<br/>(loss)</b> |
|--------------------------------|-------------------------|------------------------------|--|--------------|----------------------------------|
| LG Display America, Inc.       | (Won) 309,739           | 723,893                      | (414,154)                                | 2,270,393    | (455,544)                        |
| LG Display Germany GmbH        | 572,538                 | 561,051                      | 11,487                                   | 2,831,857    | 2,660                            |
| LG Display Japan Co., Ltd.     | 202,028                 | 190,016                      | 12,012                                   | 1,610,953    | 1,781                            |
| LG Display Taiwan Co., Ltd.    | 453,944                 | 427,453                      | 26,491                                   | 3,659,801    | 5,322                            |
| LG Display Nanjing Co., Ltd.   | 606,131                 | 196,085                      | 410,046                                  | 374,053      | 74,862                           |
| LG Display Hong Kong Co., Ltd. | 2,010                   | 10                           | 2,000                                    |              | (5)                              |
| LG Display Shanghai Co., Ltd.  | 289,311                 | 282,259                      | 7,052                                    | 1,908,678    | 2,589                            |
| LG Display Poland Sp. zo.o.    | 374,876                 | 217,012                      | 157,864                                  | 147,582      | (15,042)                         |
| LG Display Guangzhou Co., Ltd. | 207,705                 | 102,213                      | 105,492                                  | 103,058      | 14,100                           |
| LG Display Shenzhen Co., Ltd.  | 143,102                 | 139,702                      | 3,400                                    | 1,228,057    | 1,101                            |
| Suzhou Raken Technology Ltd.   | 37,648                  | 12,255                       | 25,393                                   |              | (246)                            |
|                                | (Won) 3,199,032         | 2,851,949                    | 347,083                                  | 14,134,432   | (368,422)                        |

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

**Notes to Consolidated Financial Statements**

December 31, 2008 and 2007

3 **Summary of Significant Accounting Policies and Basis of Presenting Financial Statements**

(a) **Significant Accounting Policies**

The significant accounting policies followed by the Company in the preparation of its consolidated financial statements are the same as those followed by the Company in its preparation of annual consolidated financial statements as of December 31, 2007.

(b) **Basis of Presenting Financial Statements**

The Company maintains its accounting records in Korean Won and prepares statutory financial statements in the Korean language in conformity with the accounting principles generally accepted in the Republic of Korea. Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these consolidated financial statements are intended for use only by those who are informed about Korean accounting principles and practices. The accompanying consolidated financial statements have been translated into English from the Korean language consolidated financial statements.

(c) **Revenue Recognition**

Revenue is recognized when the significant risks and rewards of ownership have been transferred to the Company's customers, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts, volume rebates and other cash incentives paid to customers.

(d) **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand and in banks, and financial instruments with maturity of three months or less at the time of purchase. These financial instruments are readily convertible into cash without significant transaction costs and bear low risks from changes in value due to interest rate fluctuations.

(e) **Allowance for Doubtful Accounts**

Allowance for doubtful accounts is estimated based on an analysis of individual accounts and past experience of collection and presented as a deduction from trade receivables.

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

**Notes to Consolidated Financial Statements**

December 31, 2008 and 2007

3 **Summary of Significant Accounting Policies and Basis of Presenting Financial Statements, Continued**

(f) **Inventories**

Inventories are stated at the lower of cost or market value, with cost being determined by a weighted-average method, except for the materials in transit, which is determined by a specific identification method. Valuation loss, which is comprised of the amount of any write-down of inventories to market value and the amount of loss from the difference between the quantity of inventories recorded in the financial statements and the actual quantity incurred in the ordinary course of business, is added to the cost of goods sold. Valuation loss for the holding inventories is presented as a reduction of the inventories. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed and reduces cost of sales to the extent that revised book value does not exceed the book value that would have been recorded without the impairment. For the years ended December 31, 2008 and 2007, valuation loss is (Won)109,542 million and reversal of valuation loss is (Won)89,054 million, respectively.

Variable production overheads are allocated based on the actual level of production and fixed production overheads are allocated based on the actual capacity of production facilities. However, the normal capacity may be used for allocation of fixed production overheads if the actual level of production is lower than the normal capacity. The difference between actual fixed production overheads and allocated amount based on the normal level of production is recognized as capacity variances in non-operating expenses.

(g) **Investments in Securities**

Upon acquisition, the Company classifies debt and equity securities, excluding investments in subsidiaries, associates and joint ventures, into the following categories: held-to-maturity, trading securities or available-for-sale securities. This classification is reassessed at each balance sheet date.

Investments in debt securities where the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity. Securities that are acquired principally for the purpose of selling in the short-term are classified as trading securities. Investments not classified as either held-to-maturity or trading securities are classified as available-for-sale securities.

Investments in securities are initially recognized at the fair value of considerations provided by the Company for the acquisition of securities and related transaction costs.

Held-to-maturity investments are carried at amortized cost. Trading and available-for-sale securities are subsequently carried at fair value. Investments in available-for-sale securities that do not have readily determinable fair values are recognized at cost less impairment, if any.

Gains and losses arising from changes in the fair value of trading securities are included in the income statement in the period in which they arise. Unrealized gains and losses arising from changes in the fair value of available-for-sale securities are recognized as accumulated other comprehensive income or loss, net of tax, directly in equity. Gains and losses of available-for-sale securities are recognized in the income statement when the securities are disposed or an impairment loss is recognized. Held-to-maturity investments are carried at amortized cost with interest income and expense recognized in the income statement using the effective interest method.

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

**Notes to Consolidated Financial Statements**

December 31, 2008 and 2007

3 **Summary of Significant Accounting Policies and Basis of Presenting Financial Statements, Continued**

(g) **Investments in Securities, Continued**

The Company reviews investments in securities whenever events or changes in circumstances indicate that the carrying amount of the investments may not be recoverable. Impairment losses are recognized when the reasonably estimated recoverable amounts are less than the carrying amount and it is not obviously evidenced that impairment is unnecessary.

Trading securities are presented as current assets. Available-for-sale securities, which mature within one year from the balance sheet date or where the likelihood of disposal within one year from the balance sheet date is probable, are presented as current assets. Held-to-maturity securities, which mature within one year from the balance sheet date, are presented as current assets. All other available-for-sale securities and held-to-maturity securities are presented as long-term investments.

(h) **Equity Method Investment**

Investments in entities of which the Company has the ability to significantly influence are accounted for using the equity method of accounting. The Company records changes in its proportionate ownership in the net assets of the equity method investees in current operations or as adjustments to other comprehensive income (loss) or retained earnings, depending on the nature of the underlying change in the net assets of the equity method investees. If the carrying amount of an investment in an equity method investee falls below zero as a result of reflecting the investee's losses when the equity method is applied, the Company discontinues recognizing further changes in its share of equity interest in the equity method investee and the related investment is accounted for at nil value. However, if the Company holds interest in the equity method investee, including preferred stocks, long-term loans and receivables issued by the equity method investee, the Company continues to account for the losses of the equity method investee until the carrying amount of the interest is reduced to zero.

Unrealized gains on transactions between the Company and its equity method investees are eliminated to the extent of the Company's interest in each equity method investee. Unrealized gains are accounted for as a reduction of the carrying amount of the investment in the equity method investee, while unrealized losses are added to the carrying amount of the investment in the equity method investee.

At the date of acquisition of an investment in an equity method investee, the Company's share of the difference between the fair value and book value of the identifiable assets and liabilities of an equity method investee is amortized or reinstated in accordance with the equity method investee's methods of accounting for assets and liabilities. The amount of goodwill or negative goodwill is calculated as the difference between the acquisition cost of an investment in an equity method investee and the Company's share of the fair value of the identifiable net assets of the equity method investee. Goodwill is amortized using the straight-line method over five years. The amount of negative goodwill up to the fair value of depreciable non-monetary assets is recognized using the straight-line method as a gain over the weighted average useful lives and the remainder of negative goodwill up to the fair value of non-depreciable assets is recognized as a gain in the period of disposal of the assets.

Assets and liabilities of a foreign company subject to the equity method of accounting for investments are translated into Korean Won at the rates of exchange prevailing at the balance sheet date, while their equity is translated at the exchange rate at the time of transactions, and income statement accounts at the average rate over the year. Resulting translation gains and losses are recorded as accumulated other comprehensive income and loss.

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

**Notes to Consolidated Financial Statements**

December 31, 2008 and 2007

**3 Summary of Significant Accounting Policies and Basis of Presenting Financial Statements, Continued****(i) Interest in Joint Ventures**

Joint ventures are those entities two or more venturers are bound by a contractual arrangement and the contractual arrangement establishes a joint control. The Company accounts for its interest in a jointly controlled entity using the equity method of accounting.

**(j) Property, Plant and Equipment**

Upon acquisition, property, plant and equipment are stated at cost, which includes acquisition cost or production cost and other costs required to prepare the asset for its intended use as well as capitalized financial expense. Assets acquired through investment in kind or donations are recorded at their fair value upon acquisition. For assets acquired in exchange for a similar asset, the carrying amount of the asset given up is used to measure the cost of the asset received, and for assets acquired in exchange for a dissimilar asset, the fair value of the asset given up is used to measure the cost of the asset received unless the fair value of the asset received is more clearly evident.

Depreciation is computed by using the straight-line method over the estimated useful lives of the assets as follows:

|                               | Useful lives (years) |
|-------------------------------|----------------------|
| Buildings                     | 20~40                |
| Structures                    | 20~40                |
| Machinery and equipment       | 4                    |
| Vehicles                      | 4,12                 |
| Tools, furniture and fixtures | 3~5                  |

Significant additions or improvement extending the useful lives or increasing the value of the assets are capitalized. Normal maintenance and repairs are charged to expenses as incurred.

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

**Notes to Consolidated Financial Statements**

December 31, 2008 and 2007

3 **Summary of Significant Accounting Policies and Basis of Presenting Financial Statements, Continued**(k) **Intangible Assets**

Intangible assets are stated at cost, which includes acquisition or production cost and other costs required to prepare the asset for its intended use, less accumulated amortization and accumulated impairment loss, if any. Amortization commences when the asset is available for use, and the residual value of an intangible asset is assumed to be zero.

Costs incurred during the development phase are recognized as assets only if the criteria for capitalization as an intangible asset are met, otherwise costs are recognized as a development cost in cost of sales or selling, general and administrative expenses. Any expenditure incurred in the research phase is recognized as research expense in selling, general and administrative expenses.

Intangible assets are amortized using the straight-line method over the following estimated useful lives:

|   | <b>Estimated useful lives (years)</b> |
|---|---------------------------------------|
| Intellectual property rights                        | 5, 10                                 |
| Rights to use electricity and gas supply facilities | 10                                    |
| Rights to use industrial water facilities           | 10                                    |
| Software  | 4                                     |

(l) **Grants Received**

Grants received from government and other third parties, which are to be repaid, are recorded as a liability. While non-refundable grants received are presented as a reduction of the acquisition cost of the acquired assets, grants received for a specific purpose, not related to the acquisition of assets, are offset against the related expense, and other grants received are recorded as other income.

(m) **Impairment of Assets**

When the book value of an asset is significantly greater than its recoverable value due to obsolescence, physical damage or an abrupt decline in the market value of the asset, the decline in value is deducted from the book value to agree with the recoverable amount and is recognized as an asset impairment loss for the period. When the recoverable value subsequently exceeds the book value, the reversal of impairment amount is recognized as a gain for the period to the extent that the revised book value does not exceed the book value that would have been recorded without the impairment.

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

**Notes to Consolidated Financial Statements**

December 31, 2008 and 2007

3 **Summary of Significant Accounting Policies and Basis of Presenting Financial Statements, Continued**

(n) **Convertible Bonds**

When accounting for a convertible bond, the liability component and the equity component of a bond are separated. At the date of issue, the liability component of the bond is calculated at the fair value of a similar debt security without conversion rights, which is the present value of future cash flows from an ordinary bond until maturity and the equity component is calculated as the difference between the gross proceeds of the bond received at the date of issue and the amount of liability component. The equity component of the convertible bond is presented as a part of capital surplus within equity. Subsequent to initial recognition, the liability component is measured at amortized cost using the effective interest rate method; however, the equity component is not remeasured subsequent to initial recognition.

(o) **Stock and Bond Issue Costs**

Stock issue cost is deducted from the gross proceeds from issuance of those stocks and bond issue cost is adjusted to issuance price of debentures and, in turn, discount or premium on debentures.

(p) **Discount (Premium) on Debentures**

Discount (premium) on debentures, which represents the difference between the face value and issuance price of debentures, is amortized (accreted) using the effective interest method over the life of the debentures. The amount amortized (accreted) is included in interest expense.

(q) **Retirement and Severance Benefits**

Employees and directors with at least one year of service are entitled to receive a lump-sum payment upon termination of their employment with the Company. Accrued severance benefits represent the amount which would be payable assuming all eligible employees and directors were to terminate their employment as of the balance sheet date.

The Company has partially funded the accrued severance benefits through severance insurance deposits with insurance companies. Deposits made by the Company are recorded as a deduction from accrued severance benefits. In the case that the deposits are greater than the balance of accrued severance benefits, the excess portion of deposits over accrued severance benefits is recorded as other investments. The Company deposited a certain portion of severance benefits to the National Pension Service according to the prior National Pension Law. The deposit amount is recorded as a deduction from accrued severance benefits.



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LG DISPLAY CO., LTD. AND SUBSIDIARIES

**Notes to Consolidated Financial Statements**

December 31, 2008 and 2007

3 **Summary of Significant Accounting Policies and Basis of Presenting Financial Statements, Continued**

(r) **Foreign Currency Translation**

Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated into Korean Won at the foreign exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Korean Won using the foreign exchange rates prevailing at the balance sheet date, with the resulting gains or losses recognized in the statement of income.

Foreign currency assets and liabilities of foreign-based operations subsidiaries are translated at the rate of exchange at the balance sheet date. Foreign currency amounts in the statement of income are translated using an average rate and foreign currency balances in the capital account are translated using the historical rate. Translation gains and losses arising from collective translation of the foreign currency financial statements of foreign-based operations the subsidiaries are recorded net as accumulated other comprehensive income. These gains and losses are subsequently recognized as income in the year the foreign subsidiaries are liquidated or sold.

(s) **Derivatives**

The Controlling Company enters into foreign currency forward contracts to manage the foreign currency risk exposures to the changes in fair value of foreign currency denominated accounts receivable and accounts payable and to the variability of the future cash flows of forecasted raw material purchases and product sales. In addition, the Controlling Company entered into cross currency swap and interest rate swap contracts to manage the interest rate and foreign currency risk exposures to the variability of future cash flows of floating rate notes.

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value at each balance sheet date. Attributable transaction costs are recognized in profit or loss when incurred.

Where a derivative, which meets certain criteria, is used for hedging the exposure to changes in the fair value of a recognized asset or liability, it is designated as a fair value hedge. Where a derivative, which meets certain criteria, is used for hedging the exposure to the variability of the future cash flows of a forecasted transaction, it is designated as a cash flow hedge.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

The effective portion of the changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in equity, other comprehensive income or loss. Amounts accumulated in equity are recycled to the income statement in the periods in which the hedged item will affect profit or loss or adjusted to the carrying value of an asset or liability of the related to the hedged transaction.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at the time remains in equity and is recognized in income when the forecast transaction is ultimately recognized in the statement of income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statement of income.

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

**Notes to Consolidated Financial Statements**

December 31, 2008 and 2007

3 **Summary of Significant Accounting Policies and Basis of Presenting Financial Statements, Continued**

(s) **Derivatives, Continued**

The Controlling Company documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Controlling Company also documents its assessment, both at hedge inception and on an ongoing basis at each balance sheet date, of whether the derivatives that are used in hedging transactions are highly effective in offsetting the changes in fair values or cash flows of hedged items and recognizes the gain or loss related to any ineffective portion immediately in the statement of income.

(t) **Provisions and Contingent Liabilities**

When it is probable that an outflow of economic benefits will occur due to a present obligation resulting from a past event, and whose amount is reasonably estimable, a corresponding amount of provision is recognized in the financial statements. However, when such outflow is dependent upon a future event, is not probable to occur, or cannot be reliably estimated, a disclosure regarding the contingent liability is made in the notes to the financial statements.

(u) **Income Taxes**

Income tax expense includes the current income tax under the relevant income tax laws of the countries where the Controlling Company and its subsidiaries are located and the changes in deferred tax assets or liabilities. Deferred tax assets and liabilities represent the amount of future income tax payables to be decreased or increased, respectively, by temporary differences, which is the difference between the carrying amounts of assets and liabilities for financial reporting purpose and the tax bases of assets and liabilities, and unused loss carryforwards and tax credits. Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilized. Deferred tax assets and liabilities are computed on temporary differences by applying enacted statutory tax rates applicable to the years when such differences are expected to reverse. Changes in the carrying amount of deferred tax assets or liabilities result from a change in tax rates or tax laws are recognized in the income statement except to the extent that the changes relate to items previously reflected directly in the shareholders' equity.

(v) **Sale or Discount of Accounts Receivable**

The Company sells or discounts certain accounts or notes receivable to financial institutions, and accounts for the transactions as sale of the receivables if the control over the receivables is substantially transferred to the buyers. The losses from the sale of the receivables are charged to current operations as incurred.

(w) **Earnings Per Share**

Earnings per share are calculated by dividing net income attributable to stockholders of the Company by the weighted-average number of shares outstanding during the period. Diluted earnings per share are determined by adjusting net income attributable to stockholders and the weighted-average number of shares outstanding for the effects of all dilutive potential shares.

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

**Notes to Consolidated Financial Statements**

December 31, 2008 and 2007

**3 Summary of Significant Accounting Policies and Basis of Presenting Financial Statements, Continued****(x) Use of Estimates**

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the Republic of Korea requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and related notes to consolidated financial statements. Items requiring management's estimates and assumptions include, but not limited to, the valuation of property, plant and equipment, accounts receivable, inventories, deferred income tax and derivative contracts. Actual results could differ from those estimates.

**(y) Principles of Consolidation**

The carrying amount of the Controlling Company's investment in each subsidiary and the equity of each subsidiary are eliminated as of the time the Controlling Company obtains control over a subsidiary. Minority interests in the net assets of consolidated subsidiaries are presented within equity and identified separately from the parent shareholders' equity in them.

Unrealized gains or losses included in inventories and other assets as a result of intercompany transactions are eliminated based on the average gross profit ratio of the corresponding company. Unrealized gains or losses, arising from sales by the Controlling Company to the consolidated subsidiaries, is fully eliminated and charged to the equity of the Controlling Company. Unrealized gains or losses, arising from sales by the consolidated subsidiaries to the Controlling Company, or sales between consolidated subsidiaries, are fully eliminated, and charged to the equity of the Controlling Company and the minority interest, based on the percentage of ownership.

**4 Cash and Cash Equivalents and Short-term Financial Instruments**

Cash and cash equivalents as of December 31, 2008 and 2007 are as follows:

*(In millions of Won)*

|   | <b>Annual<br/>interest rate(%)<br/>at December 31,<br/>2008</b> | <b>2008</b>     | <b>2007</b> |
|---|---|-----------------|-------------|
| Cash and cash equivalents               |   |                 |             |
| Checking accounts                       |   | (Won) 141       | 3           |
| Time deposits                           | 4.24 ~ 6.56   | 601,692         | 972,628     |
| Passbook accounts in foreign currencies | 0.18 ~ 4.12   | 765,919         | 223,792     |
|   |   | 1,367,752       | 1,196,423   |
| Short-term financial instruments        |   |                 |             |
| Time deposits and others                | 5.76 ~ 7.00   | 2,055,000       | 785,000     |
|   |   | (Won) 3,422,752 | 1,981,423   |

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

**Notes to Consolidated Financial Statements**

December 31, 2008 and 2007

**5 Receivables**

The Company's allowance for doubtful accounts on receivables, including trade accounts and notes receivable, as of December 31, 2008 and 2007 is as follows:

*(In millions of Won)*

|                                     | Gross<br>amount | 2008<br>Allowance for<br>doubtful<br>accounts | Carrying value |
|-------------------------------------|-----------------|---|----------------|
| Trade accounts and notes receivable | (Won) 2,005,792 | 1,034   | 2,004,758      |
| Other accounts receivable           | 36,535          | 275   | 36,260         |
| Accrued income                      | 87,908          | 62  | 87,846         |
| Advance payments                    | 412             | 3   | 409            |
| Long-term other receivables         | 25,058          | 2   | 25,056         |

*(In millions of Won)*

|                                     | Gross<br>amount | 2007<br>Allowance for<br>doubtful<br>accounts | Carrying value |
|-------------------------------------|-----------------|---|----------------|
| Trade accounts and notes receivable | (Won) 2,348,707 | 9,017   | 2,339,690      |
| Other accounts receivable           | 98,341          | 1,243   | 97,098         |
| Accrued income                      | 14,091          | 142   | 13,949         |
| Advance payments                    | 2,811           | 28  | 2,783          |
| Long-term other receivables         | 20,145          | 4   | 20,141         |

The amount of trade accounts and notes receivable arising from export sales of the Controlling Company to its subsidiaries and sold to financial institutions in 2008 was USD4,133 million, of which USD478 million ((Won)601,068 million) is current and outstanding as of December 31, 2008. The transferred accounts receivable was recorded as short-term borrowings. For the year ended December 31, 2008, the Company recognized (Won)20,648 million as interest expense in relation to the short-term borrowings.

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

**Notes to Consolidated Financial Statements**

December 31, 2008 and 2007

**6 Inventories**

Inventories as of December 31, 2008 and 2007 are as follows:

*(In millions of Won)*

|                 | <b>Gross amount</b> | <b>2008<br/>Valuation loss</b> | <b>Book value</b> |
|-----------------|---------------------|--------------------------------|-------------------|
| Finished goods  | (Won) 602,585       | 63,198                         | 539,387           |
| Goods in trade  | 1,054               | 114                            | 940               |
| Work-in-process | 415,264             | 57,173                         | 358,091           |
| Raw materials   | 173,708             | 5,520                          | 168,188           |
| Supplies        | 97,551              | 27,484                         | 70,067            |
|                 | (Won) 1,290,162     | 153,489                        | 1,136,673         |

*(In millions of Won)*

|                 | <b>Gross amount</b> | <b>2007<br/>Valuation loss</b> | <b>Book value</b> |
|-----------------|---------------------|--------------------------------|-------------------|
| Finished goods  | (Won) 460,756       | 7,722                          | 453,034           |
| Goods in trade  |                     |                                |                   |
| Work-in-process | 216,258             | 7,590                          | 208,668           |
| Raw materials   | 110,652             | 2,604                          | 108,048           |
| Supplies        | 80,205              | 26,031                         | 54,174            |
|                 | (Won) 867,871       | 43,947                         | 823,924           |

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

**Notes to Consolidated Financial Statements**

December 31, 2008 and 2007

7 Available-for-Sale Securities

Available-for-sale securities as of December 31, 2008 and 2007 are as follows:

*(In millions of Won)*

|                                 | Acquisition<br>cost | Beginning<br>balance | 2008  |                                     | Net<br>balance<br>at end of<br>year | Carrying<br>value<br>(fair value) |
|---------------------------------|---------------------|----------------------|---|-------------------------------------|-------------------------------------|-----------------------------------|
|                                 |                     |                      | Unrealized gains (losses)<br>Changes in<br>unrealized<br>gains<br>(losses), net | Realized<br>gains on<br>disposition |                                     |                                   |
| <b>Current asset</b>            |                     |                      |   |                                     |                                     |                                   |
| <b>Debt securities</b>          |                     |                      |   |                                     |                                     |                                   |
| Government bonds                | (Won) 74            |                      |   |                                     |                                     | 74                                |
| <b>Non-current asset</b>        |                     |                      |   |                                     |                                     |                                   |
| <b>Equity securities</b>        |                     |                      |   |                                     |                                     |                                   |
| HannStar Display Corporation(*) | (Won) 96,249        |                      | 33,248  |                                     | 33,248                              | 129,497                           |

(\*) In February 2008, the Controlling Company purchased 180 million shares of non-voting mandatorily redeemable convertible preferred stocks of HannStar Display Corporation ( HannStar ) located in Taiwan. The preferred stocks are convertible into common stocks of HannStar Display Corporation at a ratio of 1:1 at the option of the Controlling Company from issue date, February 28, 2008, to the maturity, February 28, 2011. In 2008, there is no preferred stock converted into common stock.

The Controlling Company has a put option for total or partial cash redemption of convertible preferred stocks during the period from 18 months after issuance of the convertible preferred stocks to 91 days prior to maturity of them and the issuer has a call option to repay, in cash, total preferred stocks during the period from 2 years after issuance to 90 days prior to maturity.

The abovementioned convertible preferred stocks have been privately placed under the Taiwanese Law, which restricts the sale of the preferred stocks (up to 3 years), and the stocks acquired through conversion are not to be traded in the Taiwanese Stock Exchange until the original maturity of the preferred stocks.

The fair value of the preferred stock has been computed by discounting estimated cash flows from the stock using yield rate that reflects HannStar's credit risk. The estimated fair value of the convertible preferred stocks is (Won)129,497 million.

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

**Notes to Consolidated Financial Statements**

December 31, 2008 and 2007

7 Available-for-Sale Securities, Continued*(In millions of Won)*

|                          | Acquisition<br>cost | Beginning<br>balance | 2007  |                                     | Net<br>balance<br>at end of<br>year | Carrying<br>value<br>(fair value) |
|--------------------------|---------------------|----------------------|---|-------------------------------------|-------------------------------------|-----------------------------------|
|                          |                     |                      | Unrealized gains (losses)<br>Changes in<br>unrealized<br>gains<br>(losses), net | Realized<br>gains on<br>disposition |                                     |                                   |
| <b>Current asset</b>     |                     |                      |   |                                     |                                     |                                   |
| <b>Debt securities</b>   |                     |                      |   |                                     |                                     |                                   |
| Government bonds         | (Won) 63            |                      |   |                                     |                                     | 63                                |
| <b>Non-current asset</b> |                     |                      |   |                                     |                                     |                                   |
| <b>Equity securities</b> |                     |                      |   |                                     |                                     |                                   |
| Other                    | (Won) 1             |                      |   |                                     |                                     | 1                                 |

8 Equity Method Investments

(a) 2008

(i) Investments in companies accounted for using the equity method as of December 31, 2008 are as follows:

*(In millions of Won)*

| Company   | Percentage of<br>ownership(%) | Acquisition<br>cost | Net Asset<br>value | Book<br>value |
|---|-------------------------------|---------------------|--------------------|---------------|
| Paju Electric Glass Co., Ltd.   | 40.00                         | (Won) 14,400        | 26,893             | 25,841        |
| TLI Inc.(*1)  | 12.90                         | 14,074              | 7,861              | 12,565        |
| AVACO Co., Ltd.(*1)   | 19.90                         | 6,173               | 8,056              | 6,021         |
| NEW OPTICS Ltd.(*2)   | 36.68                         | 9,700               | 10,782             | 11,721        |
| Guangzhou New Vision Technology Research and<br>Development Limited(*3) | 50.00                         | 3,655               | 4,569              | 4,569         |
|   |                               | (Won) 48,002        | 58,161             | 60,717        |

(\*1) In May and June 2008, the Controlling Company acquired 1,008,875 common shares (13.0%) and 2,037,204 common shares (19.9%) of TLI Inc. and AVACO Co., Ltd. at (Won)14,074 million and (Won)6,173 million, respectively. Although the Controlling Company's share interest in these investees are below 20%, the Controlling Company is able to exercise significant influence through its right to assign a director in the board of directors of the investees and, accordingly, the investment in these investees have been accounted for using the equity method. Subsequent to the investment by the Controlling Company, TLI Inc. issued new shares due to employees' exercise of stock options. Accordingly, the Controlling Company's ownership in TLI Inc. decreased from 13.0% to 12.9%, and the Controlling Company recognized (Won)100 million as loss on disposal of equity method investments. TLI Inc. and AVACO Co., Ltd. are listed on the Korean Securities Dealers' Automated Quotation. As of December 31, 2008, the stocks of TLI Inc. and AVACO Co., Ltd. are traded for (Won)5,670 and (Won)2,400 per share, respectively.

(\*2)

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In July 2008, the Controlling Company acquired 6,850,000 common shares (36.68%) of NEW OPTICS Ltd. at (Won)9,700 million.

- (\*3) The Controlling Company entered into a joint venture agreement with Shenzhen Skyworth-RGB Electronics Co., Limited ( Skyworth-RGB ) to strengthen its strategic alliance with Skyworth-RGB and to jointly develop products for enhancing competitiveness in the Chinese market and, accordingly, Guangzhou New Vision Technology Research and Development Limited was set up for research and development on design of LCD modules and LCD TVs. Each party acquired a 50% equity interest in the joint venture and, in July 2008, the Controlling Company invested (Won)3,655 million.



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LG DISPLAY CO., LTD. AND SUBSIDIARIES

**Notes to Consolidated Financial Statements**

December 31, 2008 and 2007

8 Equity Method Investments, Continued

(ii) Changes in goodwill and negative goodwill for equity method investments for the year ended December 31, 2008 are as follows:

*(In millions of Won)*

| <b>Company</b>  | <b>Balance<br/>at<br/>January 1,<br/>2008</b> | <b>Increase<br/>(decrease)</b> | <b>Amortized<br/>(reversal)<br/>amount</b> | <b>Balance at<br/>December 12,<br/>2008</b> |
|-----------------|---|--------------------------------|--|---|
| TLI Inc.        | (Won)   | 5,531                          | (567)                                      | 4,964                                       |
| AVACO Co., Ltd. |   | (888)                          | 227  | (661)                                       |
| NEW OPTICS Ltd. |   | 1,566                          | (68)                                       | 1,498                                       |
|                 | (Won)   | 6,209                          | (408)                                      | 5,801                                       |

(iii) Details of eliminated unrealized gains and losses from transactions between the Company and equity investees as of December 31, 2008 are as follows:

*(In millions of Won)*

| <b>Company</b>                | <b>Inventories</b> |
|-------------------------------|--------------------|
| Paju Electric Glass Co., Ltd. | (Won) (1,052)      |
| TLI Inc.                      | (260)              |
| AVACO Co., Ltd.               | (1,374)            |
| NEW OPTICS Ltd.               | (559)              |
|                               | (Won) (3,245)      |

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

**Notes to Consolidated Financial Statements**

December 31, 2008 and 2007

8 Equity Method Investments, Continued

(iv) Changes in the balances of investments in companies accounted for using the equity method for the year ended December 31, 2008 are as follows:

*(In millions of Won)*

| Company  | Balance at<br>January 1,<br>2008 | Acquisitions<br>during the<br>year | Dividend<br>received | Gain (loss)<br>on valuation<br>of equity<br>method<br>investments | Accumulated<br>other<br>comprehensive<br>income | Other | Balance at<br>December 31,<br>2008 |
|--|----------------------------------|------------------------------------|----------------------|---|---|-------|------------------------------------|
| Paju Electric Glass<br>Co., Ltd.   | (Won) 24,704                     |                                    | (5,760)              | 6,897   |   |       | 25,841                             |
| TLI Inc.   |                                  | 14,074                             |                      | (822)   | (587)   | (100) | 12,565                             |
| AVACO Co., Ltd.  |                                  | 6,173                              |                      | (36)  | (116)   |       | 6,021                              |
| NEW OPTICS<br>Ltd.   |                                  | 9,700                              |                      | 1,580   | 441   |       | 11,721                             |
| Guangzhou New<br>Vision Technology<br>Research and<br>Development<br>Limited |                                  | 3,655                              |                      | (31)  | 945   |       | 4,569                              |
|  | (Won) 24,704                     | 33,602                             | (5,760)              | 7,588   | 683   | (100) | 60,717                             |

The Company accounted for its investments in these companies by using equity method of accounting based on the unaudited financial statements as it was unable to obtain the audited financial statements. However, the Company performed certain procedures to gain reasonableness of the unaudited financial statements.

(v) There are no losses unrecognized by the Company due to cessation of applying the equity method to its investment in the equity method investees as of December 31, 2008 and 2007.

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

**Notes to Consolidated Financial Statements**

December 31, 2008 and 2007

8 Equity Method Investments, Continued

(vi) A summary of investees' financial data as of and for the year ended December 31, 2008, is as follows:

*(In millions of Won)*

| Company  | Total assets  | Total liabilities | Total shareholders equity | Sales   | Net income (loss) |
|--|---------------|-------------------|---------------------------|---------|-------------------|
| Paju Electric Glass Co., Ltd.(*)                                 | (Won) 162,669 | 95,436            | 67,233                    | 458,548 | 18,026            |
| TLI Inc.   | 68,442        | 12,215            | 56,227                    | 40,536  | (279)             |
| AVACO Co., Ltd.  | 67,570        | 28,464            | 39,106                    | 52,013  | 5,578             |
| NEW OPTICS Ltd.  | 129,197       | 99,800            | 29,397                    | 106,980 | 6,018             |
| Guangzhou New Vision Technology Research and Development Limited | 9,155         | 17                | 9,138                     |         | (62)              |
|  | (Won) 437,033 | 235,932           | 201,101                   | 658,077 | 29,281            |

(\*) The financial statements of Paju Electric Glass Co., Ltd. were adjusted to conform to the Company's accounting policy. Details of changes made and their effects on the financial statements are as follows:

*(In millions of Won)*

| Reason for adjustment            | Net asset value before adjustment | Net asset value after adjustment | Net income before adjustment | Net income after adjustment |
|----------------------------------|-----------------------------------|----------------------------------|------------------------------|-----------------------------|
| Agreement of depreciation method | (Won) 60,841                      | 67,233                           | 20,099                       | 18,026                      |

(b) 2007

(i) Investment in the company accounted for using the equity method as of December 31, 2007 is as follows:

*(In millions of Won)*

| Company                       | Percentage of ownership(%) | Acquisition cost | Net Asset value | Carrying value |
|-------------------------------|----------------------------|------------------|-----------------|----------------|
| Paju Electric Glass Co., Ltd. | 40.00                      | (Won) 14,400     | 25,431          | 24,704         |

(ii) There was no existing goodwill balance for equity method accounted investment as of December 31, 2007.

(iii) Details of eliminated unrealized gains and losses from transactions between the Company and equity investees as of December 31, 2007 are as follows:

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*(In millions of Won)*

| <b>Company</b>                | <b>Inventories</b> |
|-------------------------------|--------------------|
| Paju Electric Glass Co., Ltd. | (Won) (726)        |

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

**Notes to Consolidated Financial Statements**

December 31, 2008 and 2007

8 Equity Method Investments, Continued

(iv) Changes in the balance of investment in the company accounted for using the equity method for the year ended December 31, 2007 are as follows:

*(In millions of Won)*

| Company                          | Balance at<br>January 1,<br>2007 | Acquisitions<br>during the<br>year | Dividend<br>received | Gain (loss) on<br>valuation of<br>equity<br>method<br>investments | Accumulated<br>other<br>comprehensive<br>income | Balance at<br>December 31,<br>2007 |
|----------------------------------|----------------------------------|------------------------------------|----------------------|---|---|------------------------------------|
| Paju Electric Glass<br>Co., Ltd. | (Won) 19,284                     |                                    | (1,440)              | 6,860   |   | 24,704                             |

The Company accounted for its investment in this company by using equity method of accounting based on the unaudited financial statements as it was unable to obtain the audited financial statements. However, the Company performed certain procedures to gain reasonableness of the unaudited financial statements.

(v) A summary of investee's financial data as of and for the year ended December 31, 2007, is as follows:

*(In millions of Won)*

| Company                       | Total<br>assets | Total<br>liabilities | Total<br>shareholders<br>equity | Sales   | Net<br>income |
|-------------------------------|-----------------|----------------------|---------------------------------|---------|---------------|
| Paju Electric Glass Co., Ltd. | (Won) 125,782   | 62,205               | 63,577                          | 313,773 | 15,600        |

(\*) The financial statements of Paju Electric Glass Co., Ltd. were adjusted to conform to the Company's accounting policy. Details of changes made and their effects on the financial statements are as follows:

*(In millions of Won)*

| Reason for adjustment            | Net asset value<br>before<br>adjustment | Net asset value<br>after<br>adjustment | Net income<br>before<br>adjustment | Net income<br>after<br>adjustment |
|----------------------------------|---|--|------------------------------------|-----------------------------------|
| Agreement of depreciation method | (Won) 55,142                            | 63,577                                 | 14,329                             | 15,600                            |

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## LG DISPLAY CO., LTD. AND SUBSIDIARIES

**Notes to Consolidated Financial Statements**

December 31, 2008 and 2007

9 Transactions and Balances with Related Parties

(a) Details of the Company's related parties as of December 31, 2008 are as follows:

| <b>Relationship</b>   | <b>2008</b>  | <b>2007</b>  |
|---|--|--|
| Controlling party(*1)                                       | LG Electronics Inc.  | LG Electronics Inc.  |
| Company that has significant influence over the Company(*1) | LG Corp.   | LG Corp.   |
| Joint venture   | Guangzhou New Vision Technology Research and Development Limited   | Koninklijke Philips Electronics N.V.(*2)   |
| Equity method investee                                      | Paju Electric Glass Co., Ltd.,<br>TLI Inc., AVACO Co., Ltd., NEW OPTICS Ltd.   | Paju Electric Glass Co., Ltd.  |
| Affiliates(*3)  | LG Management Development Institute Co., Ltd.,<br>LG Micron Ltd.,<br>LG Life Sciences, Ltd.,<br>LG CNS Co., Ltd.,<br>LG N-Sys Inc.,<br>LG Powercom Corp.,<br>Serveone Co., Ltd.,<br>LG Innotek Co., Ltd.,<br>LG Telecom Co., Ltd.,<br>LG CHEM Ltd.,<br>LG International Corp.,<br>LG Dacom Corporation,<br>Hi Business Logistics,<br>Siltron Incorporated,<br>Lusem Co., Ltd. and others | LG Management Development Institute Co., Ltd.,<br>LG Micron Ltd.,<br>LG Life Sciences, Ltd.,<br>LG CNS Co., Ltd.,<br>LG N-Sys Inc.,<br>LG Powercom Corp.,<br>Serveone Co., Ltd.,<br>LG Innotek Co., Ltd.,<br>LG Telecom Co., Ltd.,<br>LG CHEM Ltd.,<br>LG International Corp.,<br>LG Dacom Corporation,<br>Hi Business Logistics,<br>Siltron Incorporated,<br>Lusem Co., Ltd. and others |

(\*1) The immediate parent company and the ultimate parent company of the Company are LG Electronics Inc. and LG Corporation, respectively.

(\*2) In October 2007 and March 2008, Koninklijke Philips Electronics N.V., which had significant influence over the Controlling Company in 2007, sold its share interest in the Controlling Company resulting in a decreased share interest of 13.2% (47,225 thousand shares) and resigned from the Controlling Company's management. Accordingly, Koninklijke Philips Electronics N.V. was excluded from the companies that have significant influence over the Controlling Company since March 2008.

(\*3) The subsidiaries of the affiliates, which are not presented above, are also other related parties of the Company.

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

**Notes to Consolidated Financial Statements**

December 31, 2008 and 2007

9 Transactions and Balances with Related Parties, Continued

(b) Significant transactions which occurred in the normal course of business with related companies for the years ended December 31, 2008 and 2007, and the related account balances outstanding as of December 31, 2008, and 2007 are as follows:

*(In millions of Won)*

|  | Sales and other(*1) |           | Purchases and other(*1) |           | Trade accounts and notes receivable and other |         | Trade accounts and notes payable and other |         |
|--|---------------------|-----------|-------------------------|-----------|---|---------|--|---------|
|  | 2008                | 2007      | 2008                    | 2007      | 2008  | 2007    | 2008                                       | 2007    |
| Controlling party(*2)                                      | (Won) 3,448,166     | 2,516,874 | 261,216                 | 81,616    | 442,943                                       | 400,348 | 82,370                                     | 26,003  |
| Companies that have significant influence over the Company |                     | 1,704,297 | 27,312                  | 31,011    | 2,577   | 259,580 | 2,727                                      | 8,654   |
| Equity method investee                                     | 418                 |           | 808,436                 | 309,162   | 1   |         | 58,222                                     | 30,291  |
| Other related parties                                      | 1,563,355           | 1,254,798 | 4,098,392               | 1,979,849 | 210,078                                       | 114,539 | 1,088,889                                  | 371,079 |
|  | (Won) 5,011,939     | 5,475,969 | 5,195,356               | 2,401,638 | 655,599                                       | 774,467 | 1,232,208                                  | 436,027 |

(\*1) These amounts include sale of property, plant and equipment to the Company's related parties amounting to (Won)85 million in 2007 and purchase of property plant and equipment from the Company's related parties amounting to (Won)431,906 million and (Won)302,075 million in 2008 and 2007, respectively.

(\*2) Controlling party includes overseas subsidiaries that are under direct control of LG Electronics Inc.

(c) Key management compensation costs for the years ended December 31, 2008 and 2007 are as follows:

| <i>(In millions of Won)</i> | 2008        | 2007  |
|-----------------------------|-------------|-------|
| Short-term benefits         | (Won) 2,467 | 1,732 |
| Severance benefits          | 307         | 688   |
| Share-Based Payments        |             | 560   |
|                             | (Won) 2,774 | 2,980 |

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

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## LG DISPLAY CO., LTD. AND SUBSIDIARIES

**Notes to Consolidated Financial Statements**

December 31, 2008 and 2007

10 **Significant Transactions and Balances with Consolidated Subsidiaries**

(a) The Controlling Company's significant transactions and balances with consolidated subsidiaries, for the years ended December 31, 2008 and 2007 are as follows:

(i) 2008

*(In millions of Won)*

| Company                                | Sales(*)         | Purchases | Trade accounts and notes receivable | Trade accounts and notes payable |
|--|------------------|-----------|-------------------------------------|----------------------------------|
| LG Display America, Inc.               | (Won) 2,206,814  |           | 172,753                             |                                  |
| LG Display Germany GmbH                | 2,771,131        | 17,300    | 341,616                             | 17,300                           |
| LG Display Japan Co., Ltd.             | 1,562,294        |           | 87,502                              |                                  |
| LG Display Taiwan Co., Ltd.            | 3,506,538        |           | 324,075                             |                                  |
| LG Display Nanjing Co., Ltd.           | 9,253            | 397,990   | 10,209                              | 156,200                          |
| LG Display Shanghai Co., Ltd.          | 1,789,442        |           | 190,271                             | 21                               |
| LG Display Poland Sp. zo.o.            | 4,360            | 147,065   | 3,864                               | 92,438                           |
| LG Display Guangzhou Co., Ltd.         | 15,095           | 110,217   | 19,255                              | 13,609                           |
| LG Display Shenzhen Co., Ltd.          | 1,149,621        |           | 108,413                             | 4                                |
| Suzhou Raken Technology Ltd.           | 10,484           |           | 9,943                               |                                  |
| Global Professional Sourcing Co., Ltd. |                  | 110       |                                     |                                  |
|  | (Won) 13,025,032 | 672,682   | 1,267,901                           | 279,572                          |

(\*) These amounts include the Controlling Company's sale of property, plant and equipment to the Controlling Company's subsidiaries amounting to W8,833 million.

(ii) 2007

*(In millions of Won)*

| Company                        | Sales(*)        | Purchases | Trade accounts and notes receivable | Trade accounts and notes payable |
|--------------------------------|-----------------|-----------|-------------------------------------|----------------------------------|
| LG Display America, Inc.       | (Won) 1,519,050 | 11        | 213,095                             |                                  |
| LG Display Germany GmbH        | 2,439,041       | 165       | 549,987                             | 3                                |
| LG Display Japan Co., Ltd.     | 1,334,095       | 24        | 154,182                             | 1                                |
| LG Display Taiwan Co., Ltd.    | 3,380,807       | 68        | 494,084                             | 13                               |
| LG Display Shanghai Co., Ltd.  | 1,369,433       | 17        | 247,679                             |                                  |
| LG Display Shenzhen Co., Ltd.  | 560,493         |           | 222,565                             |                                  |
| LG Display Hong Kong Co., Ltd. | 699,189         | 8         | 33                                  | 49                               |
| LG Display Nanjing Co., Ltd.   | 28,955          | 272,823   | 10,191                              | 44,636                           |
| LG Display Poland Sp. zo.o.    | 8,444           | 97,083    | 14,310                              | 22,170                           |
| LG Display Guangzhou Co., Ltd. | 16,879          | 470       | 15,038                              | 470                              |



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|                  |         |           |        |
|------------------|---------|-----------|--------|
| (Won) 11,356,386 | 370,669 | 1,921,164 | 67,342 |
|------------------|---------|-----------|--------|

(\*) These amounts include the Controlling Company's sale of property, plant and equipment to the Controlling Company's subsidiaries amounting to W35,608 million.

(b) Significant transactions and balances among consolidated subsidiaries for the years ended December 31, 2008 and 2007 are as follows:

| <i>(In millions of Won)</i> | <b>2008</b>   | <b>2007</b> |
|-----------------------------|---------------|-------------|
| Transactions                | (Won) 113,076 | 54,619      |
| Account balances            | 24,584        | 4,007       |

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

**Notes to Consolidated Financial Statements**

December 31, 2008 and 2007

11 Property, Plant and Equipment

(a) Changes in property, plant and equipment for the year ended December 31, 2008 are as follows:

| <i>(In millions of Won)</i>        | 2008          |           |            |                         |          |                        |
|------------------------------------|---------------|-----------|------------|-------------------------|----------|------------------------|
|                                    | Land          | Buildings | Structures | Machinery and equipment | Tools    | Furniture and fixtures |
| Book value as of January 1, 2008   | (Won) 314,550 | 2,003,494 | 127,952    | 4,140,957               | 44,550   | 117,904                |
| Acquisitions                       | 44,723        | 12,329    | 4,318      | 18,069                  | 825      | 29,218                 |
| Depreciation                       |               | (112,299) | (13,744)   | (2,269,097)             | (19,677) | (68,532)               |
| Impairment loss                    |               |           |            | (83)                    |          |                        |
| Disposals                          | (589)         | (427)     | (15)       | (532)                   | (890)    | (44)                   |
| Other(*1)                          | 24,961        | 135,827   | 47,781     | 521,531                 | 6,374    | 10,014                 |
| Subsidy increase                   |               |           |            | (467)                   |          |                        |
| Book value as of December 31, 2008 | (Won) 383,645 | 2,038,924 | 166,292    | 2,410,378               | 31,182   | 88,560                 |
| Acquisition Cost                   | (Won) 383,645 | 2,531,769 | 224,142    | 15,281,673              | 198,445  | 512,503                |
| Accumulated depreciation           | (Won)         | 492,845   | 57,850     | 12,871,288              | 167,263  | 423,943                |
| Accumulated impairment loss(*2)    | (Won)         |           |            | 7                       |          |                        |

| <i>(In millions of Won)</i>        | 2008         |                      |                          |        |             |
|------------------------------------|--------------|----------------------|--------------------------|--------|-------------|
|                                    | Vehicles     | Machinery-in-transit | Construction-in-progress | Others | Total       |
| Book value as of January 1, 2008   | (Won) 5,580  | 19,043               | 745,606                  | 8,887  | 7,528,523   |
| Acquisitions                       | 3,506        |                      | 3,915,936                |        | 4,028,924   |
| Depreciation                       | (3,336)      |                      |                          |        | (2,486,685) |
| Impairment loss                    |              |                      |                          |        | (83)        |
| Disposals                          | (148)        |                      |                          |        | (2,645)     |
| Other(*1)                          | 4,557        | (19,043)             | (529,930)                | 718    | 202,790     |
| Subsidy increase                   |              |                      | (95)                     |        | (562)       |
| Book value as of December 31, 2008 | (Won) 10,159 |                      | 4,131,517                | 9,605  | 9,270,262   |
| Acquisition Cost                   | (Won) 22,012 |                      | 4,131,517                | 9,605  | 23,295,311  |
| Accumulated depreciation           | (Won) 11,853 |                      |                          |        | 14,025,042  |
| Accumulated impairment loss(*2)    | (Won)        |                      |                          |        | 7           |

- (\*1) Other amounts include transfer of construction-in-progress to other property, plant and equipment and changes in cumulative translation adjustment.
- (\*2) The decrease of accumulated impairment loss is due to the disposal of machinery and equipment with impairment loss.

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**Notes to Consolidated Financial Statements**

December 31, 2008 and 2007

11 Property, Plant and Equipment, Continued

(b) Changes in property, plant and equipment for the year ended December 31, 2007 are as follows:

| <i>(In millions of Won)</i>        | 2007          |           |            |                         |          |                        |
|------------------------------------|---------------|-----------|------------|-------------------------|----------|------------------------|
|                                    | Land          | Buildings | Structures | Machinery and equipment | Tools    | Furniture and fixtures |
| Book value as of January 1, 2007   | (Won) 317,161 | 1,757,844 | 135,644    | 5,851,534               | 81,015   | 165,600                |
| Acquisitions                       |               | 44,096    | 75         | 16,644                  | 8,257    | 7,593                  |
| Depreciation                       |               | (103,324) | (8,262)    | (2,519,808)             | (63,408) | (78,831)               |
| Impairment loss(*)                 |               |           |            | (16,139)                |          |                        |
| Disposals                          | (77)          | (3,541)   |            | (3,430)                 | (453)    | (523)                  |
| Other                              | (2,534)       | 308,419   | 495        | 812,309                 | 19,139   | 24,065                 |
| Subsidy (increase) decrease        |               |           |            | (153)                   |          |                        |
| Book value as of December 31, 2007 | (Won) 314,550 | 2,003,494 | 127,952    | 4,140,957               | 44,550   | 117,904                |
| Acquisition Cost                   | (Won) 314,550 | 2,373,478 | 170,752    | 14,739,830              | 192,817  | 469,256                |
| Accumulated depreciation           | (Won)         | 369,984   | 42,800     | 10,582,734              | 148,267  | 351,352                |
| Accumulated impairment loss        | (Won)         |           |            | 16,139                  |          |                        |

| <i>(In millions of Won)</i>        | 2007         |                      |                          |        |             |
|------------------------------------|--------------|----------------------|--------------------------|--------|-------------|
|                                    | Vehicles     | Machinery-in-transit | Construction-in-progress | Others | Total       |
| Book value as of January 1, 2007   | (Won) 7,060  | 118,373              | 985,355                  | 8,460  | 9,428,046   |
| Acquisitions                       | 16           | 175,507              | 709,782                  | 427    | 962,397     |
| Depreciation                       | (3,212)      |                      |                          |        | (2,776,845) |
| Impairment loss(*)                 |              |                      | (28,259)                 |        | (44,398)    |
| Disposals                          | (56)         |                      | (122)                    |        | (8,202)     |
| Other                              | 1,772        | (274,837)            | (921,150)                |        | (32,322)    |
| Subsidy (increase) decrease        |              |                      |                          |        | (153)       |
| Book value as of December 31, 2007 | (Won) 5,580  | 19,043               | 745,606                  | 8,887  | 7,528,523   |
| Acquisition Cost                   | (Won) 14,463 | 19,043               | 745,606                  | 8,887  | 19,048,682  |
| Accumulated depreciation           | (Won) 8,883  |                      |                          |        | 11,504,020  |

|                             |       |        |
|-----------------------------|-------|--------|
| Accumulated Impairment loss | (Won) | 16,139 |
|-----------------------------|-------|--------|

(\*) For the year ended December 31, 2007, the Company recorded impairment loss due to the change in the facilities investment plan.

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

**Notes to Consolidated Financial Statements**

December 31, 2008 and 2007

11 Property, Plant and Equipment, Continued

(c) The officially declared value of land at December 31, 2008 and 2007, as announced by the Minister of Construction and Transportation, is as follows:

| <i>(In millions of Won)</i>   | Description  | Location | 2008          |                | 2007       |                |
|-------------------------------|--------------|----------|---------------|----------------|------------|----------------|
|                               |              |          | Book value    | Declared value | Book value | Declared value |
| Property, plant and equipment | Factory site | Paju     | (Won) 290,631 | 358,919        | 224,956    | 294,267        |
|                               | Factory site | Gumi     | 86,105        | 118,660        | 82,685     | 110,056        |
|                               | R&D Center   | Anyang   | 6,909         | 11,886         | 6,909      | 11,534         |
|                               |              |          | (Won) 383,645 | 489,465        | 314,550    | 415,857        |

12 Capitalization of Financial Expenses

(a) The Company capitalizes financial expenses, such as interest expense incurred on borrowings used to finance the cost of acquiring or building property, plant and equipment and intangible assets and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. Interest costs of (Won)45,177 and (Won)25,217 million were capitalized as part of the cost of qualifying assets for the years ended December 31, 2008 and 2007, respectively.

(b) For the year ended December 31, 2008, if the Company had expensed the capitalized financial expenses, the accumulated effects of expensing capitalized financial expenses on significant accounts in the balance sheet and statement of income would have been as follows:

## (i) Balance sheet

| <i>(In millions of Won)</i>      | Capitalized      |                          | Expensed as incurred |                          | Difference       |                          |
|----------------------------------|------------------|--------------------------|----------------------|--------------------------|------------------|--------------------------|
|                                  | Acquisition cost | Accumulated depreciation | Acquisition cost     | Accumulated depreciation | Acquisition cost | Accumulated depreciation |
| Property, plant and equipment    | (Won) 23,295,311 | 14,025,042               | 23,110,056           | 13,963,557               | 185,255          | 61,485                   |
| Deferred tax assets(non-current) | 443,877          |                          | 471,107              |                          | (27,230)         |                          |
| Retained earnings                | 5,001,934        |                          | 4,905,394            |                          | 96,540           |                          |

## (ii) Statement of Income

| <i>(In millions of Won)</i> | Capitalized   | Expensed as incurred | Difference |
|-----------------------------|---------------|----------------------|------------|
|                             | Cost of sales | (Won) 13,616,615     | 13,584,787 |

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|                    |           |           |          |
|--------------------|-----------|-----------|----------|
| Interest expense   | 153,543   | 198,720   | (45,177) |
| Income tax expense | 224,721   | 221,784   | 2,937    |
| Net income(*)      | 1,086,778 | 1,076,366 | (10,412) |

(\*) Net income if financial expenses were expensed is measured using the marginal tax rate.

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

**Notes to Consolidated Financial Statements**

December 31, 2008 and 2007

13 **Insured assets**

Insured assets as of December 31, 2008 are as follows:

*(In millions of Won, USD, CNY, PLN, and NTD)*

|  | Covered assets or loss                        | Insurance coverage | Beneficiary |
|--|---|--------------------|-------------|
| Package Insurance(*1)                      | Inventories and property, plant and equipment | KRW 18,822,700     | Company     |
|  |   | USD 550            | and other   |
|  |   | CNY 10,879         |             |
|  |   | PLN 1,134          |             |
| Erection All Risks Insurance(*2)           | Property, plant and equipment                 | KRW 4,106,000      | Company     |
|  |   | CNY 210            |             |
| Fire Insurance                             | Property, plant and equipment                 | KRW 238,014        |             |
|  |   | USD 140            |             |
|  |   | NTD 8              |             |
| Directors and officers liability Insurance | Directors & Officers liability                | USD 100            |             |
| Products liability Insurance               | Products liability                            | USD 35             |             |
| Aviation product liability Insurance       | Aviation product liability                    | USD 500            |             |
| Stock throughput Insurance                 | Goods in the ordinary course of transit       | USD 35,474         |             |

(\*1) Package Insurance provides multiple coverage in one policy. It refers to a policy providing both general liability and property insurance.

(\*2) This insurance policy covers unexpected loss in the course of assembly and installation of plant and equipment.

14 **Intangible Assets**

(a) The Company has classified the amortization as part of manufacturing overhead costs and changes in intangible assets for the years ended December 31, 2008 and 2007 are as follows:



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(In millions of Won)

|                                    | 2008                               |   |  |          |       |  |          |
|------------------------------------|------------------------------------|---|--|----------|-------|--|----------|
|                                    | Intellectual<br>property<br>rights | Rights to use<br>electricity<br>and<br>gas supply<br>facilities | Rights to<br>use of<br>industrial<br>water<br>facilities | Software | Other | Construction<br>-in-progress<br>(Software) | Total    |
| Balance as of January 1, 2008      | (Won) 72,921                       | 32,286  | 6,323  | 11,579   | 2     |  | 123,111  |
| Increase during the year           | 26,772                             |   | 27   | 310      | 1     | 107,921                                    | 135,079  |
| Amortization                       | (45,785)                           | (3,276)   | (1,249)  | (4,734)  |       |  | (55,044) |
| Decrease(*)                        | (1,597)                            |   |  | (1,804)  |       |  | (3,449)  |
| Balance as of December 31,<br>2008 | 52,311                             | 29,010  | 5,101  | 5,351    | 3     | 107,921                                    | 199,697  |
| Acquisition cost                   | (Won) 470,057                      | 32,760  | 12,471   | 32,704   | 3     | 107,921                                    | 655,916  |
| Accumulated amortization           | (Won) 417,746                      | 3,750   | 7,370  | 27,353   |       |  | 456,219  |

(\*) Decrease in software is due to changes in cumulative translation adjustment.

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

**Notes to Consolidated Financial Statements**

December 31, 2008 and 2007

14 Intangible Assets, Continued*(In millions of Won)*

|                                 | Intellectual<br>property<br>rights | Rights to use<br>electricity and<br>gas supply<br>facilities | 2007<br>Rights to<br>use of<br>industrial<br>water<br>facilities | Software | Other | Total    |
|---------------------------------|------------------------------------|--|--|----------|-------|----------|
| Balance as of January 1, 2007   | (Won) 106,324                      | 437  | 7,421  | 9,642    | 2     | 123,826  |
| Increase during the year        | 10,477                             | 32,177   | 146  | 10,953   |       | 53,753   |
| Amortization<br>Decrease        | (43,880)                           | (328)  | (1,244)  | (9,016)  |       | (54,468) |
| Balance as of December 31, 2007 | 72,921                             | 32,286   | 6,323  | 11,579   | 2     | 123,111  |
| Acquisition cost                | (Won) 444,883                      | 32,760   | 12,445   | 34,246   | 2     | 524,336  |
| Accumulated amortization        | (Won) 371,962                      | 474  | 6,122  | 22,667   |       | 401,225  |

(b) Research and development costs are charged to expense as incurred. The Company expensed (Won)501,551 million and (Won)415,081 million for the years ended December 31, 2008 and 2007, respectively.

(c) For the years ended December 31, 2008 and 2007, the significant expenses, which are expected to have probable future economic benefits but expensed in the year incurred due to the uncertainty in the realization of such benefits, are as follows:

| <i>(In millions of Won)</i> | 2008         | 2007   |
|-----------------------------|--------------|--------|
| Training expenses           | (Won) 19,045 | 9,286  |
| Advertising expenses        | 48,964       | 30,433 |
| Overseas marketing expenses | 14,228       | 6,254  |
|                             | (Won) 82,237 | 45,973 |

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

**Notes to Consolidated Financial Statements**

December 31, 2008 and 2007

15 Debentures

(a) Details of debentures issued by the Controlling Company as of December 31, 2008 and December 31, 2007 are as follows:

| <i>(In millions of Won)</i>        | <b>Maturity</b> | <b>Annual<br/>interest rate</b> | <b>2008</b>     | <b>2007</b> |
|------------------------------------|-----------------|---------------------------------|-----------------|-------------|
| <b>Local currency debentures</b>   |                 |                                 |                 |             |
| Publicly issued debentures         | May 2009~       |                                 |                 |             |
|                                    | March 2010      | 3.50~5.00%                      | (Won) 850,000   | 1,180,000   |
| Privately issued debentures        | December 2010~  |                                 |                 |             |
|                                    | June 2011       | 5.30~5.89%                      | 600,000         | 600,000     |
| Less discount on debentures        |                 |                                 | (3,826)         | (9,526)     |
| Less current portion of debentures |                 |                                 | (458,201)       | (249,110)   |
|                                    |                 |                                 | 987,973         | 1,521,364   |
| <b>Foreign currency debentures</b> |                 |                                 |                 |             |
| Convertible bond                   | April 2012      | zero coupon                     | 511,555         | 511,555     |
| Less discount on debentures        |                 |                                 | (1,760)         | (2,237)     |
| Less conversion right adjustment   |                 |                                 | (93,111)        | (118,323)   |
| Add redemption premium             |                 |                                 | 85,788          | 85,788      |
|                                    |                 |                                 | 502,472         | 476,783     |
|                                    |                 |                                 | (Won) 1,490,445 | 1,998,147   |

Principal of the local currency debentures is to be repaid at maturity and interests are paid quarterly. The Controlling Company has redeemed local currency debentures with the face value amounting to (Won)80,000 million during the year ended December 31, 2008. As a result, the Company recognized a gain and a loss on redemption of debentures amounting to (Won)1,152 million and (Won)13 million, respectively.

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

**Notes to Consolidated Financial Statements**

December 31, 2008 and 2007

15 Debentures, Continued

(b) Details of the convertible bonds as of December 31, 2008 are as follows:

|                           | <b>Terms and Conditions</b>  |
|---------------------------|------------------------------|
| Issue date                | April 18, 2007               |
| Maturity date             | April 18, 2012               |
| Conversion period         | April 19, 2008~April 3, 2012 |
| Coupon interest rate      | 0%                           |
| Conversion price (in Won) | (Won)48,760                  |
| Issued amount             | USD550 million               |

The bonds will be repaid at 116.77% of the principal amount at maturity unless the put option of bondholders are exercised in which case the bondholders will be repaid at 109.75% of the principal amount on April 18, 2010. If the convertible bonds were classified as monetary liabilities, the loss on foreign currency translation would be (Won)175,615 million as of December 31, 2008.

The Controlling Company is entitled to exercise a call option after three years from the date of issue at the amount of the principal and interest, calculated at 3.125% of the annual yield to maturity, from the issue date to the repayment date. The call option can be exercised only when the market price of the common shares on each of 20 trading days in 30 consecutive trading days ending on the trading day immediately prior to the date upon which notice of such redemption is published exceeds at least 130% of the conversion price. In addition, in the event that at least 90% of the initial principal amount of the bonds has been redeemed, converted, or purchased and cancelled, the remaining bonds may also be redeemed, at the Controlling Company's option, at the amount of the principal and interest (3.125% per annum) from the date of issue to the repayment date prior to their maturity.

Based on the terms and conditions of the bond, the conversion price was decreased from (Won)49,070 to (Won)48,760 per share due to payment of cash dividends of (Won)750 per share for the year ended December 31, 2007. The number of common shares to be issued if the outstanding convertible bonds are fully converted is as follows:

| <b>(In Won and share)</b>   | <b>December 31, 2008</b> | <b>December 31, 2007</b> |
|-----------------------------|--------------------------|--------------------------|
| Convertible bond amount (*) | (Won) 513,480,000,000    | 513,480,000,000          |
| Conversion price            | (Won) 48,760             | 49,070                   |
| Common shares to be issued  | 10,530,762               | 10,464,234               |

(\*) The exchange rate for the conversion is fixed at (Won)933.6 to USD1.

On April 19, 2005, the Controlling Company issued US dollar-denominated convertible bonds totaling USD475 million, with a zero coupon rate. On September 19, 2007, put option for USD460 million was exercised and bonds were repaid on October 19, 2007. On the same date, the Controlling Company exercised its call option to pay off the rest of convertible bonds amounting to USD15 million which were paid in November 2007. For the year ended December 31, 2007, the Controlling Company recorded loss on redemption of debentures of (Won)19,216 million due to the redemption of convertible bonds.

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**Notes to Consolidated Financial Statements**

December 31, 2008 and 2007

15 Debentures, Continued

(c) Aggregate maturities of the Company's debentures as of December 31, 2008 are as follows:

*(In millions of Won)*

| Period               | Debentures      | Convertible bonds(*) | Total     |
|----------------------|-----------------|----------------------|-----------|
| 2009.1.1~2009.12.31  | (Won) 460,000   |                      | 460,000   |
| 2010.1.1~ 2010.12.31 | 590,000         |                      | 590,000   |
| 2011.1.1~ 2011.12.31 | 400,000         |                      | 400,000   |
| 2012.1.1~ 2012.12.31 |                 | 597,343              | 597,343   |
|                      | (Won) 1,450,000 | 597,343              | 2,047,343 |

(\*) In the above schedule, it was assumed that the convertible bonds will be repaid in full at maturity with redemption premium amounting to (Won)85,788 million.

16 Short-Term Borrowings and Long-Term Debt

(a) Short-term borrowings as of December 31, 2008 and 2007 are as follows:

*(In millions of Won, USD and JPY, except interest rate)*

| Lender                                  | Annual interest rate   | 2008          | 2007  |
|---|------------------------|---------------|-------|
| <b>Factoring of accounts receivable</b> |                        |               |       |
| Korea Exchange Bank and others          | LIBOR + 2.0~3.4%       | (Won) 601,068 |       |
| <b>Working capital</b>                  |                        |               |       |
| Mizuho Bank and others                  | TIBOR (*) + 0.39~0.40% |               | 4,660 |

(\*) TIBOR represents Tokyo Inter-Bank Offered Rates.

Foreign currency equivalent of short-term borrowings as of December 31, 2008 and 2007 is USD478 million and JPY556 million, respectively.

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

**Notes to Consolidated Financial Statements**

December 31, 2008 and 2007

16 Short-Term Borrowings and Long-Term Debt, Continued

(b) Long-term debt as of December 31, 2008 and 2007 is as follows:

*(In millions of Won, USD, CNY and EUR, except interest rate)*

| Lender   | Annual interest rate (*1)                                     | 2008            | 2007     | Redemption method          |
|--|---|-----------------|----------|----------------------------|
| <b>Local currency loans</b>                        |   |                 |          |                            |
| The Export-Import Bank of Korea                    | 6.08%   | (Won) 9,850     | 49,117   | Redemption by installments |
| Korea Development Bank                             | KDBBIR + 0.77%  | 37,500          | 60,000   |                            |
| Shinhan Bank                                       | 3 year Korean Treasury Bond rate                              | 18,982          | 18,982   |                            |
|  | less 1.25%  |                 |          |                            |
| Less current portion of long-term debt             |   | (40,451)        | (61,767) |                            |
|  |   | 25,881          | 66,332   |                            |
| <b>Foreign currency loans (*2)</b>                 |   |                 |          |                            |
|  | 6ML + 0.50%~0.68%,  |                 |          |                            |
| Industrial and Commercial Bank of China and others | 3M EURIBOR + 0.60%,   | 277,867         | 245,076  | Redemption by installments |
|  | 95% of the Basic Rate published by the People's Bank of China |                 |          |                            |
| The Export-Import Bank of Korea                    | 6ML + 0.69%   | 62,875          | 58,168   |                            |
| Korea Development Bank                             | 3ML + 0.66%   | 176,050         | 159,494  | Redemption at maturity     |
| Kookmin Bank and others                            | 3ML + 0.35~0.53%  | 503,000         | 375,280  |                            |
|  | 6ML + 0.41%   | 251,500         | 187,640  |                            |
| Less current portion of long-term debt             |   | (54,517)        | (98,205) |                            |
|  |   | 1,216,775       | 927,453  |                            |
|  |   | (Won) 1,242,656 | 993,785  |                            |

(\*1) ML, M EURIBOR and KDBBIR represent Month LIBOR, Month EURIBOR, and Korea Development Bank Benchmark Interest Rates, respectively.

(\*2) Foreign currency equivalent as of December 31, 2008 and 2007 is as follows:

*(in millions)*

|     | <b>2008</b> | <b>2007</b> |
|-----|-------------|-------------|
| USD | 902         | 978         |
| CNY | 70          | 100         |
| EUR | 70          | 70          |

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16 Short-Term Borrowings and Long-Term Debt, Continued

(c) Aggregate maturities of the Company's long-term debt as of December 31, 2008 are as follows:

*(In millions of Won)*

| Period              | Local<br>currency loans | Foreign<br>currency loans | Total     |
|---------------------|-------------------------|---------------------------|-----------|
| 2009.1.1~2009.12.31 | (Won) 40,451            | 54,517                    | 94,968    |
| 2010.1.1~2010.12.31 | 9,873                   | 111,713                   | 121,586   |
| 2011.1.1~2011.12.31 | 3,796                   | 701,798                   | 705,594   |
| 2012.1.1~2012.12.31 | 3,796                   | 352,678                   | 356,474   |
| 2013.1.1~2013.12.31 | 3,796                   | 50,586                    | 54,382    |
| Thereafter          | 4,620                   |                           | 4,620     |
|                     | (Won) 66,332            | 1,271,292                 | 1,337,624 |

17 Retirement and Severance Benefits

Changes in retirement and severance benefits for the years ended December 31, 2008 and 2007 are as follows:

*(In millions of Won)*

|   | 2008          | 2007     |
|---|---------------|----------|
| Balance at beginning of year                    | (Won) 153,535 | 136,792  |
| Actual severance payments                       | (23,853)      | (48,202) |
| Transferred from/to affiliated companies, net   | 3,339         | 2,117    |
| Provision for retirement and severance benefits | 68,992        | 62,828   |
| Balance at end of year                          | 202,013       | 153,535  |
| Cumulative Deposits to National Pension Fund    | (479)         | (530)    |
| Balance of the severance insurance deposits     | (131,302)     | (99,509) |
| Net balance                                     | (Won) 70,232  | 53,496   |

The Company's retirement and severance benefit plan is funded approximately 65.0% and 64.8% as of December 31, 2008 and 2007, respectively, through severance insurance deposits in Korea Life Insurance Co., Ltd. and others for the payment of severance benefits. The beneficiaries of the severance insurance deposit are the Company's employees.



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18 Monetary Assets and Liabilities Denominated In Foreign Currency

Monetary assets and liabilities denominated in foreign currencies, excluding those disclosed elsewhere in the notes 15 and 16 to the financial statements as of December 31, 2008 and 2007 are as follows:

(In millions of Won, USD, JPY, EUR, PLN, CNY, HKD and NTD)

|                                     | Foreign currency (*) | 2008<br>Exchange rate | Won equivalent  |
|-------------------------------------|----------------------|-----------------------|-----------------|
| <b>Assets :</b>                     |                      |                       |                 |
|                                     | USD 427              |                       |                 |
|                                     | JPY 5,374            |                       |                 |
|                                     | EUR 25               |                       |                 |
| Cash and cash equivalents           | NTD 22               |                       | (Won) 765,919   |
|                                     |                      | 1,257.50              |                 |
|                                     | CNY 459              | 13.9389               |                 |
|                                     |                      | 1,776.22              |                 |
|                                     |                      | 38.39                 |                 |
|                                     | HKD 12               | 184.09                |                 |
|                                     |                      | 162.25                |                 |
|                                     | PLN 53               | 426.18                |                 |
|                                     | USD 1,535            |                       |                 |
| Trade accounts and notes receivable | JPY 1,427            | 1,257.50              | 1,971,366       |
|                                     |                      | 13.9389               |                 |
|                                     | EUR 11               | 1,776.22              |                 |
|                                     | USD 4                |                       |                 |
| Other accounts receivable           | JPY 7                | 1,257.50              | 5,749           |
|                                     |                      | 13.9389               |                 |
|                                     | CNY 3                | 184.09                |                 |
| Prepaid value added tax             | PLN 255              | 426.18                | 108,511         |
|                                     |                      |                       | (Won) 2,851,545 |
| <b>Liabilities :</b>                |                      |                       |                 |
| Accounts payable                    | USD 511              | 1,257.50              | (Won) 771,491   |
|                                     |                      | 13.9389               |                 |
|                                     | JPY 6,384            | 1,776.22              |                 |
|                                     |                      | 184.09                |                 |

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|                        |     |        |          |                 |
|------------------------|-----|--------|----------|-----------------|
|                        | EUR | 6      | 38.39    |                 |
|                        | CNY | 158    |          |                 |
|                        | NTD |        |          |                 |
|                        | USD | 252    |          |                 |
|                        | JPY | 40,398 |          |                 |
| Other accounts payable | EUR | 2      |          | 960,739         |
|                        | NTD | 20     | 1,257.5  |                 |
|                        |     |        | 13,938.9 |                 |
|                        |     |        | 1,776.22 |                 |
|                        | CNY | 254    | 38.39    |                 |
|                        |     |        | 184.09   |                 |
|                        | PLN | 10     | 426.18   |                 |
|                        | USD | 1      |          |                 |
|                        | JPY | 20     |          |                 |
| Accrued expenses       | EUR | 1      |          | 26,914          |
|                        | NTD | 15     | 1,257.50 |                 |
|                        |     |        | 13,938.9 |                 |
|                        |     |        | 1,776.22 |                 |
|                        | CNY | 103    | 38.39    |                 |
|                        |     |        | 184.09   |                 |
|                        | PLN | 12     | 426.18   |                 |
|                        |     |        |          | (Won) 1,759,144 |

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18 Monetary Assets and Liabilities Denominated In Foreign Currency. Continued*(In millions of Won, USD, JPY, EUR, PLN, CNY, HKD and NTD)*

|                                     |                      |        | 2007          |                 |
|-------------------------------------|----------------------|--------|---------------|-----------------|
|                                     | Foreign currency (*) |        | Exchange rate | Won equivalent  |
| <b>Assets :</b>                     |                      |        |               |                 |
|                                     | USD                  | 119    |               |                 |
|                                     | JPY                  | 732    |               |                 |
|                                     | EUR                  | 1      |               |                 |
|                                     | NTD                  | 39     |               |                 |
| Cash and cash equivalents           | CNY                  | 348    |               | (Won) 223,792   |
|                                     |                      |        | 938.20        |                 |
|                                     | HKD                  | 58     | 8.382         |                 |
|                                     |                      |        | 1371.65       |                 |
|                                     | PLN                  | 135    | 28.94         |                 |
|                                     |                      |        | 128.45        |                 |
|                                     | SGD                  |        | 120.28        |                 |
|                                     |                      |        | 381.16        |                 |
|                                     |                      |        | 651.84        |                 |
|                                     | MYR                  |        | 283.70        |                 |
|                                     | USD                  | 2,261  |               |                 |
| Trade accounts and notes receivable | JPY                  | 3,789  | 938.20        | 2,368,819       |
|                                     |                      |        | 8.382         |                 |
|                                     | EUR                  | 157    | 1371.65       |                 |
|                                     | USD                  | 8      |               |                 |
| Other accounts receivable           | JPY                  | 23     | 938.20        | 7,667           |
|                                     |                      |        | 8.382         |                 |
|                                     | CNY                  |        | 128.45        |                 |
| Prepaid value added tax             | PLN                  | 197    | 381.16        | 74,947          |
|                                     |                      |        |               | (Won) 2,675,225 |
| <b>Liabilities :</b>                |                      |        |               |                 |
| Accounts payable                    | USD                  | 426    | 938.20        | (Won) 544,659   |
|                                     |                      |        | 8.382         |                 |
|                                     | JPY                  | 15,482 | 1371.65       |                 |
|                                     |                      |        | 128.45        |                 |

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|                        |     |       |         |               |
|------------------------|-----|-------|---------|---------------|
|                        | EUR |       | 28.94   |               |
|                        | CNY | 113   |         |               |
|                        | NTD | 22    |         |               |
|                        | USD | 86    |         |               |
|                        | JPY | 2,368 |         |               |
| Other accounts payable | EUR | 4     |         | 168,211       |
|                        | NTD | 24    | 938.20  |               |
|                        |     |       | 8.382   |               |
|                        |     |       | 1371.65 |               |
|                        | CNY | 268   | 28.94   |               |
|                        |     |       | 128.45  |               |
|                        | PLN | 73    | 381.16  |               |
|                        | USD | 1     |         |               |
|                        | JPY | 13    |         |               |
| Accrued expenses       | EUR | 1     |         | 18,600        |
|                        | NTD | 11    | 938.20  |               |
|                        |     |       | 8.382   |               |
|                        |     |       | 1371.65 |               |
|                        | CNY | 53    | 28.94   |               |
|                        |     |       | 128.45  |               |
|                        | PLN | 25    | 381.16  |               |
|                        |     |       |         | (Won) 731,470 |

(\*) PLN, SGD, and MYR represent Poland Zloty, Singapore Dollar, and Malaysia Ringgit, respectively.

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**Notes to Consolidated Financial Statements**

December 31, 2008 and 2007

19 Warranty Reserve

Changes in warranty reserve for the years ended December 31, 2008 and 2007 are as follows:

*(In millions of Won)*

|                         | Balance at the<br>beginning of the year | 2008     |          | Balance at the<br>end of the year |
|-------------------------|---|----------|----------|-----------------------------------|
|                         |   | Increase | Decrease |                                   |
| <b>Warranty reserve</b> | (Won) 49,295                            | 90,063   | (81,253) | 58,105                            |

*(In millions of Won)*

|                         | Balance at the<br>beginning of the year | 2007     |          | Balance at the<br>end of the year |
|-------------------------|---|----------|----------|-----------------------------------|
|                         |   | Increase | Decrease |                                   |
| <b>Warranty reserve</b> | (Won) 31,261                            | 77,852   | (59,818) | 49,295                            |

20 Commitments and Contingencies

(a) Commitments

Overdraft agreements and credit facility agreement

As of December 31, 2008, the Controlling Company has bank overdraft agreements with Woori Bank and other various banks amounting to (Won)59,000 million in aggregate and there is no overdraft balance.

Factoring and securitization of accounts receivable

As of December 31, 2008, the Controlling Company has agreements with Korea Exchange Bank and other several banks for U.S. dollar denominated accounts receivable negotiating facilities of up to an aggregate of USD1,616.5 million. As of December 31, 2008, accounts and notes receivable amounting to USD478 million were sold that are current and outstanding, and was recorded as short-term borrowings.

In October 2006, LG Display America, Inc., LG Display Germany GmbH, LG Display Shanghai Co., Ltd. and others entered into a five-year accounts receivable selling program with Standard Chartered Bank, on a revolving basis, of up to USD600 million. The Controlling Company joined this program in April 2007. For the year ended December 31, 2008, no accounts and notes receivable were sold.

Letters of credit

As of December 31, 2008, the Controlling Company has agreements with Korea Exchange Bank in relation to the opening of letters of credit up to W20,000 million and USD35.5 million.

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20 Commitments and Contingencies. Continued

Payment guarantees

The Controlling Company receives repayment guarantees from ABN AMRO Bank amounting to USD8.5 million relating to value added tax payments in Poland. As of December 31, 2008, the Controlling Company entered into a payment guarantee agreement with a syndicate of banks including Kookmin Bank and Societe Generale in connection with a EUR70 million term loan credit facility of LG Display Poland Sp. zo.o.

LG Display Japan Co., Ltd. and other subsidiaries have entered into short-term credit facility agreements of up to USD30 million, EUR3.6 million, and JPY5,200 million with Mizuho Bank, Ltd. and other various banks. LG Display Japan Co., Ltd. and LG Display Taiwan Co., Ltd. are provided with repayment guarantees from the Bank of Tokyo-Mitsubishi and ABN AMRO Bank amounting to JPY1,300 million and USD4 million, respectively, relating to their local tax payments.

License agreements

As of December 31, 2008, in relation to its TFT-LCD business, the Controlling Company has technical license agreements with Hitachi, Ltd., and others and has a trademark license agreement with LG Corporation. The trademark license agreement with Koninklijke Philips Electronics N.V. expired as of June 30, 2008.

(b) Contingencies

Patent infringement lawsuit against Chi Mei Optoelectronics Corp., and others

On December 1, 2006, the Controlling Company filed a complaint against Chi Mei Optoelectronics Corp. and AU Optronics Corp. alleging patent infringement related to liquid crystal display and manufacturing process for TFT-LCDs in the United States District Court for the District of Delaware. On March 8, 2007, AU Optronics Corp. countersued the Company in the United States District Court for the Western District of Wisconsin; however, the case was transferred to the United States District Court for the District of Delaware due to the Company's motion to transfer. On May 4, 2007, Chi Mei Optoelectronics Corp. countersued the Company for patent infringement in the United States District Court for the Eastern District of Texas; however, on March 31, 2008, the suit was transferred to the United States District Court for the District of Delaware according to the Company's motion to transfer. The Company is unable to predict the ultimate outcome of the above matters.

Intervention in Positive Technologies, Inc. s patent infringement lawsuit

On April 14, 2006, Positive Technologies, Inc. filed a complaint in the United States District Court for the Eastern District of Texas against, among others, several of the Controlling Company s customers, including BenQ America Corp., Hitachi America Ltd., Panasonic Corp. of North America, Philips Electronics North America Corp. and Toshiba America, Inc. for alleged infringement of two of its patents relating to LCD displays. In March 2007, the Company was granted the intervention in the patent infringement case brought by Positive Technologies, Inc. On November 7, 2008, the Controlling Company settled with Positive Technologies, Inc., and the case was dismissed on December 12, 2008.

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December 31, 2008 and 2007

20 Commitments and Contingencies. Continued

Anvik Corporation's lawsuit for infringement of patent

On February 2, 2007, Anvik Corporation filed a patent infringement case against the Controlling Company, along with other LCD manufacturing companies in the United States District Court for the Southern District of New York, in connection with the usage of photo-masking equipment manufactured by Nikon Corporation. The Controlling Company is unable to predict the ultimate outcome of this case.

AtratechJapan Corporation's lawsuit for infringement of patent

On July 31, 2008, AtratechJapan Corporation filed a patent infringement case related to back light unit in the United States District Court for the Eastern District of Texas against LG Display America, Inc., along with other LCD companies. The Company is unable to predict the ultimate outcome of this case.

O2 Micro International Ltd.'s request for an investigation to US International Trade Commission

On December 15, 2008, O2Micro International Ltd. and O2Micro, Inc. have requested the United States International Trade Commission( ITC ) to commence a Trade Remedy Investigation alleging that the Company, LG Display America, Inc. and others have infringed their patents relating to LCD Displays. The Company is unable to predict the ultimate outcome of this case.

Investigation and litigation filed by authorities in Korea, Japan, Canada, US and European Commission

The Controlling Company and LG Display America, Inc. ( LGDUS ), the US subsidiary of the Controlling Company, were under investigation by U.S. Department of Justice ( DOJ ) with their role in conspiracies to fix prices in the sale of liquid crystal display (LCD) panels. In November, 2008, the Controlling Company and LGDUS agreed to a plea agreement with DOJ and agreed to pay a fine of USD400 million over a five-year period.

As of December 31, 2008, the Controlling Company is under investigation by fair trade or antitrust authorities in Korea, Japan, Canada and European Commission with respect to possible anti-competitive activities in the LCD industry.

In 2006, the Controlling Company, along with a number of other firms in the LCD industry, has been named as defendants in class actions in the United States and Canada for alleged violation of the antitrust laws in connection with the sale of LCD panels to both direct and indirect purchaser plaintiffs, and the class actions in the United States were consolidated and transferred to the United States District Court for the Northern District of California. In February 2007, the Controlling Company and certain of its current and former officers and directors were named as defendants in a federal class action in the United States by the shareholders of the Controlling Company alleging violations of the U.S. Securities Exchange Act of 1934, as amended, by the Controlling Company and certain its officers and directors in connection with possible anti-competitive activities in the LCD industry.

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**Notes to Consolidated Financial Statements**

December 31, 2008 and 2007

20. **Commitments and Contingencies. Continued**

Each of these investigations, legal proceedings and claims is ongoing and the outcome in any of these matters may have a negative effect on the Company's financial condition, results of operations or cash flows.

21 **Derivative Instruments**

(a) Derivative instruments used by the Controlling Company for hedging purposes as of December 31, 2008 are as follows:

| Hedging purpose     | Derivative instrument        |
|---------------------|------------------------------|
| Hedge of fair value | Foreign currency forwards    |
| Hedge of cash flows | Foreign currency forwards(*) |
|                     | Cross currency swap          |
|                     | Interest rate swap           |

(\*) Effective October 1, 2008, the Controlling Company discontinued the designation of foreign currency forward contracts as a hedging instrument for hedge of future cash flows and ceased the use of hedge accounting.

## (b) Hedge of fair value

The Controlling Company enters into foreign currency forward contracts to manage the exposure to changes in the value of foreign currency denominated accounts receivable and accounts payable in accordance with its foreign currency risk management policy. Hedge accounting is not applied related to the abovementioned derivatives.

## (i) Foreign Currency Forwards

Details of foreign currency forwards outstanding as of December 31, 2008 are as follows:

*(In millions of Won and USD, except forward rate and maturity date)*

| Bank                        | Maturity date      | Selling | Buying        | Forward rate       |
|-----------------------------|--------------------|---------|---------------|--------------------|
| BNP Paribas Bank and others | January 28, 2009 ~ |         |               | (Won)1,302.2 ~     |
|                             | May 18, 2009       | USD 225 | (Won) 306,738 | (Won)1,419.1: USD1 |

(ii) Unrealized gains and losses related to the above derivatives as of December 31, 2008 are as follows:



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*(In millions of Won)*

| Type                      | Unrealized gains | Unrealized losses |
|---------------------------|------------------|-------------------|
| Foreign Currency Forwards | (Won) 24,574     |                   |

The unrealized gains are charged to operations as gains on foreign currency translation for the year ended December 31, 2008.

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21 Derivative Instruments, Continued

## (c) Hedge of cash flows

The Controlling Company enters into foreign currency forward contracts to manage the exposure to changes in cash flows related to forecasted purchase of raw materials and sale of products in foreign currencies. In addition, the Controlling Company entered into cross currency swap and interest rate swap contracts to manage the exposure to changes in cash flows from changes in foreign currency exchange rates and interest rates related to floating rate notes. Details of the Controlling Company's derivative instruments related to hedge of cash flows as of December 31, 2008 are as follows.

## (i) Foreign Currency Forwards

Details of foreign currency forwards outstanding as of December 31, 2008 are as follows:

*(In millions of Won and USD, except forward rate)*

| Bank                        | Maturity date      | Selling | Buying       | Forward rate        |
|-----------------------------|--------------------|---------|--------------|---------------------|
| BNP Paribas Bank and others | January 20, 2009 ~ |         |              | (Won)1,046.9 ~      |
|                             | January 28, 2009   | USD20   | (Won) 21,024 | (Won)1,055.5 : USD1 |

The Controlling Company discontinued the cash flow hedge accounting effective October 1, 2008 for foreign currency forwards. Losses from derivative contracts incurred before October 1, 2008 were recognized as accumulated other comprehensive income, net of tax and subsequent losses from changes in the fair value of derivative instruments amounting to (Won)1,517 million are recognized immediately in earnings.

Above mentioned contracts of derivatives were entered into before September 30, 2008, and are not past due as of December 31, 2008. There are no derivatives relating to cash flow hedge that are newly entered into after October 1, 2008.

The net unrealized losses, recorded under accumulated other comprehensive income, are expected to be recognized as realized gains and losses within the next twelve months.

## (ii) Cross Currency Swap

*(In millions of Won and USD, except forward rate)*

| Bank                    | Maturity date     | Selling       | Buying | Contract rate                           |
|-------------------------|-------------------|---------------|--------|---|
| Kookmin Bank and others | August 29, 2011 ~ |               |        | 3M LIBOR ~                              |
|                         | January 31, 2012  |               | USD150 | Receive floating rate<br>Pay fixed rate |
|                         |                   | (Won) 143,269 |        | 4.54%~ 5.35%                            |

Net unrealized gains and losses, net of related taxes, were recorded as accumulated other comprehensive income. In relation to the abovementioned cross currency swap, unrealized losses amounting to (Won)5,804 million, recorded as accumulated other comprehensive

income, are expected to be charged to operations as losses within the next twelve months.

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December 31, 2008 and 2007

21 Derivative Instruments, Continued

## (iii) Interest Rate Swap

*(In millions of USD, except forward rate)*

| Bank          | Maturity date  | Contract amount |     | Contract rate  |               |
|---------------|----------------|-----------------|-----|----------------|---------------|
| SC First Bank | May 21, 2009 ~ |                 |     | Receive        |               |
|               | May 24, 2010   | USD             | 150 | floating rate  | 6M LIBOR      |
|               |                |                 |     | Pay fixed rate | 5.375%~5.644% |

Net unrealized gains and losses, net of related taxes, were recorded as accumulated other comprehensive income.

In relation to the abovementioned interest rate swap, unrealized losses amounting to (Won)5,421 million, recorded as accumulated other comprehensive income, are expected to be charged to operations as losses within the next twelve months.

## (iv) Unrealized gains and losses, before tax, related to hedge of cash flows as of December 31, 2008 are as follows:

*(In millions of Won)*

| Type                      | Unrealized gains | Unrealized losses | Cash flow hedge requirements |
|---------------------------|------------------|-------------------|------------------------------|
| Foreign currency forwards | (Won)            | 2,534             | Fulfilled                    |
| Cross currency swap(*)    |                  | 11,511            | Fulfilled                    |
| Interest rate swap        |                  | 8,017             | Fulfilled                    |

(\*) The unrealized gains amounting to (Won)47,895 million related to the foreign exchange rate risk are recognized as losses in the non-consolidated statement of income in the current period.

## (d) Realized gains and losses related to derivative instruments for the year ended December 31, 2008 are as follows:

*(In millions of Won)*

| Hedge purpose    | Type                      | Transaction gains | Transaction losses |
|------------------|---------------------------|-------------------|--------------------|
| Cash flow hedge  | Cross currency swap       | (Won) 145         | 1,101              |
| Cash flow hedge  | Interest rate swap        |                   | 3,653              |
| Cash flow hedge  | Foreign currency forwards | 5,978             | 195,843            |
| Fair value hedge | Foreign currency forwards | 19,619            | 240,010            |
| Fair value hedge | Range forward options     | 2,441             | 59,538             |

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**22 Capital Stock**

The Controlling Company is authorized to issue 500,000,000 shares of capital stock (par value (Won)5,000), and as of December 31, 2008, the number of issued common shares is 357,815,700.

There are no changes in the capital stock from January 1, 2007 to December 31, 2008.

**23 Capital Surplus**

Capital surplus as of December 31, 2008 and 2007 is as follows:

*(In millions of Won)*

| Accounts                   | 2008                   | 2007             |
|----------------------------|------------------------|------------------|
| Additional paid-in capital | (Won) 2,251,113        | 2,251,113        |
| Conversion Rights (*)      | 59,958                 | 59,958           |
| <b>Total</b>               | <b>(Won) 2,311,071</b> | <b>2,311,071</b> |

(\*) Net of tax effects.

**24 Accumulated Other Comprehensive Income**

Accumulated other comprehensive income as of December 31, 2008 and 2007 is as follows:

*(In millions of Won)*

| Accounts  | 2008          | 2007     |
|---|---------------|----------|
| Unrealized gains on available-for-sale securities | (Won) 25,934  |          |
| Changes in equity securities                      | 534           |          |
| Gain on valuation of derivative instruments       |               | 1,498    |
| Loss on valuation of derivative instruments       | (16,906)      | (15,897) |
| Change in cumulative translation adjustments      | 164,376       | 20,222   |
|   | (Won) 173,938 | 5,823    |

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**25 Retained Earnings**

The Commercial Code of the Republic of Korea requires the Controlling Company to appropriate, as a legal reserve, an amount equal to a minimum of 10% of cash dividends paid until such reserve equals 50% of its issued capital stock. The reserve is not available for the payment of cash dividends, but may be transferred to capital stock or used to reduce accumulated deficit, if any, with the ratification of the Controlling Company's majority shareholders.

**26 Income Taxes**

(a) Income tax expense for the years ended December 31, 2008 and 2007 consists of :

| <i>(In millions of Won)</i>                                | <b>2008</b>   | <b>2007</b> |
|--|---------------|-------------|
| Current income taxes                                       | (Won) 325,636 | 86,321      |
| Deferred income taxes from change in temporary differences | (27,853)      | (3,623)     |
| Deferred income taxes from change in tax credit            | (18,088)      | (126,711)   |
| Deferred income taxes from change in losses carryforward   |               | 248,493     |
| Deferred income taxes added to shareholders' equity        | (54,974)      | (5,548)     |
| Income tax expense   | (Won) 224,721 | 198,932     |

(b) The income tax expense calculated by applying statutory tax rates to the Company's taxable income for the year differs from the actual tax expense in the statement of income for the years ended December 31, 2008 and 2007 for the following reason:

| <i>(In millions of Won)</i>                        | <b>2008</b>     | <b>2007</b> |
|--|-----------------|-------------|
| Income before income tax                           | (Won) 1,311,499 | 1,542,959   |
| Charge for income taxes at normal tax rates        | 370,586         | 427,379     |
| Adjustments  | (145,865)       | (228,447)   |
| Non-tax deductible expenses                        | 1,918           | 1,128       |
| Tax credits  | (246,626)       | (66,062)    |
| Change in tax rates                                | 18,683          |             |
| Changes in unrealizable deferred income tax assets | 71,530          | (159,527)   |
| Others   | 8,630           | (3,986)     |
| Income tax expense                                 | 224,721         | 198,932     |
| Effective tax rate                                 | 17.13%          | 12.89%      |

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

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December 31, 2008 and 2007

26 Income Taxes, Continued

(c) The tax effects of temporary differences, tax credit carryforwards and losses carryforwards that resulted in significant portions of deferred tax assets and liabilities at December 31, 2008 and 2007 are presented below:

(i) 2008

*(In millions of Won)*

|  | January 1,<br>2008 | Increase<br>(decrease) | December 31,<br>2008 |
|--|--------------------|------------------------|----------------------|
| Temporary differences:   |                    |                        |                      |
| Accrued income   | (Won) (14,055)     | (74,182)               | (88,237)             |
| Inventories  | 77,462             | (4,121)                | 73,341               |
| Change in fair value of available-for-sale securities                |                    | (33,248)               | (33,248)             |
| Long-term other payables   |                    | 406,156                | 406,156              |
| Equity method investments  | (10,304)           | (2,411)                | (12,715)             |
| Changes in capital adjustment arising from equity method investments |                    | (684)                  | (684)                |
| Change in cumulative translation adjustments                         | (19,381)           | (191,358)              | (210,739)            |
| Other current assets   | 15,561             | (86,513)               | (70,952)             |
| Loss on valuation of derivative instruments                          | 21,927             | 135                    | 22,062               |
| Gain on valuation of derivative instruments                          | (2,066)            | 2,066                  |                      |
| Property, plant and equipment  | 396,793            | (30,726)               | 366,067              |
| Warranty reserve and other reserves                                  | 49,295             | 12,225                 | 61,520               |
| Gain on foreign currency translation                                 |                    | (138,599)              | (138,599)            |
| Loss on foreign currency translation                                 |                    | 435,875                | 435,875              |
| Others   | 19,545             | 54,022                 | 73,567               |
| <b>Total</b>   | <b>534,777</b>     | <b>348,637</b>         | <b>883,414</b>       |
| Tax credit carryforwards   | (Won) 448,522      | 20,098                 | 468,620              |

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26 Income Taxes, Continued*(In millions of Won)*

|  | Deferred tax assets (liabilities) |                        |                      |          |             |
|--|-----------------------------------|------------------------|----------------------|----------|-------------|
|  | January 1,<br>2008                | Increase<br>(decrease) | December 31,<br>2008 | Current  | Non-current |
| Accrued income   | (Won) (3,521)                     | (17,832)               | (21,353)             | (21,353) |             |
| Inventories  | (6,754)                           | 24,993                 | 18,239               | 18,239   |             |
| Change in fair value of available-for-sale securities                |                                   | (7,314)                | (7,314)              |          | (7,314)     |
| Long-term other payables   |                                   |                        |                      |          |             |
| Equity method investments  | (3,034)                           | 3,034                  |                      |          |             |
| Changes in capital adjustment arising from equity method investments |                                   | (150)                  | (150)                |          | (150)       |
| Change in cumulative translation adjustments                         | 841                               | (47,204)               | (46,363)             |          | (46,363)    |
| Other Current assets   | 3,898                             | (21,068)               | (17,170)             | (17,170) |             |
| Loss on valuation of derivative instruments                          | 6,030                             | (874)                  | 5,156                | 3,329    | 1,827       |
| Gain on valuation of derivative instruments                          | (568)                             | 568                    |                      |          |             |
| Property, plant and equipment  | 65,539                            | 10,818                 | 76,357               |          | 76,357      |
| Warranty reserve and other reserves                                  | 12,348                            | 2,317                  | 14,665               | 12,444   | 2,221       |
| Gain on foreign currency translation                                 |                                   | (33,541)               | (33,541)             | (33,541) |             |
| Loss on foreign currency translation                                 |                                   | 105,482                | 105,482              | 105,482  |             |
| Others   | 5,535                             | 8,624                  | 14,159               | 18,618   | (4,459)     |
| Subtotal   | 80,314                            | 27,853                 | 108,167              | 86,048   | 22,119      |
| Tax credit carryforwards   | 403,670                           | 18,088                 | 421,758              |          | 421,758     |
| Deferred income tax assets   | (Won) 483,984                     | 45,941                 | 529,925              | 86,048   | 443,877     |



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26 Income Taxes, Continued

(ii) 2007

*(In millions of Won)*

|  | January 1,<br>2007 | Increase<br>(decrease) | December 31,<br>2007 |
|--|--------------------|------------------------|----------------------|
| Temporary differences:                       |                    |                        |                      |
| Accrued income                               | (Won) (829)        | (13,226)               | (14,055)             |
| Inventories                                  | 84,275             | (6,813)                | 77,462               |
| Equity method investments                    | (4,884)            | (5,420)                | (10,304)             |
| Change in cumulative translation adjustments | 29,564             | (48,945)               | (19,381)             |
| Other current liabilities                    | 1,790              | 13,771                 | 15,561               |
| Loss on valuation of derivative instruments  | 16,305             | 5,622                  | 21,927               |
| Gain on valuation of derivative instruments  | (33,687)           | 31,621                 | (2,066)              |
| Property, plant and equipment                | 200,269            | 196,524                | 396,793              |
| Warranty reserve and other reserves          | 31,261             | 18,034                 | 49,295               |
| Others                                       | (11,882)           | 31,427                 | 19,545               |
| <b>Total</b>                                 | <b>312,182</b>     | <b>222,595</b>         | <b>534,777</b>       |
| Losses carryforwards                         | 903,610            | (903,610)              |                      |
| <br>Tax credit carryforwards                 | <br>(Won) 436,486  | <br>12,036             | <br>448,522          |

*(In millions of Won)*

|   | January 1,<br>2007 | Deferred tax assets(liabilities) |                      |               |                 |
|---|--------------------|----------------------------------|----------------------|---------------|-----------------|
|   |                    | Increase<br>(decrease)           | December 31,<br>2007 | Current       | Non-<br>current |
| Accrued income                                  | (Won) (228)        | (3,293)                          | (3,521)              | (3,521)       |                 |
| Inventories                                     | 23,278             | (30,032)                         | (6,754)              | (6,754)       |                 |
| Equity method investments                       | 1,714              | (4,748)                          | (3,034)              |               | (3,034)         |
| Change in cumulative translation<br>adjustments | 8,130              | (7,289)                          | 841                  |               | 841             |
| Other current liabilities                       | 492                | 3,406                            | 3,898                | 3,898         |                 |
| Loss on valuation of derivative instruments     | 4,484              | 1,546                            | 6,030                | 6,030         |                 |
| Gain on valuation of derivative instruments     | (6,294)            | 5,726                            | (568)                | (568)         |                 |
| Property, plant and equipment                   | 60,947             | 4,592                            | 65,539               |               | 65,539          |
| Warranty reserve and other reserves             | 8,840              | 3,508                            | 12,348               | 12,348        |                 |
| Others  | (24,672)           | 30,207                           | 5,535                | 29,360        | (23,825)        |
| <b>Subtotal</b>                                 | <b>76,691</b>      | <b>3,623</b>                     | <b>80,314</b>        | <b>40,793</b> | <b>39,521</b>   |
| Losses carryforwards                            | 248,493            | (248,493)                        |                      |               |                 |
| Tax credit carryforwards                        | 276,959            | 126,711                          | 403,670              | 292,133       | 111,537         |

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|                            |               |           |         |         |         |
|----------------------------|---------------|-----------|---------|---------|---------|
| Deferred income tax assets | (Won) 602,143 | (118,159) | 483,984 | 332,926 | 151,058 |
|----------------------------|---------------|-----------|---------|---------|---------|

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26 Income Taxes, Continued

(d) Amounts and maturity date of the item which are not recognized as deferred tax assets are as follows:

| <i>(In millions of Won)</i> | 2008          | 2007 |
|-----------------------------|---------------|------|
| Long-term other payables    | (Won) 406,156 |      |

As of December 31, 2008, the Company did not recognize temporary differences related to the long-term other payables of a subsidiary, as the possibility of realization of the deferred tax assets, through events such as disposal of the related investments in foreseeable future, is remote.

(e) Amounts which are not recognized as deferred tax liabilities are as follows:

| <i>(In millions of Won)</i>                 | 2008  | 2007   |
|---|-------|--------|
| Change in cumulative translation adjustment | (Won) | 22,442 |

As of December 31, 2008, for the retained earnings of subsidiaries amounting to (Won)119,788 million, the Controlling Company did not recognize deferred tax liabilities relating to the retained earnings of subsidiaries considering the effect of credit for foreign taxes paid.

(f) Income tax expense that was directly charged or credited to accumulated other comprehensive income as of December 31, 2008 and 2007 are as follows:

| <i>(In millions of Won)</i>  | 2008          |                       | 2007                   |          |                       |                        |
|--|---------------|-----------------------|------------------------|----------|-----------------------|------------------------|
|  | Amount        | Current<br>income tax | Deferred<br>income tax | Amount   | Current<br>income tax | Deferred<br>income tax |
| Change in fair value of available-for-sale securities                | (Won) 33,248  |                       | (7,314)                |          |                       |                        |
| Changes in capital adjustment arising from equity method investments | 684           |                       | (150)                  |          |                       |                        |
| Change in cumulative translation adjustments                         | 191,358       |                       | (47,204)               | 48,945   |                       | (2,173)                |
| Loss on valuation of derivative instruments                          | (135)         |                       | (874)                  | (5,622)  |                       | 1,546                  |
| Gain on valuation of derivative instruments                          | (2,066)       |                       | 568                    | (31,621) |                       | 8,696                  |
| Conversion rights  |               |                       |                        | 49,516   | (13,617)              |                        |
|  | (Won) 223,089 |                       | (54,974)               | 61,218   | (13,617)              | 8,069                  |

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26 Income Taxes, Continued

(g) As of December 31, 2008 and 2007 details of aggregate deferred tax assets and liabilities, income taxes payable and income tax refund receivable are as follows:

| <i>(In millions of Won)</i> | 2008          |             |         | 2007    |             |         |
|-----------------------------|---------------|-------------|---------|---------|-------------|---------|
|                             | Current       | Non-current | Total   | Current | Non-current | Total   |
| Deferred tax assets         | (Won) 158,112 | 502,163     | 660,275 | 343,769 | 177,917     | 521,686 |
| Deferred tax liabilities    | 72,064        | 58,286      | 130,350 | 10,843  | 26,859      | 37,702  |
| Income taxes payable        | 294,494       |             | 294,494 | 78,133  |             | 78,133  |

(h) Statutory tax rate applicable to the Controlling Company is 27.5% for the years ended December 31, 2008 and 2007. Under the Foreign Investment Promotion Act of Korea, from September 1999, the Controlling Company have been entitled to an exemption from income taxes in proportion to the percentage of foreign equity for seven years following the registration of each foreign equity investment, and at one-half of that percentage for the subsequent three years. The effective tax rate, including adjustment for tax credits, tax exemption for foreign investment, and deferred income taxes applicable to the Company was approximately 17.13% in 2008.

27 Cost of Sales

Details of cost of sales for the years ended December 31, 2008 and 2007 are as follows:

| <i>(In millions of Won)</i>         | 2008             | 2007       |
|-------------------------------------|------------------|------------|
| Finished goods                      | (Won) 13,414,877 | 12,083,850 |
| Beginning balance of finished goods | 453,034          | 572,210    |
| Cost of goods manufactured          | 13,501,230       | 11,964,674 |
| Ending balance of finished goods    | (539,387)        | (453,034)  |
| Merchandise                         | 189,438          |            |
| Others                              | 12,300           | 31,513     |
|                                     | (Won) 13,616,615 | 12,115,363 |

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**28 Selling, General and Administrative Expenses**

Details of selling, general and administrative expenses for the years ended December 31, 2008 and 2007 are as follows:

| <i>(In millions of Won)</i> | <b>2008</b>   | <b>2007</b> |
|-----------------------------|---------------|-------------|
| Salaries                    | (Won) 127,271 | 111,150     |
| Severance benefits          | 9,523         | 8,574       |
| Other employee benefits     | 25,596        | 12,887      |
| Shipping cost               | 209,665       | 194,081     |
| Rent                        | 13,350        | 10,947      |
| Fees and commissions        | 94,911        | 93,090      |
| Entertainment               | 5,942         | 4,080       |
| Depreciation                | 23,733        | 15,020      |
| Taxes and dues              | 9,711         | 6,693       |
| Advertising                 | 48,964        | 30,433      |
| Sales promotion             | 24,446        | 17,487      |
| Development costs           | 6,613         | 3,260       |
| Research                    | 141,427       | 102,864     |
| Bad debt expenses           |               | 6,638       |
| SVC expenses                | 103,371       | 77,852      |
| Others                      | 67,056        | 37,540      |
|                             | (Won) 911,579 | 732,596     |

**29 Earnings Per Share**

(a) Basic earnings per share for the years ended December 31, 2008 and 2007 are as follows:

| <i>(In Won, except earnings per share and share information)</i> | <b>2008</b>             | <b>2007</b>       |
|--|-------------------------|-------------------|
| <b>Net income</b>  | (Won) 1,086,896,360,997 | 1,344,027,180,277 |
| Weighted-average number of common shares outstanding             | 357,815,700             | 357,815,700       |
| <b>Earnings per share</b>  | (Won) 3,038             | 3,756             |

There were no events or transactions that resulted in changes in the number of common shares used for calculating earnings per share.

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29 **Earnings Per Share, Continued**

(b) Diluted earnings per share for the years ended December 31, 2008 and 2007 are as follows:

*(In Won, except earnings per share and share information)*

|  | <b>2008</b>             | <b>2007</b>       |
|--|-------------------------|-------------------|
| <b>Net income</b>  | (Won) 1,086,896,360,997 | 1,344,027,180,277 |
| Interest on convertible bond, net of tax   | 19,139,925,063          | 13,185,581,052    |
| <b>Adjusted income</b>   | 1,106,036,286,060       | 1,357,212,761,329 |
| Weighted-average number of common shares outstanding and common equivalent shares(*) | 368,346,462             | 365,212,337       |
| <b>Diluted earnings per share</b>  | (Won) 3,003             | 3,716             |

(\*) Weighted-average number of common shares outstanding is calculated as follows:

*(In shares)*

|  | <b>2008</b> | <b>2007</b> |
|--|-------------|-------------|
| <b>Weighted-average number of common shares (basic)</b>                        | 357,815,700 | 357,815,700 |
| Effect of conversion of convertible bonds                                      | 10,530,762  | 7,396,637   |
| <b>Weighted-average number of common shares (diluted) at December 31, 2008</b> | 368,346,462 | 365,212,337 |

(c) The number of dilutive potential ordinary shares outstanding for the years ended December 31, 2008 and 2007 is calculated as follows:

|   | <b>2008</b>       | <b>2007</b>        |
|---|-------------------|--------------------|
| <i>(In shares)</i>                        |                   |                    |
| Number of convertible bonds               | 10,530,762        | 10,464,234         |
| Period                                    | January 1, 2008~  | April 18, 2007~    |
|   | December 31, 2008 | December 31, 2007  |
| <b>Weighted</b>                           | 366 days/366 days | 258 days /365 days |
| Effect of conversion of convertible bonds | 10,530,762        | 7,396,637          |

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30 Dividends

(a) The dividend payout ratios for the years ended December 31, 2008 and 2007 are as follows:

| <i>(In millions of Won)</i> | 2008      | 2007      |
|-----------------------------|-----------|-----------|
| Dividend amount             | 178,908   | 268,362   |
| Net income                  | 1,086,896 | 1,344,027 |
| Dividend payout ratio       | 16.46%    | 19.97%    |

(b) The dividend yield ratios for the years ended December 31, 2008 and 2007 are as follows:

| <i>(In Won except Dividend yield ratio)</i>                              | 2008   | 2007   |
|--|--------|--------|
| Dividend per share   | 500    | 750    |
| Market price of a common share of the Controlling Company as of year end | 21,000 | 49,500 |
| Dividend yield ratio   | 2.38%  | 1.52%  |

31 Share-Based Payments

(a) The terms and conditions of share-based payment arrangement as of December 31, 2008 are as follows:

|                                      | Descriptions   |
|--------------------------------------|--|
| Settlement method                    | Cash settlement  |
| Type of arrangement                  | Stock appreciation rights (granted to senior executives) |
| Date of grant                        | April 7, 2005  |
| Weighted-average exercise price (*1) | (Won)44,050  |
| Number of rights granted             | 450,000  |
| Number of rights forfeited (*2)      | 230,000  |
| Number of rights cancelled (*3)      | 110,000  |
| Number of rights outstanding         | 110,000  |
| Exercise period                      | From April 8, 2008 to April 7, 2012                      |
| Vesting conditions                   | Two years of service from the date of grant              |

(\*1) The exercise price at the grant date was (Won)44,260 per stock appreciation right ( SARs ). However, the exercise price was subsequently adjusted to (Won)44,050 due to additional issuance of common shares in 2005.

(\*2) SARs were forfeited in connection with senior executives who left the Controlling Company before meeting the vesting requirement.

(\*3) If the appreciation of the Controlling Company's share price is equal or less than that of the Korea Composite Stock Price Index ( KOSPI ) over the three-year period following the grant date, only 50% of the outstanding SARs are exercisable. As the actual increase rate of the Controlling Company's share price for the three-year period ending April 7, 2008 was less than that of the KOSPI for the same three-year period, only 110,000 shares, 50% of the outstanding SARs

as of December 31, 2008 are exercisable.



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December 31, 2008 and 2007

31 Share-Based Payments, Continued

(b) The changes in the number of SARs outstanding for the years ended December 31, 2008 and 2007 are as follows:

*(In share)*

|                              | Stock appreciation rights |         |
|------------------------------|---------------------------|---------|
|                              | 2008                      | 2007    |
| Balance at beginning of year | 220,000                   | 260,000 |
| Forfeited or cancelled       | 110,000                   | 40,000  |
| Outstanding at end of year   | 110,000                   | 220,000 |
| Exercisable at end of year   | 110,000                   |         |

(c) The Company reversed accumulated stock compensation cost of (Won)560 million for the year ended December 31, 2008 as the market price of the Controlling Company's common share was less than the exercise price of a SAR.

32 Comprehensive Income

Comprehensive income for the years ended December 31, 2008 and 2007 is as follows:

| <i>(In millions of Won)</i>   | 2008            | 2007      |
|---|-----------------|-----------|
| <b>Net income</b>   | (Won) 1,086,778 | 1,344,027 |
| Change in fair value of available-for-sale securities, net of tax effect of (Won)(7,314) million in 2008 and nil in 2007          | 25,934          |           |
| Change in equity arising from application of equity method, net of tax effect of (Won)(150) million in 2008 and nil in 2007       | 534             |           |
| Gain on valuation of cash flow hedges, net of tax effect of (Won)568 million in 2008 and (Won)8,696 million in 2007               | (1,498)         | (22,925)  |
| Loss on valuation of cash flow hedges, net of tax effect of (Won)(874) million in 2008 and (Won)1,546 million in 2007             | (1,009)         | (4,076)   |
| Change in cumulative translation adjustments, net of tax effect of (Won)(47,204) million in 2008 and (Won)(2,173) million in 2007 | 144,154         | 46,772    |
| <b>Consolidated Comprehensive income</b>  | 1,254,893       | 1,363,798 |
| Comprehensive income of the Controlling Company   | 1,255,011       | 1,363,798 |
| Comprehensive income (loss) of minority interest  | (Won) (118)     |           |

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33 Value-Added Information

Value added information for the years ended December 31, 2008 and 2007 is as follows:

(i) 2008

*(In millions of Won)*

|                         | Cost of sales   | Selling, general and administrative expense | Research and development expense(*1) | Construction in progress | Total     |
|-------------------------|-----------------|---|--------------------------------------|--------------------------|-----------|
| Salaries and wages      | (Won) 690,498   | 127,271                                     | 54,595                               | 21,305                   | 893,669   |
| Severance benefits      | 53,329          | 9,523                                       | 4,673                                | 1,467                    | 68,992    |
| Other employee benefits | 120,668         | 25,596                                      | 6,197                                | 2,119                    | 154,580   |
| Rent                    | 12,543          | 13,350                                      | 446                                  |                          | 26,339    |
| Depreciation(*2)        | 2,497,785       | 23,733                                      | 19,503                               | 708                      | 2,541,729 |
| Taxes and dues          | 10,654          | 9,711                                       | 170                                  |                          | 20,535    |
|                         | (Won) 3,385,477 | 209,184                                     | 85,584                               | 25,599                   | 3,705,844 |

(ii) 2007

*(In millions of Won)*

|                         | Cost of sales   | Selling, general and administrative expense | Research and development expense(*1) | Construction in progress | Total     |
|-------------------------|-----------------|---|--------------------------------------|--------------------------|-----------|
| Salaries and wages      | (Won) 591,901   | 111,150                                     | 45,840                               | 214                      | 749,105   |
| Severance benefits      | 50,042          | 8,574                                       | 3,691                                | 521                      | 62,828    |
| Other employee benefits | 93,836          | 12,887                                      | 4,932                                | 9                        | 111,664   |
| Rent                    | 2,831           | 10,947                                      | 522                                  |                          | 14,300    |
| Depreciation(*2)        | 2,794,790       | 15,020                                      | 20,207                               | 1,296                    | 2,831,313 |
| Taxes and dues          | 7,572           | 6,693                                       | 252                                  |                          | 14,517    |
|                         | (Won) 3,540,972 | 165,271                                     | 75,444                               | 2,040                    | 3,783,727 |

(\*1) Research and development expense includes amount allocated to cost of sales.

(\*2) Depreciation includes amortization of intangible assets.

34 Supplemental Cash Flow Information

Significant non-cash investing and financing activities for the years ended December 31, 2008 and 2007 are as follows:

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*(In millions of Won)*

|  | 2008            | 2007      |
|--|-----------------|-----------|
| Increase (decrease) in other accounts payable arising from purchase of property, plant and equipment | (Won) 1,251,752 | (616,371) |

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December 31, 2008 and 2007

**35 Segment Information**

(a) The Company manufactures and sells TFT-LCD and AM-OLED products. The segment of AM-OLED is not presented separately, as the sales of AM-OLED products are insignificant to total sales.

(b) The Company sells its products in domestic and foreign markets. Export sales represent approximately 93% of total sales for the year ended December 31, 2008. The following is a summary of sales by region based on the location of the customers for the years ended December 31, 2008 and 2007:

(i) 2008

*(In millions of Won)*

|                     | Korea           |              |           |           |           | Consolidation adjustment | Consolidation |
|---------------------|-----------------|--------------|-----------|-----------|-----------|--------------------------|---------------|
|                     | Domestic        | Export       | Asia      | US        | Europe    |                          |               |
| Total sales         | (Won) 1,063,742 | 14,801,498   | 8,884,601 | 2,270,393 | 2,979,440 | (13,736,039)             | 16,263,635    |
| Inter-company sales |                 | (12,999,573) | (572,161) | (5,795)   | (158,510) | 13,736,039               |               |
| Net sales           | (Won) 1,063,742 | 1,801,925    | 8,312,440 | 2,264,598 | 2,820,930 |                          | 16,263,635    |
| Operating income    | (Won)           | 1,536,306    | 82,310    | 7,528     | 12,886    | 96,411                   | 1,735,441     |
| Total assets        | (Won)           | 16,501,987   | 1,941,879 | 309,739   | 947,415   | (2,312,654)              | 17,388,366    |

(ii) 2007

*(In millions of Won)*

|                     | Korea           |              |           |           |           | Consolidation adjustment | Consolidation |
|---------------------|-----------------|--------------|-----------|-----------|-----------|--------------------------|---------------|
|                     | Domestic        | Export       | Asia      | US        | Europe    |                          |               |
| Total sales         | (Won) 1,028,323 | 13,134,808   | 7,699,766 | 1,561,192 | 2,650,445 | (11,722,568)             | 14,351,966    |
| Inter-company sales |                 | (11,301,640) | (302,531) | (698)     | (116,713) | 11,721,582               |               |
| Net sales           | (Won) 1,028,323 | 1,833,168    | 7,397,235 | 1,560,494 | 2,533,732 | (986)                    | 14,351,966    |
| Operating income    | (Won)           | 1,491,135    | 12,676    | 3,977     | 10,466    | (14,247)                 | 1,504,007     |
| Total assets        | (Won)           | 13,394,435   | 1,766,886 | 227,361   | 922,059   | (2,530,906)              | 13,779,835    |

**36 Date of Authorization for Issue of Financial Statements**

The 2008 financial statements were authorized for issue on January 16, 2009, at the Board of Directors Meeting.

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

**Notes to Consolidated Financial Statements**

December 31, 2008 and 2007

37 **Results of Operations for the Last Interim Period***(In millions of Won)*

|                                      | 2008<br>4 <sup>th</sup> Quarter | 2007<br>4 <sup>th</sup> Quarter |
|--------------------------------------|---------------------------------|---------------------------------|
| Revenue                              | (Won) 4,155,648                 | 4,321,864                       |
| Operating income (loss)              | (288,412)                       | 868,782                         |
| Net income (loss) for the period     | (683,903)                       | 759,908                         |
| Earnings (losses) per share (in Won) | (1,911)                         | 2,124                           |

38 **Subsequent Event**

LG Display Singapore Pte. Ltd. was incorporated in Singapore on January 12, 2009, to sell TFT-LCD products. Its capital stock amounted to SGD1.4 million ((Won)1,250 million) and is wholly owned by the Controlling Company.

39 **Status of the Company's Adoption of Korean IFRS**

In March 2008, a task force was set up for the Controlling Company's adoption of the Korean International Financial Reporting Standards (K-IFRS) in 2010. The task force comprehensively analyzed differences in Statements of Korea Accounting Standard and K-IFRS in the Controlling Company's significant accounting policies and selected the accounting applicable to the Controlling Company by benchmarking application of IFRS of other companies. Material adjustments to accounting policies in adopting IFRS, compared to the current accounting policies, are believed to be with convertible bond and employee benefits, and the Controlling Company is currently in the process of evaluating the impacts of the adjustments.

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LG DISPLAY CO., LTD.

(Formerly, LG.Philips LCD Co., Ltd.)

Non-Consolidated Financial Statements

**December 31, 2008**

(With Independent Auditors' Report Thereon)

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LG DISPLAY CO., LTD.

**Notes to Non-Consolidated Financial Statements**

December 31, 2008 and 2007

**Independent Auditors Report**

Based on a report originally issued in Korean

To the Stockholders and Board of Directors

LG Display Co., Ltd.:

We have audited the accompanying non-consolidated balance sheet of LG Display Co., Ltd. (formerly, LG.Philips LCD Co., Ltd.) (the Company) as of December 31, 2008, and the related non-consolidated statements of income, appropriations of retained earnings, changes in stockholders' equity and cash flows for the year then ended. These non-consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our audit. The accompanying non-consolidated financial statements of the Company as of December 31, 2007 were audited by Samil PricewaterhouseCoopers, whose report thereon dated February 15, 2008 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2008 and the results of its operations, the appropriation of its retained earnings, the changes in its equity and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the Republic of Korea.

As discussed in note 2(b) to the non-consolidated financial statements, accounting principles and auditing standards and their application in practice vary among countries. The accompanying non-consolidated financial statements are not intended to present the financial position, results of operations, changes in stockholders' equity and cash flows in accordance with accounting principles and practices generally accepted in countries other than the Republic of Korea. In addition, the procedures and practices utilized in the Republic of Korea to audit such non-consolidated financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying non-consolidated financial statements are for use by those knowledgeable about Korean accounting procedures and auditing standards and their application in practice.

Without qualifying our opinion, we draw attention to the following:

As discussed in note 18(b) to the non-consolidated financial statements, the Company is under investigations by fair trade or antitrust authorities in Korea, Japan, Canada and European Commission with respect to possible anti-competitive activities in the LCD industry as of December 31, 2008. In addition, the Company has been named as defendants in a number of federal class actions in the United States and Canada alleging that the defendants violated the antitrust laws in connection with the sale of LCD panels, and the Company and certain of its officers and directors have been named as defendants in a federal class action in the United States by shareholders of the Company alleging violations of the U.S. Securities Exchange Act of 1934.



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LG DISPLAY CO., LTD.

**Notes to Non-Consolidated Financial Statements**

December 31, 2008 and 2007

Each of these investigations, legal proceedings and claims is ongoing and the outcome in any of these matters may have a negative effect on the results of the Company's operations, financial positions or cash flows.

/s/ KPMG Samjong Accounting Corp.

Seoul, Korea

February 16, 2009

This report is effective as of February 16, 2009, 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 non-consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

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LG DISPLAY CO., LTD.

**Non-Consolidated Balance Sheets**

As of December 31, 2008 and 2007

| <i>(In millions of Won)</i>              | Note         | 2008             | 2007       |
|--|--------------|------------------|------------|
| <b>Assets</b>                            |              |                  |            |
| Cash and cash equivalents                | 3, 16        | (Won) 1,207,786  | 1,109,749  |
| Short-term financial instruments         | 3            | 2,055,000        | 785,000    |
| Available-for-sale securities            | 6            | 74               | 63         |
| Trade accounts and notes receivable, net | 4, 8, 16, 18 | 1,695,578        | 2,462,946  |
| Other accounts receivable, net           | 4, 16        | 41,570           | 121,687    |
| Accrued income, net                      | 4            | 88,175           | 14,044     |
| Advance payments, net                    | 4            | 250              | 2,743      |
| Prepaid expenses                         |              | 34,156           | 33,475     |
| Prepaid value added tax                  | 16           | 145,862          | 94,564     |
| Deferred income tax assets, net          | 24           | 80,994           | 330,277    |
| Other current assets                     |              | 25,164           | 9,109      |
| Inventories, net                         | 5, 11        | 881,503          | 680,596    |
| <b>Total current assets</b>              |              | 6,256,112        | 5,644,253  |
| Long-term financial instruments          |              | 13               | 13         |
| Available-for-sale securities            | 6            | 129,497          |            |
| Equity-method investments                | 7            | 831,237          | 489,101    |
| Long-term loans                          | 16           | 12,575           |            |
| Property, plant and equipment, net       | 8, 9, 10, 11 | 8,431,214        | 6,830,600  |
| Intangible assets, net                   | 12           | 194,343          | 111,530    |
| Non-current guarantee deposits           |              | 46,972           | 28,935     |
| Long-term other receivables, net         | 4            | 182              | 364        |
| Long-term prepaid expenses               |              | 150,665          | 155,584    |
| Deferred income tax assets, net          | 24           | 409,528          | 134,055    |
| Other non-current assets                 |              | 39,649           |            |
| <b>Total non-current assets</b>          |              | 10,245,875       | 7,750,182  |
| <b>Total assets</b>                      |              | (Won) 16,501,987 | 13,394,435 |

See accompanying notes to non-consolidated financial statements.

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LG DISPLAY CO., LTD.

**Non-Consolidated Balance Sheets (Continued)**

As of December 31, 2008 and 2007

| <i>(In millions of Won)</i>   | Note   | 2008                    | 2007              |
|---|--------|-------------------------|-------------------|
| <b>Liabilities</b>  |        |                         |                   |
| Trade accounts payable and notes payable  | 8, 16  | (Won) 951,975           | 980,566           |
| Other accounts payable  | 16     | 2,205,092               | 554,920           |
| Advances received   |        | 10,669                  | 12,360            |
| Withholdings  |        | 15,486                  | 6,726             |
| Accrued expenses  |        | 212,330                 | 172,270           |
| Income tax payable  | 24     | 265,550                 | 72,342            |
| Warranty reserve, current   | 17     | 48,008                  | 49,295            |
| Current portion of long-term debt and debentures, net of discounts  | 13, 14 | 498,652                 | 350,281           |
| Other current liabilities   |        | 19,464                  | 46,650            |
| <b>Total current liabilities</b>  |        | <b>4,227,226</b>        | <b>2,245,410</b>  |
| Debentures, net of current portion and discounts on debentures  | 13     | 1,490,445               | 1,998,147         |
| Long-term debt, net of current portion  | 14     | 1,019,306               | 807,510           |
| Long-term accrued expenses  | 29     |                         | 560               |
| Long-term other accounts payables   | 7      | 406,156                 |                   |
| Accrued severance benefits, net   | 15     | 70,139                  | 53,435            |
| Warranty reserve, non-current   | 17     | 10,097                  |                   |
| Other non-current liabilities   |        | 2,596                   |                   |
| <b>Total non-current liabilities</b>  |        | <b>2,998,739</b>        | <b>2,859,652</b>  |
| <b>Total liabilities</b>  |        | <b>7,225,965</b>        | <b>5,105,062</b>  |
| <b>Stockholders equity</b>  |        |                         |                   |
| Common stock, (Won)5,000 par value. Authorized 500,000,000 shares; issued and outstanding 357,815,700 shares in 2008 and 2007 |        |                         |                   |
|   | 1, 20  | 1,789,079               | 1,789,079         |
| Capital surplus   | 21     | 2,311,071               | 2,311,071         |
| Accumulated other comprehensive income  | 22     | 173,938                 | 5,823             |
| Retained earnings   | 23     | 5,001,934               | 4,183,400         |
| <b>Total stockholders equity</b>  |        | <b>9,276,022</b>        | <b>8,289,373</b>  |
| Commitments and contingencies   | 18     |                         |                   |
| <b>Total liabilities and stockholders equity</b>  |        | <b>(Won) 16,501,987</b> | <b>13,394,435</b> |

*See accompanying notes to non-consolidated financial statements.*

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LG DISPLAY CO., LTD.

**Non-Consolidated Statements of Income**

For the years ended December 31, 2008 and 2007

| <i>(In millions of Won, except earnings per share)</i>  | <b>Note</b> | <b>2008</b>      | <b>2007</b> |
|---|-------------|------------------|-------------|
| <b>Sales</b>  | 8, 33       | (Won) 15,865,240 | 14,163,131  |
| <b>Cost of sales</b>                                    | 8, 25       | 13,626,602       | 12,076,688  |
| <b>Gross profit</b>                                     |             | 2,238,638        | 2,086,443   |
| Selling and administrative expenses                     | 26          | 702,332          | 595,308     |
| <b>Operating income</b>                                 |             | 1,536,306        | 1,491,135   |
| Interest income   |             | 205,988          | 54,080      |
| Rental income   |             | 3,203            | 3,796       |
| Foreign exchange gains                                  |             | 2,492,293        | 255,307     |
| Gain on foreign currency translation                    |             | 211,068          | 35,620      |
| Equity income on investments                            | 7           | 164,142          | 29,013      |
| Gain on disposal of property, plant and equipment       |             | 3,299            | 6,561       |
| Gain on disposal of intangible assets                   |             | 1,633            |             |
| Commission earned                                       |             | 30,207           | 175,233     |
| Reversal of bad debt allowance                          |             | 5,961            |             |
| Gain on redemption of debentures                        | 13          | 1,152            | 1,868       |
| Other income  |             | 9,041            | 10,235      |
| <b>Non-operating income</b>                             |             | 3,127,987        | 571,713     |
| Interest expense  |             | 115,702          | 185,690     |
| Foreign exchange losses                                 |             | 2,324,969        | 192,847     |
| Loss on foreign currency translation                    |             | 437,392          | 35,299      |
| Donations   |             | 7,829            | 2,314       |
| Loss on disposal of trade accounts and notes receivable | 4           | 23,019           | 2,685       |
| Equity loss on investments                              | 7           | 454,672          | 35,347      |
| Loss on disposal of property, plant and equipment       |             | 536              | 3,498       |
| Impairment loss on property, plant and equipment        | 9           | 83               | 40,098      |
| Loss on redemption of debentures                        | 13          | 13               | 19,500      |
| Loss on sale of investment in equity securities         | 7           | 100              |             |
| Other expenses  |             | 6,498            | 8           |
| <b>Non-operating expenses</b>                           |             | 3,370,813        | 517,286     |
| <b>Income before income taxes</b>                       |             | 1,293,480        | 1,545,562   |
| Income tax expense                                      | 24          | 206,584          | 201,535     |
| <b>Net income</b>                                       |             | (Won) 1,086,896  | 1,344,027   |
| <b>Earnings per share</b>                               | 27          |                  |             |
| Basic earnings per share                                |             | (Won) 3,038      | 3,756       |

|                            |       |       |       |
|----------------------------|-------|-------|-------|
| Diluted earnings per share | (Won) | 3,003 | 3,716 |
|----------------------------|-------|-------|-------|

*See accompanying notes to non-consolidated financial statements.*

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LG DISPLAY CO., LTD.

**Non-Consolidated Statements of Appropriations of Retained Earnings**

For the years ended December 31, 2008 and 2007

(Date of appropriations : March 13, 2009 and February 29, 2008 for the years ended December 31, 2008 and 2007, respectively)

*(In millions of Korean won)*

|  | Note | 2008            | 2007      |
|--|------|-----------------|-----------|
| <b>Retained earnings before appropriations</b>   |      |                 |           |
| Unappropriated retained earnings carried over from prior year  |      | (Won) 3,759,865 | 2,711,036 |
| Net income   |      | 1,086,896       | 1,344,027 |
|  |      | 4,846,761       | 4,055,063 |
| <b>Appropriation of retained earnings</b>  |      |                 |           |
| Legal reserve  |      | 17,891          | 26,836    |
| Cash dividend (dividend per share (dividend as a percentage of par value) : (Won)500 (10%) in 2008 and (Won)750 (15%) in 2007) | 28   | 178,908         | 268,362   |
|  |      | 196,799         | 295,198   |
| <b>Unappropriated retained earnings carried forward to the following year</b>  |      | (Won) 4,649,962 | 3,759,865 |

*See accompanying notes to non-consolidated financial statements.*

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LG DISPLAY CO., LTD.

**Non-Consolidated Statements of Changes in Stockholders' Equity**

For the years ended December 31, 2008 and 2007

| <i>(In millions of Won)</i>   | Note   | Capital stock   | Capital surplus | Accumulated other comprehensive income | Retained earnings | Total     |
|---|--------|-----------------|-----------------|--|-------------------|-----------|
| <b>Balances at January 1, 2007</b>                                  |        | (Won) 1,789,079 | 2,275,172       | (13,948)                               | 2,839,373         | 6,889,676 |
| Net income  |        |                 |                 |  | 1,344,027         | 1,344,027 |
| Change in consideration for conversion rights                       |        |                 | 35,899          |  |                   | 35,899    |
| Change in capital adjustment arising from equity method investments | 7, 30  |                 |                 | 46,772                                 |                   | 46,772    |
| Gain on valuation of cash flow hedges                               | 19, 30 |                 |                 | (22,925)                               |                   | (22,925)  |
| Loss on valuation of cash flow hedges                               | 19, 30 |                 |                 | (4,076)                                |                   | (4,076)   |
| <b>Balances at December 31, 2007</b>                                |        | 1,789,079       | 2,311,071       | 5,823                                  | 4,183,400         | 8,289,373 |
| <b>Balances at January 1, 2008</b>                                  |        | 1,789,079       | 2,311,071       | 5,823                                  | 4,183,400         | 8,289,373 |
| Cash dividend   |        |                 |                 |  | (268,362)         | (268,362) |
| Net income  |        |                 |                 |  | 1,086,896         | 1,086,896 |
| Change in fair value of available-for-sale securities               | 6, 30  |                 |                 | 25,934                                 |                   | 25,934    |
| Change in capital adjustment arising from equity method investments | 7, 30  |                 |                 | 144,688                                |                   | 144,688   |
| Gain on valuation of cash flow hedges                               | 19, 30 |                 |                 | (1,498)                                |                   | (1,498)   |
| Loss on valuation of cash flow hedges                               | 19, 30 |                 |                 | (1,009)                                |                   | (1,009)   |
| <b>Balances at December 31, 2008</b>                                |        | (Won) 1,789,079 | 2,311,071       | 173,938                                | 5,001,934         | 9,276,022 |

*See accompanying notes to non-consolidated financial statements.*

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LG DISPLAY CO., LTD.

**Non-Consolidated Statements of Cash Flows**

For the years ended December 31, 2008 and 2007

| <i>(In millions of Won)</i>   | Note | 2008            | 2007        |
|---|------|-----------------|-------------|
| <b>Cash flows from operating activities:</b>                          |      |                 |             |
| Net income  |      | (Won) 1,086,896 | 1,344,027   |
| <b>Adjustments for:</b>   |      |                 |             |
| Depreciation  |      | 2,280,579       | 2,610,254   |
| Amortization of intangible assets                                     |      | 50,310          | 45,452      |
| Provision for severance benefits                                      |      | 68,956          | 62,663      |
| Provision for warranty reserve  | 17   | 90,063          | 72,058      |
| Loss (gain) on foreign currency translation, net                      |      | 226,347         | (7,932)     |
| Equity loss on investments, net                                       |      | 290,530         | 6,334       |
| Loss on sale of investment in equity securities, net                  |      | 100             |             |
| Gain on disposal of property, plant and equipment, net                |      | (2,763)         | (3,063)     |
| Gain on disposal of intangible assets, net                            |      | (1,633)         |             |
| Impairment loss on property, plant and equipment                      |      | 83              | 40,098      |
| Amortization of discount on debentures, net                           |      | 30,838          | 45,323      |
| Loss (gain) on redemption of debentures, net                          |      | (1,139)         | 17,632      |
| (Reversal of) compensation expenses associated with stock option      | 29   | (560)           | 560         |
|   |      | 3,031,711       | 2,889,379   |
| <b>Changes in operating assets and liabilities:</b>                   |      |                 |             |
| Decrease (increase) in trade accounts receivable and notes receivable |      | 619,830         | (1,381,517) |
| Decrease (increase) in other accounts receivable                      |      | 81,060          | (94,090)    |
| Decrease (increase) in accrued income                                 |      | (74,131)        | (13,223)    |
| Decrease (increase) in advance payments                               |      | 2,493           | 2,688       |
| Decrease (increase) in prepaid expenses                               |      | 28,721          | 17,591      |
| Decrease (increase) in prepaid value added tax                        |      | (66,833)        | (39,367)    |
| Decrease (increase) in other current assets                           |      | 1,853           | 16,502      |
| Decrease (increase) in inventories                                    |      | (200,907)       | 54,780      |
| Decrease (increase) in long-term other receivables                    |      | 182             | (364)       |
| Decrease (increase) in long-term prepaid expenses                     |      | (24,482)        | (46,625)    |
| Decrease (increase) in non-current deferred income tax assets         |      | (81,165)        | 123,183     |
| Decrease (increase) in other non-current assets                       |      | 2,539           |             |
| Increase (decrease) in trade accounts and notes payable               |      | 59,217          | 29,968      |
| Increase (decrease) in other accounts payable                         |      | 403,602         | 42,559      |
| Increase (decrease) in advances received                              |      | (1,691)         | 11,899      |
| Increase (decrease) in withholdings                                   |      | 8,759           | (2,319)     |
| Increase (decrease) in accrued expenses                               |      | 38,663          | 104,456     |
| Increase (decrease) in income tax payable                             |      | 193,208         | 72,342      |
| Increase (decrease) in other current liabilities                      |      | (20,536)        | (5,885)     |
| Increase (decrease) in warranty reserve                               | 17   | (81,253)        | (50,778)    |
| Accrued severance benefits transferred from affiliated company, net   |      | 3,339           | 2,117       |
| Payment of severance benefits   |      | (23,850)        | (48,064)    |
| Decrease (increase) in severance insurance deposits                   |      | (31,792)        | (45,242)    |
| Decrease (increase) in contribution to the National Pension Fund      |      | 51              | 110         |
|   |      | 836,877         | (1,249,279) |
| <b>Net cash provided by operating activities</b>                      |      | (Won) 4,955,484 | 2,984,127   |



*See accompanying notes to non-consolidated financial statements.*

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LG DISPLAY CO., LTD.

**Non-Consolidated Statements of Cash Flows (Continued)**

For the years ended December 31, 2008 and 2007

| <i>(In millions of Won)</i>                             | Note | 2008                   | 2007               |
|---|------|------------------------|--------------------|
| <b>Cash flows from investing activities:</b>            |      |                        |                    |
| Increase in short-term financial instruments            |      | (Won) (1,270,000)      | (785,000)          |
| Acquisition of available-for-sale securities            |      | (96,260)               | (39)               |
| Cash dividends received                                 | 7    | 12,187                 | 17,754             |
| Acquisition of equity method securities                 |      | (46,755)               | (102,699)          |
| Proceeds from disposal of property, plant and equipment |      | 10,343                 | 44,364             |
| Proceeds from disposal of intangible assets             |      | 3,196                  |                    |
| Acquisition of property, plant and equipment            |      | (2,623,303)            | (1,250,504)        |
| Acquisition of intangible assets                        |      | (125,103)              | (10,477)           |
| Refund of non-current guarantee deposits                |      | 32                     | 412                |
| Payment of non-current guarantee deposits               |      | (13,469)               | (12,009)           |
| Long-term loans granted                                 |      | (10,474)               |                    |
| <b>Net cash used in investing activities</b>            |      | <b>(4,159,606)</b>     | <b>(2,098,198)</b> |
| <b>Cash flows from financing activities:</b>            |      |                        |                    |
| Proceeds from issuance of debentures                    |      |                        | 508,997            |
| Redemption of debentures                                |      | (78,308)               | (590,401)          |
| Proceeds from long-term debts                           |      |                        | 277,362            |
| Repayment of current portion of long-term debts         |      | (351,171)              | (557,258)          |
| Repayment of long-term debts                            |      |                        | (202,946)          |
| Payment of cash dividends                               |      | (268,362)              |                    |
| <b>Net cash used in financing activities</b>            |      | <b>(697,841)</b>       | <b>(564,246)</b>   |
| <b>Net increase in cash and cash equivalents</b>        |      | <b>98,037</b>          | <b>321,683</b>     |
| Cash and cash equivalents, beginning of the year        |      | 1,109,749              | 788,066            |
| <b>Cash and cash equivalents, end of the year</b>       |      | <b>(Won) 1,207,786</b> | <b>1,109,749</b>   |

*See accompanying notes to non-consolidated financial statements.*

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LG DISPLAY CO., LTD.

**Notes to Non-Consolidated Financial Statements**

December 31, 2008 and 2007

**1 Organization and Description of Business**

LG Display Co., Ltd. (formerly, LG.Philips LCD Co., Ltd.) (the Company) was incorporated in 1985 under its original name of LG Soft, Ltd. as a wholly owned subsidiary of LG Electronics Inc. In 1998, LG Electronics Inc. and LG Semicon Co., Ltd. transferred their respective Thin Film Transistor Liquid Crystal Display (TFT-LCD) related business to the Company. The Company's main business is to manufacture and sell TFT-LCD panels. In July 1999, LG Electronics Inc. and Koninklijke Philips Electronics N.V. (Philips) entered into a joint venture agreement. Pursuant to the agreement, the Company changed its name to LG.Philips LCD Co., Ltd. However, on February 29, 2008, the Company changed its name from LG.Philips LCD Co., Ltd. to LG Display Co., Ltd. based upon the approval of shareholders at the general shareholders meeting on the same date as a result of the decrease in Philips's share interest in the Company and the possibility of its business expansion to Organic Light Emitting Diode (OLED) and Flexible Display products. As of December 31, 2008, the majority of shares in the Company are owned by LG Electronics Inc. and Philips, 37.9% (135,625 thousand shares) and 13.2% (47,225 thousand shares), respectively.

As of December 31, 2008, the Company has LCD Research & Development Center and TFT-LCD manufacturing plants in Paju and TFT-LCD manufacturing plants and OLED manufacturing plant in Gumi. The Company has overseas subsidiaries located in the United States of America, Europe and Asia.

**2 Summary of Significant Accounting Policies and Basis of Presenting Financial Statements**

**(a) Significant Accounting Policies**

The significant accounting policies followed by the Company in the preparation of its non-consolidated financial statements are the same as those followed by the Company in its preparation of annual non-consolidated financial statements as of December 31, 2007 except for the application of the revisions made to Statements of Korea Accounting Standard (SKAS) No. 15, Investments in Associates, and Korea Accounting Institute Opinion 06-2, Deferred Income Taxes on Investments in Subsidiaries, Associates and Interests in Joint Ventures.

In accordance with the revised SKAS No. 15, if an investee is a subsidiary, net income and net assets of the parent company's separate financial statements should agree with the parent company's share in the net income and net assets of the consolidated financial statements, except when the Company discontinues the application of the equity method due to its investment in a subsidiary being reduced to zero. Revised Korea Accounting Institute Opinion 06-2 requires the Company to recognize deferred tax from unrealized profits and losses relating to intragroup transactions as it would in the consolidated financial statements. As required by the opinion, the Company retroactively applied this accounting change. The application of the above revised accounting standard and opinion had no impact on the Company's non-consolidated financial statements.

**(b) Basis of Presenting Financial Statements**

The Company maintains its accounting records in Korean Won and prepares statutory financial statements in the Korean language in conformity with the accounting principles generally accepted in the Republic of Korea. Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these non-consolidated financial statements are intended for use only by those who are informed about Korean accounting principles and practices. The accompanying non-consolidated financial statements have been translated into English from the Korean language non-consolidated financial statements.

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LG DISPLAY CO., LTD.

**Notes to Non-Consolidated Financial Statements**

December 31, 2008 and 2007

2 **Summary of Significant Accounting Policies and Basis of Presenting Financial Statements, Continued**

(c) **Revenue Recognition**

Revenue is recognized when the significant risks and rewards of ownership have been transferred to the Company's customers, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts, volume rebates and other cash incentives paid to customers.

(d) **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand and in banks, and financial instruments with maturity of three months or less at the time of purchase. These financial instruments are readily convertible into cash without significant transaction costs and bear low risks from changes in value due to interest rate fluctuations.

(e) **Allowance for Doubtful Accounts**

Allowance for doubtful accounts is estimated based on an analysis of individual accounts and past experience of collection and presented as a deduction from trade receivables.

(f) **Inventories**

Inventories are stated at the lower of cost or market value, with cost being determined by a weighted-average method, except for the materials in transit, which is determined by a specific identification method. Valuation loss, which is comprised of the amount of any write-down of inventories to market value and the amount of loss from the difference between the quantity of inventories recorded in the financial statements and the actual quantity incurred in the ordinary course of business, is added to the cost of goods sold. Valuation loss for the holding inventories is presented as a reduction of the inventories. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed and reduces cost of sales to the extent that revised book value does not exceed the book value that would have been recorded without the impairment. For the years ended December 31, 2008 and 2007, valuation loss is W92,902 million and reversal of valuation loss is W78,491 million, respectively.

Variable production overheads are allocated based on the actual level of production and fixed production overheads are allocated based on the actual capacity of production facilities. However, the normal capacity may be used for allocation of fixed production overheads if the actual level of production is lower than the normal capacity. The difference between actual fixed production overheads and allocated amount based on the normal level of production is recognized as capacity variances in non-operating expenses.

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LG DISPLAY CO., LTD.

**Notes to Non-Consolidated Financial Statements**

December 31, 2008 and 2007

2 **Summary of Significant Accounting Policies and Basis of Presenting Financial Statements, Continued**

(g) **Investments in Securities**

Upon acquisition, the Company classifies debt and equity securities, excluding investments in subsidiaries, associates and joint ventures, into the following categories: held-to-maturity, trading securities or available-for-sale securities. This classification is reassessed at each balance sheet date.

Investments in debt securities where the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity. Securities that are acquired principally for the purpose of selling in the short-term are classified as trading securities. Investments not classified as either held-to-maturity or trading securities are classified as available-for-sale securities.

Investments in securities are initially recognized at the fair value of considerations provided by the Company for the acquisition of securities and related transaction costs.

Held-to-maturity investments are carried at amortized cost. Trading and available-for-sale securities are subsequently carried at fair value. Investments in available-for-sale securities that do not have readily determinable fair values are recognized at cost less impairment, if any.

Gains and losses arising from changes in the fair value of trading securities are included in the income statement in the period in which they arise. Unrealized gains and losses arising from changes in the fair value of available-for-sale securities are recognized as accumulated other comprehensive income or loss, net of tax, directly in equity. Gains and losses of available-for-sale securities are recognized in the income statement when the securities are disposed or an impairment loss is recognized. Held-to-maturity investments are carried at amortized cost with interest income and expense recognized in the income statement using the effective interest method.

The Company reviews investments in securities whenever events or changes in circumstances indicate that the carrying amount of the investments may not be recoverable. Impairment losses are recognized when the reasonably estimated recoverable amounts are less than the carrying amount and it is not obviously evidenced that impairment is unnecessary.

Trading securities are presented as current assets. Available-for-sale securities, which mature within one year from the balance sheet date or where the likelihood of disposal within one year from the balance sheet date is probable, are presented as current assets. Held-to-maturity securities, which mature within one year from the balance sheet date, are presented as current assets. All other available-for-sale securities and held-to-maturity securities are presented as long-term investments.

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LG DISPLAY CO., LTD.

**Notes to Non-Consolidated Financial Statements**

December 31, 2008 and 2007

2 **Summary of Significant Accounting Policies and Basis of Presenting Financial Statements, Continued**

(h) **Equity Method Investments**

Investments in associates and subsidiaries of which the Company has the ability to significantly influence are accounted for using the equity method of accounting. The Company records changes in its proportionate ownership in the net assets of the associates and subsidiaries in current operations or as adjustments to other comprehensive income (loss) or retained earnings, depending on the nature of the underlying change in the net assets of the associates and subsidiaries. If the carrying amount of an investment in an associate or subsidiary falls below zero as a result of reflecting the investee's losses when the equity method is applied, the Company discontinues recognizing further changes in its share of equity interest in the associate or subsidiary and the related investment is accounted for at nil value. However, if the Company holds interest in the associate or subsidiary, including preferred stocks, long-term loans and receivables issued by the associate or subsidiary, the Company continues to account for the losses of the associate or subsidiary until the carrying amount of the interest is reduced to zero.

Unrealized gains on transactions between the Company and its associates or subsidiaries are eliminated to the extent of the Company's interest in each associate or subsidiary. Unrealized gains are accounted for as a reduction of the carrying amount of the investment in the associate, while unrealized losses are added to the carrying amount of the investment in the associate. Unrealized gains or losses, arising from sales by the Company to the subsidiaries, are fully eliminated.

At the date of acquisition of an investment in an associate or subsidiary, the Company's share of the difference between the fair value and book value of the identifiable assets and liabilities of an associate or subsidiary is amortized or reinstated in accordance with the associate or subsidiary's methods of accounting for assets and liabilities. The amount of goodwill or negative goodwill is calculated as the difference between the acquisition cost of an investment in an associate or subsidiary and the Company's share of the fair value of the identifiable net assets of the associate or subsidiary. Goodwill is amortized using the straight-line method over five years. The amount of negative goodwill up to the fair value of depreciable non-monetary assets is recognized using the straight-line method as a gain over the weighted average useful lives and the remainder of negative goodwill up to the fair value of non-depreciable assets is recognized as a gain in the period of disposal of the assets.

Assets and liabilities of a foreign company subject to the equity method of accounting for investments are translated into Korean Won at the rates of exchange prevailing at the balance sheet date, while their equity is translated at the exchange rate at the time of transactions, and income statement accounts at the average rate over the year. Resulting translation gains and losses are recorded as accumulated other comprehensive income and loss.

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LG DISPLAY CO., LTD.

**Notes to Non-Consolidated Financial Statements**

December 31, 2008 and 2007

**2 Summary of Significant Accounting Policies and Basis of Presenting Financial Statements, Continued****(i) Interest in Joint Ventures**

Joint ventures are those entities two or more venturers are bound by a contractual arrangement and the contractual arrangement establishes a joint control. The Company accounts for its interest in a jointly controlled entity using the equity method of accounting.

**(j) Property, Plant and Equipment**

Upon acquisition, property, plant and equipment are stated at cost, which includes acquisition cost or production cost and other costs required to prepare the asset for its intended use as well as capitalized financial expense. Assets acquired through investment in kind or donations are recorded at their fair value upon acquisition. For assets acquired in exchange for a similar asset, the carrying amount of the asset given up is used to measure the cost of the asset received, and for assets acquired in exchange for a dissimilar asset, the fair value of the asset given up is used to measure the cost of the asset received unless the fair value of the asset received is more clearly evident.

Depreciation is computed by using the straight-line method over the estimated useful lives of the assets as follows:

|                               | Useful lives (years) |
|-------------------------------|----------------------|
| Buildings                     | 20, 40               |
| Structures                    | 20, 40               |
| Machinery and equipment       | 4                    |
| Vehicles                      | 4, 12                |
| Tools, furniture and fixtures | 4                    |

Significant additions or improvement extending the useful lives or increasing the value of the assets are capitalized. Normal maintenance and repairs are charged to expenses as incurred.

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LG DISPLAY CO., LTD.

**Notes to Non-Consolidated Financial Statements**

December 31, 2008 and 2007

**2 Summary of Significant Accounting Policies and Basis of Presenting Financial Statements, Continued****(k) Intangible Assets**

Intangible assets are stated at cost, which includes acquisition or production cost and other costs required to prepare the asset for its intended use, less accumulated amortization and accumulated impairment loss, if any. Amortization commences when the asset is available for use, and the residual value of an intangible asset is assumed to be zero.

Costs incurred during the development phase are recognized as assets only if the criteria for capitalization as an intangible asset are met, otherwise costs are recognized as a development cost in cost of sales or selling, general and administrative expenses. Any expenditure incurred in the research phase is recognized as research expense in selling, general and administrative expenses.

Intangible assets are amortized using the straight-line method over the following estimated useful lives:

|   | <b>Estimated useful lives (years)</b> |
|---|---------------------------------------|
| Intellectual property rights                        | 5, 10                                 |
| Rights to use electricity and gas supply facilities | 10                                    |
| Rights to use industrial water facilities           | 10                                    |
| Software  | 4                                     |

**(l) Grants Received**

Grants received from government and other third parties, which are to be repaid, are recorded as a liability. While non-refundable grants received are presented as a reduction of the acquisition cost of the acquire assets, grants received for a specific purpose, not related to the acquisition of assets, are offset against the related expense, and other grants received are recorded as other income.

**(m) Impairment of Assets**

When the book value of an asset is significantly greater than its recoverable value due to obsolescence, physical damage or an abrupt decline in the market value of the asset, the decline in value is deducted from the book value to agree with the recoverable amount and is recognized as an asset impairment loss for the period. When the recoverable value subsequently exceeds the book value, the reversal of impairment amount is recognized as a gain for the period to the extent that the revised book value does not exceed the book value that would have been recorded without the impairment.



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LG DISPLAY CO., LTD.

**Notes to Non-Consolidated Financial Statements**

December 31, 2008 and 2007

2 **Summary of Significant Accounting Policies and Basis of Presenting Financial Statements, Continued**

(n) **Convertible Bonds**

When accounting for a convertible bond, the liability component and the equity component of a bond are separated. At the date of issue, the liability component of the bond is calculated at the fair value of a similar debt security without conversion rights, which is the present value of future cash flows from an ordinary bond until maturity and the equity component is calculated as the difference between the gross proceeds of the bond received at the date of issue and the amount of liability component. The equity component of the convertible bond is presented as a part of capital surplus within equity. Subsequent to initial recognition, the liability component is measured at amortized cost using the effective interest rate method; however, the equity component is not remeasured subsequent to initial recognition.

(o) **Stock and Bond Issue Costs**

Stock issue cost is deducted from the gross proceeds from issuance of those stocks and bond issue cost is adjusted to issuance price of debentures and, in turn, discount or premium on debentures.

(p) **Discount (Premium) on Debentures**

Discount (premium) on debentures, which represents the difference between the face value and issuance price of debentures, is amortized (accreted) using the effective interest method over the life of the debentures. The amount amortized (accreted) is included in interest expense.

(q) **Retirement and Severance Benefits**

Employees and directors with at least one year of service are entitled to receive a lump-sum payment upon termination of their employment with the Company. Accrued severance benefits represent the amount which would be payable assuming all eligible employees and directors were to terminate their employment as of the balance sheet date.

The Company has partially funded the accrued severance benefits through severance insurance deposits with insurance companies. Deposits made by the Company are recorded as a deduction from accrued severance benefits. In the case that the deposits are greater than the balance of accrued severance benefits, the excess portion of deposits over accrued severance benefits is recorded as other investments. The Company deposited a certain portion of severance benefits to the National Pension Service according to the prior National Pension Law. The deposit amount is recorded as a deduction from accrued severance benefits.

(r) **Foreign Currency Translation**

Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated into Korean Won at the foreign exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Korean Won using the foreign exchange rates prevailing at the balance sheet date, with the resulting gains or losses recognized in the statement of income.

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LG DISPLAY CO., LTD.

**Notes to Non-Consolidated Financial Statements**

December 31, 2008 and 2007

2 **Summary of Significant Accounting Policies and Basis of Presenting Financial Statements, Continued**

(s) **Derivatives**

The Company enters into foreign currency forward contracts to manage the foreign currency risk exposures to the changes in fair value of foreign currency denominated accounts receivable and accounts payable and to the variability of the future cash flows of forecasted raw material purchases and product sales. In addition, the Company entered into cross currency swap and interest rate swap contracts to manage the interest rate and foreign currency risk exposures to the variability of future cash flows of floating rate notes.

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value at each balance sheet date. Attributable transaction costs are recognized in profit or loss when incurred.

Where a derivative, which meets certain criteria, is used for hedging the exposure to changes in the fair value of a recognized asset or liability, it is designated as a fair value hedge. Where a derivative, which meets certain criteria, is used for hedging the exposure to the variability of the future cash flows of a forecasted transaction, it is designated as a cash flow hedge.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

The effective portion of the changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in equity, other comprehensive income or loss. Amounts accumulated in equity are recycled to the income statement in the periods in which the hedged item will affect profit or loss or adjusted to the carrying value of an asset or liability of the related to the hedged transaction.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at the time remains in equity and is recognized in income when the forecast transaction is ultimately recognized in the statement of income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statement of income.

The Company documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis at each balance sheet date, of whether the derivatives that are used in hedging transactions are highly effective in offsetting the changes in fair values or cash flows of hedged items and recognizes the gain or loss related to any ineffective portion immediately in the statement of income.

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LG DISPLAY CO., LTD.

**Notes to Non-Consolidated Financial Statements**

December 31, 2008 and 2007

2 **Summary of Significant Accounting Policies and Basis of Presenting Financial Statements, Continued**

(t) **Provisions and Contingent Liabilities**

When it is probable that an outflow of economic benefits will occur due to a present obligation resulting from a past event, and whose amount is reasonably estimable, a corresponding amount of provision is recognized in the financial statements. However, when such outflow is dependent upon a future event, is not probable to occur, or cannot be reliably estimated, a disclosure regarding the contingent liability is made in the notes to the financial statements.

(u) **Income Taxes**

Income tax expense includes the current income tax under the relevant income tax laws and the changes in deferred tax assets or liabilities. Deferred tax assets and liabilities represent the amount of future income tax payables to be decreased or increased, respectively, by temporary differences, which is the difference between the carrying amounts of assets and liabilities for financial reporting purpose and the tax bases of assets and liabilities, and unused loss carryforwards and tax credits. Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilized. Deferred tax assets and liabilities are computed on temporary differences by applying enacted statutory tax rates applicable to the years when such differences are expected to reverse. Changes in the carrying amount of deferred tax assets or liabilities result from a change in tax rates or tax laws are recognized in the income statement except to the extent that the changes relate to items previously reflected directly in the shareholders' equity.

(v) **Sale or Discount of Accounts Receivable**

The Company sells or discounts certain accounts or notes receivable to financial institutions, and accounts for the transactions as sale of the receivables if the control over the receivables is substantially transferred to the buyers. The losses from the sale of the receivables are charged to current operations as incurred.

(w) **Earnings Per Share**

Earnings per share are calculated by dividing net income attributable to stockholders of the Company by the weighted-average number of shares outstanding during the period. Diluted earnings per share are determined by adjusting net income attributable to stockholders and the weighted-average number of shares outstanding for the effects of all dilutive potential shares.

(x) **Use of Estimates**

The preparation of non-consolidated financial statements in accordance with accounting principles generally accepted in the Republic of Korea requires management to make estimates and assumptions that affect the amounts reported in the non-consolidated financial statements and related notes to non-consolidated financial statements. Items requiring management's estimates and assumptions include, but not limited to, the valuation of property, plant and equipment, accounts receivable, inventories, deferred income tax and derivative contracts. Actual results could differ from those estimates.

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LG DISPLAY CO., LTD.

**Notes to Non-Consolidated Financial Statements**

December 31, 2008 and 2007

**3 Cash and Cash Equivalents and Short-term Financial Instruments**

Cash and cash equivalents as of December 31, 2008 and 2007 are as follows:

*(In millions of Won)*

|   | Annual<br>interest rate(%)<br>at December 31,<br>2008 | 2008      | 2007      |
|---|---|-----------|-----------|
| Cash and cash equivalents               |   |           |           |
| Checking accounts                       | (Won)   | 141       | 3         |
| Time deposits                           | 4.24~6.56   | 601,692   | 972,628   |
| Passbook accounts in foreign currencies | 0.18~4.12   | 605,953   | 137,118   |
|   |   | 1,207,786 | 1,109,749 |
| Short-term financial instruments        |   |           |           |
| Time deposits and others                | 5.76~7.00   | 2,055,000 | 785,000   |
|   | (Won)   | 3,262,786 | 1,894,749 |

**4 Receivables**

The Company's allowance for doubtful accounts on receivables, including trade accounts and notes receivable, as of December 31, 2008 and 2007 is as follows:

*(In millions of Won)*

|                                     |       | Gross<br>amount | 2008<br>Allowance for<br>doubtful<br>accounts | Carrying value |
|-------------------------------------|-------|-----------------|---|----------------|
| Trade accounts and notes receivable | (Won) | 1,695,871       | 293   | 1,695,578      |
| Other accounts receivable           |       | 41,792          | 222   | 41,570         |
| Accrued income                      |       | 88,237          | 62  | 88,175         |
| Advance payments                    |       | 253             | 3   | 250            |
| Long-term other receivables         |       | 184             | 2   | 182            |
|                                     |       |                 |   |                |
|                                     |       |                 | 2007<br>Allowance for<br>doubtful<br>accounts | Carrying value |
| Trade accounts and notes receivable | (Won) | 2,468,085       | 5,139   | 2,462,946      |
| Other accounts receivable           |       | 122,917         | 1,230   | 121,687        |
| Accrued income                      |       | 14,186          | 142   | 14,044         |

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|                             |       |    |       |
|-----------------------------|-------|----|-------|
| Advance payments            | 2,771 | 28 | 2,743 |
| Long-term other receivables | 368   | 4  | 364   |

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LG DISPLAY CO., LTD.

**Notes to Non-Consolidated Financial Statements**

December 31, 2008 and 2007

4 Receivables, Continued

The amount of trade accounts and notes receivable, arising from export sales, sold to financial institutions in 2008 was USD4,133 million, of which USD478 million ((Won)601,068 million) is current and outstanding as of December 31, 2008. For the year ended December 31, 2008, the Company recognized (Won)23,019 million as loss on disposal of trade accounts and notes receivable.

5 Inventories

Inventories as of December 31, 2008 and 2007 are as follows:

*(In millions of Won)*

|                 | <b>Gross amount</b> | <b>2008<br/>Valuation loss</b> | <b>Book value</b> |
|-----------------|---------------------|--------------------------------|-------------------|
| Finished goods  | (Won) 330,361       | 44,154                         | 286,207           |
| Work-in-process | 415,264             | 57,173                         | 358,091           |
| Raw materials   | 173,708             | 5,520                          | 168,188           |
| Supplies        | 95,685              | 26,668                         | 69,017            |
|                 | (Won) 1,015,018     | 133,515                        | 881,503           |

*(In millions of Won)*

|                 | <b>Gross amount</b> | <b>2007<br/>Valuation loss</b> | <b>Book value</b> |
|-----------------|---------------------|--------------------------------|-------------------|
| Finished goods  | (Won) 315,363       | 4,388                          | 310,975           |
| Work-in-process | 216,258             | 7,590                          | 208,668           |
| Raw materials   | 110,652             | 2,604                          | 108,048           |
| Supplies        | 78,936              | 26,031                         | 52,905            |
|                 | (Won) 721,209       | 40,613                         | 680,596           |

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LG DISPLAY CO., LTD.

**Notes to Non-Consolidated Financial Statements**

December 31, 2008 and 2007

**6 Available-for-Sale Securities**

Available-for-sale securities as of December 31, 2008 and 2007 are as follows:

*(In millions of Won)*

|                                 | Acquisition<br>cost | Beginning<br>balance | 2008  |                                     | Net<br>balance<br>at end of<br>year | Carrying<br>value<br>(fair value) |
|---------------------------------|---------------------|----------------------|---|-------------------------------------|-------------------------------------|-----------------------------------|
|                                 |                     |                      | Unrealized gains (losses)<br>Changes in<br>unrealized<br>gains and<br>losses, net | Realized<br>gains on<br>disposition |                                     |                                   |
| Current asset                   |                     |                      |   |                                     |                                     |                                   |
| Debt securities                 |                     |                      |   |                                     |                                     |                                   |
| Government bonds                | (Won) 74            |                      |   |                                     |                                     | 74                                |
| Non-current asset               |                     |                      |   |                                     |                                     |                                   |
| Equity securities               |                     |                      |   |                                     |                                     |                                   |
| HannStar Display Corporation(*) | (Won) 96,249        |                      | 33,248  |                                     | 33,248                              | 129,497                           |
| -                               |                     |                      |   |                                     |                                     |                                   |

(\*) In February 2008, the Company purchased 180 million shares of non-voting mandatorily redeemable convertible preferred stock of HannStar Display Corporation ( Hannstar ) located in Taiwan. The preferred stocks are convertible into common stocks of HannStar at a ratio of 1:1 at the option of the Company from the issue date, February 28, 2008, to the maturity, February 28, 2011. In 2008, there is no preferred stock converted into common stock.

The Company has a put option for total or partial cash redemption of convertible preferred stocks during the period from 18 months after issuance of the convertible preferred stocks to 91 days prior to maturity of them and the issuer has a call option to repay, in cash, total preferred stocks during the period from 2 years after issuance to 90 days prior to maturity.

The abovementioned convertible preferred stocks have been privately placed under the Taiwanese Law, which restricts the sale of the preferred stocks (up to 3 years), and the stocks acquired through conversion are not to be traded in the Taiwanese Stock Exchange until the original maturity of the preferred stocks.

The fair value of the preferred stock has been computed by discounting estimated cash flows from the stock using yield rate that reflects HannStar's credit risk. The estimated fair value of the convertible preferred stocks is (Won)129,497 million.

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LG DISPLAY CO., LTD.

**Notes to Non-Consolidated Financial Statements**

December 31, 2008 and 2007

**6 Available-for-Sale Securities, Continued***(In millions of Won)*

|                  | Acquisition cost | Beginning balance | 2007<br>Unrealized gains (losses)           |                               | Net balance at end of year | Carrying value (fair value) |
|------------------|------------------|-------------------|---|-------------------------------|----------------------------|-----------------------------|
|                  |                  |                   | Changes in unrealized gains and losses, net | Realized gains on disposition |                            |                             |
| Current asset    |                  |                   |   |                               |                            |                             |
| Debt securities  |                  |                   |   |                               |                            |                             |
| Government bonds | (Won) 63         |                   |   |                               |                            | 63                          |

**7 Equity Method Investments**

(a) 2008

(i) Investments in companies accounted for using the equity method as of December 31, 2008 are as follows:

*(In millions of Won)*

| Company(*1)   | Percentage of ownership (%) | Acquisition cost | Net asset value | Carrying value |
|---|-----------------------------|------------------|-----------------|----------------|
| LG Display America, Inc. (formerly, LG.philips LCD America, Inc.)             | 100.00                      | (Won) 6,082      | (414,154)       |                |
| LG Display Germany GmbH (formerly, LG.Philips LCD Germany GmbH)               | 100.00                      | 1,252            | 11,487          | 19,373         |
| LG Display Japan Co., Ltd. (formerly, LG.Philips LCD Japan Co., Ltd.)         | 100.00                      | 1,088            | 12,012          | 15,686         |
| LG Display Taiwan Co., Ltd. (formerly, LG.Philips LCD Taiwan Co., Ltd.)       | 100.00                      | 6,076            | 26,491          | 35,230         |
| LG Display Nanjing Co., Ltd. (formerly, LG.Philips LCD Nanjing Co., Ltd.)     | 100.00                      | 192,704          | 410,046         | 409,200        |
| LG Display Hong Kong Co., Ltd. (formerly, LG.Philips LCD Hong Kong Co., Ltd.) | 100.00                      | 1,736            | 2,000           | 2,000          |
| LG Display Shanghai Co., Ltd. (formerly, LCD Shanghai Co., Ltd.)              | 100.00                      | 596              | 7,052           | 9,093          |
| LG Display Poland Sp. zo.o. (formerly, LG.Philips LCD Poland Sp. zo.o.)       | 80.29                       | 131,761          | 157,864         | 157,864        |
| LG Display Guangzhou Co., Ltd. (formerly, LG.Philips LCD Guangzhou Co., Ltd.) | 84.21                       | 70,474           | 105,492         | 100,279        |
| LG Display Shenzhen Co., Ltd. (formerly, LG.Philips LCD Shenzhen Co., Ltd.)   | 100.00                      | 469              | 3,400           | 3,467          |
| Suzhou Raken Technology Ltd.(*5)  | 51.00                       | 13,153           | 12,950          | 18,328         |
| Paju Electric Glass Co., Ltd.   | 40.00                       | 14,400           | 26,893          | 25,841         |
| TLI Inc.(*2)  | 12.90                       | 14,074           | 7,861           | 12,565         |



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|  |       |               |         |         |
|--|-------|---------------|---------|---------|
| AVACO Co., Ltd.(*2)  | 19.90 | 6,173         | 8,056   | 6,021   |
| NEW OPTICS Ltd.(*3)  | 36.68 | 9,700         | 10,782  | 11,721  |
| Guangzhou New Vision Technology Research and Development Limited(*4) | 50.00 | 3,655         | 4,569   | 4,569   |
|  |       | (Won) 473,393 | 392,801 | 831,237 |

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LG DISPLAY CO., LTD.

**Notes to Non-Consolidated Financial Statements**

December 31, 2008 and 2007

7 **Equity Method Investments, Continued**

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- (\*1) Controlled subsidiaries changed their names due to the change of the Company's name.
- (\*2) In May and June 2008, the Company acquired 1,008,875 common shares (13.0%) and 2,037,204 common shares (19.9%) of TLI Inc. and AVACO Co., Ltd. at (Won)14,074 million and (Won)6,173 million, respectively. Although the Company's share interest in these investees are below 20%, the Company is able to exercise significant influence through its right to assign a director in the board of directors of the investees and, accordingly, the investment in these investees have been accounted for using the equity method. TLI Inc. issued new shares due to employees' exercise of stock options. Accordingly, the Company's ownership in TLI Inc. decreased from 13.0% to 12.9%, and the Company recognized (Won)100 million as loss on disposal of equity method investments. TLI Inc. and AVACO Co., Ltd. are listed on the Korean Securities Dealers' Automated Quotation. As of December 31, 2008, the stocks of TLI Inc. and AVACO Co., Ltd. are traded for (Won)5,670 and (Won)2,400 per share, respectively.
- (\*3) In July 2008, the Company acquired 6,850,000 common shares (36.68%) of NEW OPTICS Ltd. at (Won)9,700 million.
- (\*4) The Company entered into a joint venture agreement with Shenzhen Skyworth-RGB Electronics Co., Limited ( Skyworth-RGB ) to strengthen its strategic alliance with Skyworth-RGB and to jointly develop products for enhancing competitiveness in the Chinese market and, accordingly, Guangzhou New Vision Technology Research and Development Limited was set up for research and development on design of LCD modules and LCD TVs. Each party acquired a 50% equity interest in the joint venture and, in July 2008, the Company invested (Won)3,655 million in connection with the acquisition of 50% interest.
- (\*5) On October 7, 2008, the Company entered into a joint venture agreement with AmTRAN Technology Co., Ltd. ( AmTRAN ) in Suzhou, China for production of LCD modules and LCD TV sets. The Company and AmTRAN acquired a 51% and 49% equity interests in the joint venture, respectively, and the Company invested (Won)13,153 million in connection with the acquisition of the shares.

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LG DISPLAY CO., LTD.

**Notes to Non-Consolidated Financial Statements**

December 31, 2008 and 2007

7 Equity Method Investments, Continued

(ii) Changes in goodwill and negative goodwill for equity method investments for the year ended December 31, 2008 are as follows:

*(In millions of Won)*

| Company         | Balance at<br>January 1,<br>2008 | Increase<br>(Decrease) | Amortized<br>(Reversal)<br>amount | Balance at<br>December 31,<br>2008 |
|-----------------|----------------------------------|------------------------|-----------------------------------|------------------------------------|
| TLI Inc.        | (Won)                            | 5,531                  | (567)                             | 4,964                              |
| AVACO Co., Ltd. |                                  | (888)                  | 227                               | (661)                              |
| NEW OPTICS Ltd. |                                  | 1,566                  | (68)                              | 1,498                              |
|                 | (Won)                            | 6,209                  | (408)                             | 5,801                              |

(iii) Details of eliminated unrealized gains and losses from transactions between the Company and equity investees as of December 31, 2008 are as follows:

*(In millions of Won)*

| Company                        | Inventories  | Property,<br>plant and<br>equipment | Accounts<br>receivable | Total   |
|--------------------------------|--------------|-------------------------------------|------------------------|---------|
| LG Display America, Inc.       | (Won) 7,542  |                                     | 455                    | 7,997   |
| LG Display Germany GmbH        | 7,080        |                                     | 806                    | 7,886   |
| LG Display Japan Co., Ltd.     | 3,362        |                                     | 312                    | 3,674   |
| LG Display Taiwan Co., Ltd.    | 8,323        |                                     | 416                    | 8,739   |
| LG Display Nanjing Co., Ltd.   |              | (846)                               |                        | (846)   |
| LG Display Shanghai Co., Ltd.  | 1,709        |                                     | 332                    | 2,041   |
| LG Display Guangzhou Co., Ltd. |              | (5,213)                             |                        | (5,213) |
| LG Display Shenzhen Co., Ltd.  | 15           |                                     | 52                     | 67      |
| Suzhou Raken Technology Ltd.   | 5,535        |                                     |                        | 5,535   |
| Paju Electric Glass Co., Ltd.  | (1,052)      |                                     |                        | (1,052) |
| TLI Inc.                       | (260)        |                                     |                        | (260)   |
| AVACO Co., Ltd.                | (1,374)      |                                     |                        | (1,374) |
| NEW OPTICS Ltd.                | (559)        |                                     |                        | (559)   |
|                                | (Won) 30,321 | (6,059)                             | 2,373                  | 26,635  |

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LG DISPLAY CO., LTD.

**Notes to Non-Consolidated Financial Statements**

December 31, 2008 and 2007

7 Equity Method Investments, Continued

(iv) Changes in the balances of investments in companies accounted for using the equity method for the year ended December 31, 2008 are as follows:

(In millions of Won)

| Company   | Balance at<br>January 1,<br>2008 | Acquisitions<br>during the<br>year | Dividend<br>received | Gain (loss)<br>on<br>valuation of<br>equity<br>method<br>investments | Accumulated<br>other<br>comprehensive<br>income | Other   | Balance at<br>December 31,<br>2008 |
|---|----------------------------------|------------------------------------|----------------------|--|---|---------|------------------------------------|
| LG Display America,<br>Inc.(*1)   | (Won) 1,486                      |                                    |                      | (438,736)  | 31,094  | 406,156 |                                    |
| LG Display Germany<br>GmbH  |                                  |                                    |                      | 17,191   | 2,182   |         | 19,373                             |
| LG Display Japan Co.,<br>Ltd.   | 2,660                            |                                    |                      | 8,626  | 4,400   |         | 15,686                             |
| LG Display Taiwan<br>Co., Ltd.  | 4,918                            |                                    |                      | 24,683   | 5,629   |         | 35,230                             |
| LG Display Nanjing<br>Co., Ltd.   | 235,386                          |                                    |                      | 76,511   | 97,303  |         | 409,200                            |
| LG Display Hong<br>Kong Co., Ltd.   | 7,564                            |                                    | (6,427)              | (5)  | 868   |         | 2,000                              |
| LG Display Shanghai<br>Co., Ltd.  |                                  |                                    |                      | 7,638  | 1,455   |         | 9,093                              |
| LG Display Poland Sp.<br>zo.o.  | 154,231                          |                                    |                      | (15,042)   | 18,675  |         | 157,864                            |
| LG Display<br>Guangzhou Co., Ltd.   | 58,152                           |                                    |                      | 12,959   | 29,168  |         | 100,279                            |
| LG Display Shenzhen<br>Co., Ltd.  |                                  |                                    |                      | 2,648  | 819   |         | 3,467                              |
| Suzhou Raken<br>Technology Ltd.(*2)   |                                  | 13,153                             |                      | 5,409  | (234)   |         | 18,328                             |
| Paju Electric Glass<br>Co., Ltd.(*2)  | 24,704                           |                                    | (5,760)              | 6,897  |   |         | 25,841                             |
| TLI Inc.(*2)  |                                  | 14,074                             |                      | (822)  | (587)   | (100)   | 12,565                             |
| AVACO Co., Ltd.(*2)   |                                  | 6,173                              |                      | (36)   | (116)   |         | 6,021                              |
| NEW OPTICS<br>Ltd.(*2)  |                                  | 9,700                              |                      | 1,580  | 441   |         | 11,721                             |
| Guangzhou New<br>Vision Technology<br>Research and<br>Development Limited<br>(*2) |                                  | 3,655                              |                      | (31)   | 945   |         | 4,569                              |

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|               |        |          |           |         |         |         |
|---------------|--------|----------|-----------|---------|---------|---------|
| (Won) 489,101 | 46,755 | (12,187) | (290,530) | 192,042 | 406,056 | 831,237 |
|---------------|--------|----------|-----------|---------|---------|---------|

- 
- (\*1) LG Display America, Inc. ( LGDUS ) was officially sentenced to pay the fine of USD400 million by the U.S. Department of Justice ( DOJ ). The Company recognized all losses related to LGDUS 's fine payable and recorded the cumulative loss in excess of the Company 's investment in LGDUS as long-term other accounts payable.
  - (\*2) The Company accounted for its investments in these companies by using equity method of accounting based on the unaudited financial statements as it was unable to obtain the audited financial statements. However, the Company performed certain procedures to gain reasonableness of the unaudited financial statements.

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LG DISPLAY CO., LTD.

**Notes to Non-Consolidated Financial Statements**

December 31, 2008 and 2007

7 Equity Method Investments, Continued

(v) There are no losses unrecognized by the Company due to cessation of applying the equity method to its investment in the associates as of December 31, 2008.

(vi) A summary of investees' financial data as of and for the year ended December 31, 2008, is as follows:

(In millions of Won)

| Company   | Total<br>assets | Total<br>liabilities | Total<br>shareholders<br>equity | Sales      | Net<br>income<br>(loss) |
|---|-----------------|----------------------|---------------------------------|------------|-------------------------|
| LG Display America, Inc.  | (Won) 309,739   | 723,893              | (414,154)                       | 2,270,393  | (455,544)               |
| LG Display Germany GmbH   | 572,538         | 561,051              | 11,487                          | 2,831,857  | 2,660                   |
| LG Display Japan Co., Ltd.  | 202,028         | 190,016              | 12,012                          | 1,610,953  | 1,781                   |
| LG Display Taiwan Co., Ltd.   | 453,944         | 427,453              | 26,491                          | 3,659,801  | 5,322                   |
| LG Display Nanjing Co., Ltd.  | 606,131         | 196,085              | 410,046                         | 374,053    | 74,862                  |
| LG Display Hong Kong Co., Ltd.                                      | 2,010           | 10                   | 2,000                           |            | (5)                     |
| LG Display Shanghai Co., Ltd.                                       | 289,311         | 282,259              | 7,052                           | 1,908,678  | 2,589                   |
| LG Display Poland Sp. zo.o.   | 374,876         | 217,012              | 157,864                         | 147,582    | (15,042)                |
| LG Display Guangzhou Co., Ltd.                                      | 207,705         | 102,213              | 105,492                         | 103,058    | 14,100                  |
| LG Display Shenzhen Co., Ltd.                                       | 143,102         | 139,702              | 3,400                           | 1,228,057  | 1,101                   |
| Suzhou Raken Technology Ltd.  | 37,648          | 12,255               | 25,393                          |            | (246)                   |
| Paju Electric Glass Co., Ltd. (*)                                   | 162,669         | 95,436               | 67,233                          | 458,548    | 18,026                  |
| TLI Inc.  | 68,442          | 12,215               | 56,227                          | 40,536     | (279)                   |
| AVACO Co., Ltd.   | 67,570          | 28,464               | 39,106                          | 52,013     | 5,578                   |
| NEW OPTICS Ltd.   | 129,197         | 99,800               | 29,397                          | 106,980    | 6,018                   |
| Guangzhou New Vision Technology<br>Research and Development Limited | 9,155           | 17                   | 9,138                           |            | (62)                    |
|   | (Won) 3,636,065 | 3,087,881            | 548,184                         | 14,792,509 | (339,141)               |

(\*) The financial statements of Paju Electric Glass Co., Ltd. were adjusted to conform to the Company's accounting policy. Details of changes made and their effects on the financial statements are as follows:

(In millions of Won)

| Reason for adjustment            | Net asset value<br>before<br>adjustment | Net asset value<br>after<br>adjustment | Net income<br>before<br>adjustment | Net income<br>after<br>adjustment |
|----------------------------------|---|--|------------------------------------|-----------------------------------|
| Agreement of depreciation method | (Won) 60,841                            | 67,233                                 | 20,099                             | 18,026                            |

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LG DISPLAY CO., LTD.

**Notes to Non-Consolidated Financial Statements**

December 31, 2008 and 2007

7 Equity Method Investments, Continued

(b) 2007

(i) Investments in companies accounted for using the equity method as of December 31, 2007 are as follows:

*(In millions of Won)*

| Company                        | Percentage of ownership (%) | Acquisition cost | Net Asset value | Carrying value |
|--------------------------------|-----------------------------|------------------|-----------------|----------------|
| LG Display America, Inc.       | 100.00                      | (Won) 6,082      | 10,297          | 1,486          |
| LG Display Germany GmbH        | 100.00                      | 1,252            | 6,645           |                |
| LG Display Japan Co., Ltd.     | 100.00                      | 1,088            | 5,831           | 2,660          |
| LG Display Taiwan Co., Ltd.    | 100.00                      | 6,076            | 15,628          | 4,918          |
| LG Display Nanjing Co., Ltd.   | 100.00                      | 192,704          | 237,881         | 235,386        |
| LG Display Hong Kong Co., Ltd. | 100.00                      | 1,736            | 7,564           | 7,564          |
| LG Display Shanghai Co., Ltd.  | 100.00                      | 596              | 3,007           |                |
| LG Display Poland Sp. zo.o.    | 80.29                       | 131,761          | 154,231         | 154,231        |
| LG Display Guangzhou Co., Ltd. | 100.00                      | 70,474           | 62,223          | 58,152         |
| LG Display Shenzhen Co., Ltd.  | 100.00                      | 469              | 1,481           |                |
| Paju Electric Glass Co., Ltd.  | 40.00                       | 14,400           | 25,431          | 24,704         |
|                                |                             | (Won) 426,638    | 530,219         | 489,101        |

(ii) Details of eliminated unrealized gains and losses from transactions between the Company and equity investees as of December 31, 2007 are as follows:

*(In millions of Won)*

| Company                        | Inventories   | Property, plant and equipment | Total    |
|--------------------------------|---------------|-------------------------------|----------|
| LG Display America, Inc.       | (Won) (8,811) |                               | (8,811)  |
| LG Display Germany GmbH        | (14,113)      |                               | (14,113) |
| LG Display Japan Co., Ltd.     | (3,171)       |                               | (3,171)  |
| LG Display Taiwan Co., Ltd.    | (10,624)      |                               | (10,624) |
| LG Display Nanjing Co., Ltd.   |               | (2,496)                       | (2,496)  |
| LG Display Shanghai Co., Ltd.  | (5,655)       |                               | (5,655)  |
| LG Display Guangzhou Co., Ltd. |               | (4,071)                       | (4,071)  |
| LG Display Shenzhen Co., Ltd.  | (10,126)      |                               | (10,126) |
| Paju Electric Glass Co., Ltd.  | (726)         |                               | (726)    |

(Won) (53,226)

(6,567)

(59,793)



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LG DISPLAY CO., LTD.

**Notes to Non-Consolidated Financial Statements**

December 31, 2008 and 2007

7 Equity Method Investments, Continued

(iii) Changes in the balances of investments in companies accounted for using the equity method for the year ended December 31, 2007 are as follows:

(In millions of Won)

| Company                           | Balance at<br>January 1,<br>2007 | Acquisitions<br>during the<br>year | Dividend<br>received | Gain (loss) on<br>valuation of<br>equity<br>method<br>investments | Accumulated<br>other<br>comprehensive<br>income | Balance at<br>December 31,<br>2007 |
|-----------------------------------|----------------------------------|------------------------------------|----------------------|---|---|------------------------------------|
| LG Display America, Inc.          | (Won) 8,535                      |                                    |                      | (7,144)   | 95  | 1,486                              |
| LG Display Germany GmbH           | 7,383                            |                                    |                      | (8,072)   | 689   | 2,660                              |
| LG Display Japan Co., Ltd.        | 4,048                            |                                    |                      | (1,773)   | 385   | 2,660                              |
| LG Display Taiwan Co., Ltd.       | 6,413                            |                                    |                      | (1,741)   | 246   | 4,918                              |
| LG Display Nanjing Co., Ltd.      | 205,224                          | 14,850                             | (13,145)             | 9,863   | 18,594  | 235,386                            |
| LG Display Hong Kong Co.,<br>Ltd. | 4,184                            |                                    |                      | 3,326   | 54  | 7,564                              |
| LG Display Shanghai Co., Ltd.     | 3,777                            |                                    | (3,169)              | (997)   | 389   | 154,231                            |
| LG Display Poland Sp. zo.o.       | 65,806                           | 55,170                             |                      | 8,964   | 24,291  | 154,231                            |
| LG Display Guangzhou Co.,<br>Ltd. | 36,891                           | 32,210                             |                      | (15,086)  | 4,137   | 58,152                             |
| LG Display Shenzhen Co., Ltd.     |                                  | 469                                |                      | (534)   | 65  |                                    |
| Paju Electric Glass Co., Ltd.(*)  | 19,284                           |                                    | (1,440)              | 6,860   |   | 24,704                             |
|                                   | (Won) 361,545                    | 102,699                            | (17,754)             | (6,334)   | 48,945  | 489,101                            |

(\*) The Company accounted for its investments in Paju Electric Glass Co., Ltd. by using equity method of accounting based on the unaudited financial statements as it was unable to obtain the audited financial statements. However, the Company performed certain procedures to gain reasonableness of the unaudited financial statements.

(iv) Accumulated amounts of the investor's share of losses in associates that were not recognized as the Company ceased to apply the equity method to the balance of its investment in the associate are as follows:

(In millions of Won)

| Company                       | Percentage of<br>ownership (%) | Amount  |
|-------------------------------|--------------------------------|---------|
| LG Display Germany GmbH       | 100.00                         | (7,468) |
| LG Display Shanghai Co., Ltd. | 100.00                         | (2,647) |
| LG Display Shenzhen Co., Ltd. | 100.00                         | (8,646) |

(Won) (18,761)

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LG DISPLAY CO., LTD.

**Notes to Non-Consolidated Financial Statements**

December 31, 2008 and 2007

7 Equity Method Investments, Continued

(v) A summary of investees' financial data as of and for the year ended December 31, 2007, is as follows:

| Company                          | Total<br>assets | Total<br>liabilities | Total<br>shareholders<br>equity | Sales      | Net<br>income<br>(loss) |
|----------------------------------|-----------------|----------------------|---------------------------------|------------|-------------------------|
| LG Display America, Inc.         | (Won) 227,361   | 217,064              | 10,297                          | 1,561,192  | 793                     |
| LG Display Germany GmbH          | 571,962         | 565,317              | 6,645                           | 2,554,999  | 1,892                   |
| LG Display Japan Co., Ltd.       | 174,058         | 168,227              | 5,831                           | 1,335,073  | 888                     |
| LG Display Taiwan Co., Ltd.      | 575,849         | 560,221              | 15,628                          | 3,462,567  | 2,896                   |
| LG Display Nanjing Co., Ltd.     | 424,772         | 186,891              | 237,881                         | 272,430    | 8,927                   |
| LG Display Hong Kong Co., Ltd.   | 7,966           | 402                  | 7,564                           | 725,313    | 1,496                   |
| LG Display Shanghai Co., Ltd.    | 256,811         | 253,804              | 3,007                           | 1,379,368  | 1,820                   |
| LG Display Poland Sp. zo.o.      | 350,097         | 195,866              | 154,231                         | 95,446     | 8,964                   |
| LG Display Guangzhou Co., Ltd.   | 95,691          | 33,467               | 62,224                          | 447        | (11,015)                |
| LG Display Shenzhen Co., Ltd.    | 231,739         | 230,258              | 1,481                           | 524,568    | 947                     |
| Paju Electric Glass Co., Ltd.(*) | 125,782         | 62,205               | 63,577                          | 313,773    | 15,600                  |
|                                  | (Won) 3,042,088 | 2,473,722            | 568,366                         | 12,225,176 | 33,208                  |

(\*) The financial statements of Paju Electric Glass Co., Ltd. were adjusted to conform to the Company's accounting policy. Details of changes made and their effects on the financial statements are as follows:

*(In millions of Won)*

| Reason for adjustment            | Net asset value<br>before<br>adjustment | Net asset value<br>after<br>adjustment | Net income<br>before<br>adjustment | Net income<br>after<br>adjustment |
|----------------------------------|---|--|------------------------------------|-----------------------------------|
| Agreement of depreciation method | (Won) 55,142                            | 63,577                                 | 14,329                             | 15,600                            |

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LG DISPLAY CO., LTD.

**Notes to Non-Consolidated Financial Statements**

December 31, 2008 and 2007

**8 Transactions and Balances with Related Parties**

(a) Details of parent and subsidiary relationships as of December 31, 2008 and 2007 are as follows:

| <b>Relationship</b>   | <b>2008</b>   | <b>2007</b>   |
|---|---|---|
| Controlling party(*1)                                       | LG Electronics Inc.   | LG Electronics Inc.   |
| Company that has significant influence over the Company(*1) | LG Corp.  | LG Corp.,<br>Koninklijke Philips Electronics N.V.(*2)   |
| Subsidiary  | LG Display America, Inc.,<br>LG Display Taiwan Co., Ltd.,<br>LG Display Japan Co., Ltd.,<br>LG Display Germany GmbH,<br>LG Display Nanjing Co., Ltd.,<br>LG Display Shanghai Co., Ltd.,<br>LG Display Hong Kong Co., Ltd.,<br>LG Display Poland Sp. zo.o.,<br>LG Display Guangzhou Co., Ltd.,<br>LG Display Shenzhen Co., Ltd.,<br>Suzhou Raken Technology Ltd. | LG Display America, Inc.,<br>LG Display Taiwan Co., Ltd.,<br>LG Display Japan Co., Ltd.,<br>LG Display Germany GmbH,<br>LG Display Nanjing Co., Ltd.,<br>LG Display Shanghai Co., Ltd.,<br>LG Display Hong Kong Co., Ltd.,<br>LG Display Poland Sp. zo.o.,<br>LG Display Guangzhou Co., Ltd.,<br>LG Display Shenzhen Co., Ltd.,<br>Global Professional Sourcing Co., Ltd.(*3) |
| Joint venture   | Guangzhou New Vision Technology<br>Research and Development Limited   |   |
| Equity method investee                                      | Paju Electric Glass Co., Ltd.,<br>TLI Inc.,<br>AVACO Co., Ltd.,<br>NEW OPTICS Ltd.  | Paju Electric Glass Co., Ltd.   |

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LG DISPLAY CO., LTD.

**Notes to Non-Consolidated Financial Statements**

December 31, 2008 and 2007

8 Transactions and Balances with Related Parties, Continued

| Relationship   | 2008  | 2007  |
|----------------|---|---|
| Affiliates(*4) | LG Management Development Institute Co.,<br>Ltd.,<br>LG Micron Ltd.,<br>LG Life Sciences, Ltd.,<br>LG CNS Co., Ltd.,<br>LG N-Sys Inc.,<br>LG Powercom Corp.,<br>Serveone Co., Ltd.,<br>LG Innotek Co., Ltd.,<br>LG Telecom Co., Ltd.,<br>LG CHEM Ltd.,<br>LG International Corp.,<br>LG Dacom Corporation,<br>Hi Business Logistics,<br>Siltron Incorporated,<br>Lusem Co., Ltd. and others | LG Management Development Institute Co.,<br>Ltd.,<br>LG Micron Ltd.,<br>LG Life Sciences, Ltd.,<br>LG CNS Co., Ltd.,<br>LG N-Sys Inc.,<br>LG Powercom Corp.,<br>Serveone Co., Ltd.,<br>LG Innotek Co., Ltd.,<br>LG Telecom Co., Ltd.,<br>LG CHEM Ltd.,<br>LG International Corp.,<br>LG Dacom Corporation,<br>Hi Business Logistics,<br>Siltron Incorporated,<br>Lusem Co., Ltd. and others |

(\*1) The immediate parent and the ultimate parent companies of the Company are LG Electronics Inc. and LG Corporation, respectively.

(\*2) In October 2007 and March 2008, Koninklijke Philips Electronics N.V., which had significant influence over the Company in 2007, sold its share interest in the Company resulting in a decreased share interest of 13.2% (47,225 thousand shares) and resigned from the Company's management. Accordingly, Koninklijke Philips Electronics N.V. was excluded from the companies that have significant influence over the Company since March 2008.

(\*3) This entity was liquidated in November 2008.

(\*4) The subsidiaries of the affiliates, which are not presented above, are also other related parties of the Company.

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LG DISPLAY CO., LTD.

**Notes to Non-Consolidated Financial Statements**

December 31, 2008 and 2007

8 **Transactions and Balances with Related Parties, Continued**

(b) Significant transactions which occurred in the normal course of business with related companies for the years ended December 31, 2008 and 2007 are as follows:

| <i>(In millions of Won)</i>                                | <b>Sales and other(*1)</b> |             | <b>Purchases and other(*1)</b> |             |
|--|----------------------------|-------------|--------------------------------|-------------|
|  | <b>2008</b>                | <b>2007</b> | <b>2008</b>                    | <b>2007</b> |
| Controlling party(*2)                                      | (Won) 1,117,135            | 919,862     | 260,813                        | 81,276      |
| Companies that have significant influence over the Company |                            |             | 27,312                         | 31,011      |
| Subsidiaries   | 13,025,032                 | 11,356,386  | 672,682                        | 370,669     |
| Equity method investees                                    | 418                        |             | 808,436                        | 309,162     |
| Other related parties                                      | 422,055                    | 462,414     | 3,949,061                      | 1,825,481   |
|  | (Won) 14,564,640           | 12,738,662  | 5,718,304                      | 2,617,599   |

(\*1) These amounts include sale and purchase of property, plant and equipment to and from the Company's related parties amounting to (Won)8,833 million and (Won)431,906 million, respectively, in 2008 and (Won)35,693 million and (Won)194,046 million, respectively, in 2007.

(\*2) Controlling party includes overseas subsidiaries that are under direct control of LG Electronics Inc.

(c) Account balances with related companies as of December 31, 2008 and December 31, 2007 are as follows:

| <i>(In millions of Won)</i>                                | <b>Trade accounts and notes receivable and other</b> |             | <b>Trade accounts and notes payable and other</b> |             |
|--|--|-------------|---|-------------|
|  | <b>2008</b>  | <b>2007</b> | <b>2008</b>                                       | <b>2007</b> |
| Controlling party(*)                                       | (Won) 115,235  | 124,560     | 82,249  | 25,851      |
| Companies that have significant influence over the Company | 2,577  | 2,717       | 2,727   | 8,629       |
| Subsidiaries   | 1,267,901  | 1,921,164   | 279,572   | 67,342      |
| Equity method investees                                    | 1  |             | 58,222  | 30,291      |
| Other related parties                                      | 121,140  | 52,097      | 1,054,112   | 344,757     |
|  | (Won) 1,506,854                                      | 2,100,538   | 1,476,882   | 476,870     |

(\*) Controlling party include overseas subsidiaries that are under direct control of LG Electronics Inc.

(d) Key management compensation costs for the years ended December 31, 2008 and 2007 are as follows:

| <i>(In millions of Won)</i> | <b>2008</b> | <b>2007</b> |
|-----------------------------|-------------|-------------|
|-----------------------------|-------------|-------------|

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|                      |             |       |
|----------------------|-------------|-------|
| Short-term benefits  | (Won) 2,467 | 1,732 |
| Severance benefits   | 307         | 688   |
| Share-Based Payments |             | 560   |
|                      | (Won) 2,774 | 2,980 |

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

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LG DISPLAY CO., LTD.

**Notes to Non-Consolidated Financial Statements**

December 31, 2008 and 2007

9 **Property, Plant and Equipment**

(a) Changes in property, plant and equipment for the year ended December 31, 2008 are as follows:

*(In millions of Won)*

|                                    | 2008          |           |            |                         |         |                        |
|------------------------------------|---------------|-----------|------------|-------------------------|---------|------------------------|
|                                    | Land          | Buildings | Structures | Machinery and equipment | Tools   | Furniture and fixtures |
| Book value as of January 1, 2008   | (Won) 314,550 | 1,646,388 | 127,026    | 3,852,477               | 17,423  | 102,348                |
| Acquisitions                       | 44,723        | 12,329    | 4,318      | 26,902                  | 825     | 29,218                 |
| Depreciation                       |               | (88,179)  | (13,422)   | (2,107,617)             | (9,600) | (60,176)               |
| Impairment loss                    |               |           |            | (83)                    |         |                        |
| Disposals                          | (589)         | (427)     | (15)       | (6,463)                 | (42)    | (44)                   |
| Transfer                           | 24,961        | 21,171    | 47,314     | 360,428                 | 2,040   | 2,680                  |
| Subsidy increase                   |               |           |            | (467)                   |         |                        |
| Book value as of December 31, 2008 | (Won) 383,645 | 1,591,282 | 165,221    | 2,125,177               | 10,646  | 74,026                 |
| Acquisition cost                   | (Won) 383,645 | 2,022,103 | 221,973    | 14,515,786              | 100,290 | 464,939                |
| Accumulated depreciation           | (Won)         | 430,821   | 56,752     | 12,390,602              | 89,644  | 390,913                |
| Accumulated impairment loss(*)     | (Won)         |           |            | 7                       |         |                        |

*(In millions of Won)*

|                                    | 2008         |                      |                          |        |             |
|------------------------------------|--------------|----------------------|--------------------------|--------|-------------|
|                                    | Vehicles     | Machinery-in-transit | Construction-in-progress | Others | Total       |
| Book value as of January 1, 2008   | (Won) 3,257  | 19,043               | 739,579                  | 8,509  | 6,830,600   |
| Acquisitions                       | 3,506        |                      | 3,768,271                |        | 3,890,092   |
| Depreciation                       | (2,293)      |                      |                          |        | (2,281,287) |
| Impairment loss                    |              |                      |                          |        | (83)        |
| Disposals                          |              |                      |                          |        | (7,580)     |
| Transfer                           | 3,961        | (19,043)             | (444,151)                | 673    | 34          |
| Subsidy increase                   |              |                      | (95)                     |        | (562)       |
| Book value as of December 31, 2008 | (Won) 8,431  |                      | 4,063,604                | 9,182  | 8,431,214   |
| Acquisition cost                   | (Won) 17,538 |                      | 4,063,604                | 9,182  | 21,799,060  |
| Accumulated depreciation           | (Won) 9,107  |                      |                          |        | 13,367,839  |
| Accumulated impairment loss(*)     | (Won)        |                      |                          |        | 7           |



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(\*) The decrease of accumulated impairment loss is due to the disposal of machinery and equipment with impairment loss.

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LG DISPLAY CO., LTD.

**Notes to Non-Consolidated Financial Statements**

December 31, 2008 and 2007

9 Property, Plant and Equipment, Continued

(b) Changes in property, plant and equipment for the year ended December 31, 2007 are as follows:

*(In millions of Won)*

|                                       | 2007          |           |            |                            |          |                           |
|---------------------------------------|---------------|-----------|------------|----------------------------|----------|---------------------------|
|                                       | Land          | Buildings | Structures | Machinery and<br>equipment | Tools    | Furniture and<br>fixtures |
| Book value as of January 1, 2007      | (Won) 317,161 | 1,618,448 | 134,604    | 5,671,549                  | 62,114   | 151,398                   |
| Acquisitions                          |               | 34,040    |            | 12,027                     | 778      | 5,821                     |
| Depreciation                          |               | (89,252)  | (7,997)    | (2,396,982)                | (42,879) | (72,074)                  |
| Impairment loss(*)                    |               |           |            | (16,139)                   |          |                           |
| Disposals                             | (77)          | (3,541)   |            | (36,591)                   | (430)    | (605)                     |
| Transfer                              | (2,534)       | 86,693    | 419        | 618,766                    | (2,160)  | 17,808                    |
| Subsidy increase                      |               |           |            | (153)                      |          |                           |
| Book value as of December 31,<br>2007 | (Won) 314,550 | 1,646,388 | 127,026    | 3,852,477                  | 17,423   | 102,348                   |
| Acquisition cost                      | (Won) 314,550 | 1,989,107 | 169,317    | 14,220,479                 | 115,943  | 436,509                   |
| Accumulated depreciation              | (Won)         | 342,719   | 42,291     | 10,351,863                 | 98,520   | 334,161                   |
| Accumulated impairment loss           | (Won)         |           |            | 16,139                     |          |                           |

*(In millions of Won)*

|                                    | 2007         |                          |                              |        |             |
|------------------------------------|--------------|--------------------------|------------------------------|--------|-------------|
|                                    | Vehicles     | Machinery-<br>in-transit | Construction-<br>in-progress | Others | Total       |
| Book value as of January 1, 2007   | (Won) 5,341  | 42,010                   | 848,991                      | 8,460  | 8,860,076   |
| Acquisitions                       | 16           | 125,935                  | 517,282                      | 49     | 695,948     |
| Depreciation                       | (2,366)      |                          |                              |        | (2,611,550) |
| Impairment loss(*)                 |              |                          | (23,959)                     |        | (40,098)    |
| Disposals                          | (56)         |                          |                              |        | (41,300)    |
| Transfer                           | 322          | (148,902)                | (602,735)                    |        | (32,323)    |
| Subsidy increase                   |              |                          |                              |        | (153)       |
| Book value as of December 31, 2007 | (Won) 3,257  | 19,043                   | 739,579                      | 8,509  | 6,830,600   |
| Acquisition cost                   | (Won) 10,291 | 19,043                   | 739,579                      | 8,509  | 18,023,327  |
| Accumulated depreciation           | (Won) 7,034  |                          |                              |        | 11,176,588  |

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|                             |       |        |
|-----------------------------|-------|--------|
| Accumulated Impairment loss | (Won) | 16,139 |
|-----------------------------|-------|--------|

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(\*) For the year ended December 31, 2007, the Company recorded impairment loss due to the change in the facilities investment plan.

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LG DISPLAY CO., LTD.

**Notes to Non-Consolidated Financial Statements**

December 31, 2008 and 2007

9 Property, Plant and Equipment, Continued

(c) The officially declared value of land at December 31, 2008 and 2007, as announced by the Minister of Construction and Transportation, is as follows:

(In millions of Won)

|                               | Description  | Location | 2008          | 2007           |            |                |
|-------------------------------|--------------|----------|---------------|----------------|------------|----------------|
|                               |              |          | Book value    | Declared value | Book value | Declared value |
| Property, plant and equipment | Factory site | Paju     | (Won) 290,631 | 358,919        | 224,956    | 294,267        |
|                               | Factory site | Gumi     | 86,105        | 118,660        | 82,685     | 110,056        |
|                               | R&D Center   | Anyang   | 6,909         | 11,886         | 6,909      | 11,534         |
|                               |              |          | (Won) 383,645 | 489,465        | 314,550    | 415,857        |

10 Capitalization of Financial Expenses

(a) The Company capitalizes financial expenses, such as interest expense incurred on borrowings used to finance the cost of acquiring or building property, plant and equipment and intangible assets and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. Interest costs of (Won)45,177 and (Won)25,217 million were capitalized as part of the cost of qualifying assets for the years ended December 31, 2008 and 2007, respectively.

(b) For the year ended December 31, 2008, if the Company had expensed the capitalized financial expenses, the accumulated effects of expensing capitalized financial expenses on significant accounts in the balance sheet and statement of income would have been as follows:

(i) Balance sheet

(In millions of Won)

|                                   | Capitalized      |                          | Expensed as incurred |                          | Difference       |                          |
|-----------------------------------|------------------|--------------------------|----------------------|--------------------------|------------------|--------------------------|
|                                   | Acquisition cost | Accumulated depreciation | Acquisition cost     | Accumulated depreciation | Acquisition cost | Accumulated depreciation |
| Property, plant and equipment     | (Won) 21,799,060 | 13,367,839               | 21,613,805           | 13,306,354               | 185,255          | 61,485                   |
| Deferred tax assets (non-current) | 409,528          |                          | 436,758              |                          | (27,230)         |                          |
| Retained earnings                 | 5,001,934        |                          | 4,905,394            |                          | 96,540           |                          |

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LG DISPLAY CO., LTD.

**Notes to Non-Consolidated Financial Statements**

December 31, 2008 and 2007

10 Capitalization of Financial Expenses, Continued

(ii) Statement of Income

| <i>(In millions of Won)</i> | <b>Capitalized</b> | <b>Expensed<br/>as<br/>incurred</b> | <b>Difference</b> |
|-----------------------------|--------------------|-------------------------------------|-------------------|
| Cost of sales               | (Won) 13,626,602   | 13,594,774                          | 31,828            |
| Interest expense            | 115,702            | 160,879                             | (45,177)          |
| Income tax expense          | 206,584            | 203,647                             | 2,937             |
| Net income(*)               | 1,086,896          | 1,076,484                           | (10,412)          |
| -                           |                    |                                     |                   |

(\*) Net income if financial expenses were expensed is measured using the marginal tax rate.

11 Insured assets

Insured assets as of December 31, 2008 are as follows:

| <i>(In millions of Won and USD)</i>        | <b>Covered assets or loss</b>                    | <b>Insurance<br/>coverage</b> | <b>Beneficiary</b> |
|--|--|-------------------------------|--------------------|
| Package Insurance(*1)                      |  |                               | Company            |
|  | Inventories and property, plant and equipment    | 18,822,700                    | and other          |
| Package Insurance(*1)                      | Inventories                                      | USD 550                       | Company            |
| Erection All Risk s Insurance(*2)          | Property, plant and equipment                    | 4,106,000                     |                    |
| Fire Insurance                             | Property, plant and equipment                    | 238,014                       |                    |
| Directors and officers liability Insurance | Directors & Officers liability (Global)          | USD 100                       |                    |
| Products liability Insurance               | Products liability (Global)                      | USD 35                        |                    |
| Aviation product liability Insurance       | Aviation Product Liability (Global)              | USD 500                       |                    |
| Stock throughput Insurance                 | Goods in the ordinary course of transit (Global) | USD 35,474                    |                    |
| -  |  |                               |                    |

(\*) Package Insurance provides multiple coverage in one policy. It refers to a policy providing both general liability and property insurance.

(\*2) This insurance policy covers unexpected loss in the course of assembly and installation of plant and equipment.

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**Notes to Non-Consolidated Financial Statements**

December 31, 2008 and 2007

**12 Intangible Assets**

(a) The Company has classified the amortization of intangible assets as part of manufacturing overhead costs. Changes in intangible assets for the years ended December 31, 2008 and 2007 are as follows:

(In millions of Won)

|                                 | Intellectual property rights | Rights to use of electricity and gas supply facilities | 2008   |          | Construction-in-progress (Software) | Total    |
|---------------------------------|------------------------------|--|--|----------|-------------------------------------|----------|
|                                 |                              |  | Rights to use of industrial water facilities | Software |                                     |          |
| Balance as of January 1, 2008   | (Won) 72,921                 | 32,286   | 6,323  |          |                                     | 111,530  |
| Increase during the year        | 26,772                       |  | 27   |          | 107,921                             | 134,720  |
| Amortization                    | (45,785)                     | (3,276)  | (1,249)                                      |          |                                     | (50,310) |
| Disposals                       | (1,597)                      |  |  |          |                                     | (1,597)  |
| Balance as of December 31, 2008 | (Won) 52,311                 | 29,010   | 5,101  |          | 107,921                             | 194,343  |
| Acquisition cost                | (Won) 470,057                | 32,760   | 12,472                                       | 9,713    | 107,921                             | 632,923  |
| Accumulated amortization        | (Won) 417,746                | 3,750  | 7,371  | 9,713    |                                     | 438,580  |

(In millions of Won)

|                                 | Intellectual property rights | 2007   |  | Software | Total    |
|---------------------------------|------------------------------|--|--|----------|----------|
|                                 |                              | Rights to use of electricity and gas supply facilities | Rights to use of industrial water facilities |          |          |
| Balance as of January 1, 2007   | (Won) 106,324                | 437  | 7,421  |          | 114,182  |
| Increase during the year        | 10,477                       | 32,177   | 146  |          | 42,800   |
| Amortization                    | (43,880)                     | (328)  | (1,244)                                      |          | (45,452) |
| Disposals                       |                              |  |  |          |          |
| Balance as of December 31, 2007 | (Won) 72,921                 | 32,286   | 6,323  |          | 111,530  |
| Acquisition cost                | (Won) 444,883                | 32,760   | 12,445                                       | 9,713    | 499,801  |
| Accumulated amortization        | (Won) 371,962                | 474  | 6,122  | 9,713    | 388,271  |

-

(b) Research and development costs are charged to expense as incurred. The Company expensed (Won)501,192 million and (Won)414,416 million for the years ended December 31, 2008 and 2007, respectively.

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LG DISPLAY CO., LTD.

**Notes to Non-Consolidated Financial Statements**

December 31, 2008 and 2007

12 Intangible Assets, Continued

(c) For the years ended December 31, 2008 and 2007, significant expenses, which are expected to have probable future economic benefits but expensed in the year incurred due to the uncertainty in the realization of such benefits, are as follows:

*(In millions of Won)*

|                             | 2008         | 2007   |
|-----------------------------|--------------|--------|
| Training expenses           | (Won) 18,335 | 7,579  |
| Advertising expenses        | 48,905       | 30,377 |
| Overseas marketing expenses | 14,228       | 6,254  |
|                             | (Won) 81,468 | 44,210 |

13 Debentures

(a) Details of debentures issued by the Company as of December 31, 2008 and December 31, 2007 are as follows:

*(In millions of Won)*

|                                    | Annual                         |               | 2008          | 2007      |
|------------------------------------|--------------------------------|---------------|---------------|-----------|
|                                    | Maturity                       | interest rate |               |           |
| Local currency debentures          |                                |               |               |           |
| Publicly issued debentures         | May 2009~<br>March 2010        | 3.50~5.00%    | (Won) 850,000 | 1,180,000 |
| Privately issued debentures        | December<br>2010~<br>June 2011 | 5.30~5.89%    | 600,000       | 600,000   |
| Less discount on debentures        |                                |               | (3,826)       | (9,526)   |
| Less current portion of debentures |                                |               | (458,201)     | (249,110) |
|                                    |                                |               | 987,973       | 1,521,364 |
| Foreign currency debentures        |                                |               |               |           |
| Convertible bond                   | April 2012                     | zero coupon   | 511,555       | 511,555   |
| Less discount on debentures        |                                |               | (1,760)       | (2,237)   |
| Less conversion right adjustment   |                                |               | (93,111)      | (118,323) |
| Add redemption premium             |                                |               | 85,788        | 85,788    |
|                                    |                                |               | 502,472       | 476,783   |

(Won) 1,490,445 1,998,147

Principal of the local currency debentures is to be repaid at maturity and interests are paid quarterly. The Company has redeemed local currency debentures with the face value amounting to (Won)80,000 million during the year ended December 31, 2008. As a result, the Company recognized a gain and a loss on redemption of debentures amounting to (Won)1,152 million and (Won)13 million, respectively.



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LG DISPLAY CO., LTD.

**Notes to Non-Consolidated Financial Statements**

December 31, 2008 and 2007

13 Debentures, Continued

(b) Details of the convertible bonds as of December 31, 2008 are as follows:

|                           | <b>Terms and Conditions</b>  |
|---------------------------|------------------------------|
| Issue date                | April 18, 2007               |
| Maturity date             | April 18, 2012               |
| Conversion period         | April 19, 2008~April 3, 2012 |
| Coupon interest rate      | 0%                           |
| Conversion price (in Won) | (Won)48,760                  |
| Issued amount             | USD550 million               |

The bonds will be repaid at 116.77% of the principal amount at maturity unless the put option of bondholders are exercised in which case the bondholders will be repaid at 109.75% of the principal amount on April 18, 2010. If the Convertible bonds were classified as monetary liabilities, the loss on foreign currency translation would be (Won)175,615 million as of December 31, 2008.

The Company is entitled to exercise a call option after three years from the date of issue at the amount of the principal and interest, calculated at 3.125% of the annual yield to maturity, from the issue date to the repayment date. The call option can be exercised only when the market price of the common shares on each of 20 trading days in 30 consecutive trading days ending on the trading day immediately prior to the date upon which notice of such redemption is published exceeds at least 130% of the conversion price. In addition, in the event that at least 90% of the initial principal amount of the bonds has been redeemed, converted, or purchased and cancelled, the remaining bonds may also be redeemed, at the Company's option, at the amount of the principal and interest (3.125% per annum) from the date of issue to the repayment date prior to their maturity.

Based on the terms and conditions of the bond, the conversion price was decreased from (Won)49,070 to (Won)48,760 per share due to payment of cash dividends of (Won)750 per share for the year ended December 31, 2007. The number of common shares to be issued if the outstanding convertible bonds are fully converted is as follows:

*(In Won and share)*

|                             | <b>December 31, 2008</b> | <b>December 31, 2007</b> |
|-----------------------------|--------------------------|--------------------------|
| Convertible bond amount (*) | (Won) 513,480,000,000    | 513,480,000,000          |
| Conversion price            | (Won) 48,760             | 49,070                   |
| Common shares to be issued  | 10,530,762               | 10,464,234               |

(\*) The exchange rate for the conversion is fixed at (Won)933.6 to USD1.

On April 19, 2005, the Company issued US dollar-denominated convertible bonds totaling USD475 million, with a zero coupon rate. On September 19, 2007, put option for USD460 million was exercised and bonds were repaid on October 19, 2007. On the same date, the Company exercised its call option to pay off the rest of convertible bonds amounting to USD15 million which were paid in November 2007. For the year ended December 31, 2007, the Company recorded loss on redemption of debentures of (Won)19,216 million due to the redemption of convertible bonds.

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**Notes to Non-Consolidated Financial Statements**

December 31, 2008 and 2007

13 Debentures, Continued

(c) Aggregate maturities of the Company's debentures as of December 31, 2008 are as follows:

*(In millions of Won)*

| Period               | Debentures      | Convertible bonds(*) | Total     |
|----------------------|-----------------|----------------------|-----------|
| 2009.1.1~2009.12.31  | (Won) 460,000   |                      | 460,000   |
| 2010.1.1~ 2010.12.31 | 590,000         |                      | 590,000   |
| 2011.1.1~ 2011.12.31 | 400,000         |                      | 400,000   |
| 2012.1.1~ 2012.12.31 |                 | 597,343              | 597,343   |
|                      | (Won) 1,450,000 | 597,343              | 2,047,343 |

-

(\*) In the above schedule, it was assumed that the convertible bonds will be repaid in full at maturity with redemption premium amounting to (Won)85,788 million.

14 Long-Term Debt

(a) Long-term debt as of December 31, 2008 and 2007 is as follows:

*(In millions of Won and USD except interest rate)*

| Lender                          | Annual interest rate(*1) | Annual      |        | Redemption method |
|---------------------------------|--------------------------|-------------|--------|-------------------|
|                                 |                          | 2008        | 2007   |                   |
| <b>Local currency loans</b>     |                          |             |        |                   |
|                                 |                          |             |        | Redemption        |
| The Export-Import Bank of Korea | 6.08%                    | (Won) 9,850 | 49,117 | by                |
|                                 |                          |             |        | installments      |
| Korea Development Bank          | KDBBIR + 0.77%           | 37,500      | 60,000 |                   |
| Shinhan Bank                    | 3 year Korean            | 18,982      | 18,982 |                   |
|                                 | Treasury Bond            |             |        |                   |

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rate less 1.25%

|  |                |               |          |                                  |
|--|----------------|---------------|----------|----------------------------------|
| Less current portion of long-term debt |                | (40,451)      | (61,767) |                                  |
|  |                | (Won) 25,881  | 66,332   |                                  |
| <b>Foreign currency loans (*2)</b>     |                |               |          |                                  |
| The Export-Import Bank of Korea        | 6ML+0.69%      | (Won) 62,875  | 58,168   | Redemption<br>by<br>installments |
| Korea Development Bank                 | 3ML+0.66%      | 176,050       | 159,494  | Redemption<br>at maturity        |
| Kookmin Bank and others                | 3ML+0.35~0.53% | 503,000       | 375,280  |                                  |
|  | 6ML+0.41%      | 251,500       | 187,640  |                                  |
| Less current portion of long-term debt |                |               | (39,404) |                                  |
|  |                | (Won) 993,425 | 741,178  |                                  |

-

(\*1) KDBBIR and ML represent Korea Development Bank Benchmark Interest Rates and Month LIBOR (London Inter-Bank Offered Rates), respectively.

(\*2) Foreign currency equivalent as of December 31, 2008 and 2007 is USD790 million and USD832 million, respectively.

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**Notes to Non-Consolidated Financial Statements**

December 31, 2008 and 2007

14 Long-Term Debt, Continued

(b) Aggregate maturities of the Company's long-term debt as of December 31, 2008 are as follows:

*(In millions of Won)*

| Period               | Local<br>currency loans | Foreign<br>currency loans | Total     |
|----------------------|-------------------------|---------------------------|-----------|
| 2009.1.1~ 2009.12.31 | (Won) 40,451            |                           | 40,451    |
| 2010.1.1~ 2010.12.31 | 9,873                   | 6,288                     | 16,161    |
| 2011.1.1~ 2011.12.31 | 3,796                   | 641,325                   | 645,121   |
| 2012.1.1~ 2012.12.31 | 3,796                   | 314,375                   | 318,171   |
| 2013.1.1~ 2013.12.31 | 3,796                   | 31,437                    | 35,233    |
| Thereafter           | 4,620                   |                           | 4,620     |
|                      | (Won) 66,332            | 993,425                   | 1,059,757 |

15 Retirement and Severance Benefits

Changes in retirement and severance benefits for the years ended December 31, 2008 and 2007 are as follows:

| <i>(In millions of Won)</i>                     | 2008          | 2007     |
|---|---------------|----------|
| Balance at beginning of year                    | (Won) 153,475 | 136,759  |
| Actual severance payments                       | (23,850)      | (48,064) |
| Transferred from/to affiliated companies, net   | 3,339         | 2,117    |
| Provision for retirement and severance benefits | 68,956        | 62,663   |
| Balance at end of year                          | 201,920       | 153,475  |
| Cumulative Deposits to National Pension Fund    | (479)         | (530)    |
| Balance of the severance insurance deposits     | (131,302)     | (99,510) |
| Net balance                                     | (Won) 70,139  | 53,435   |

The Company's retirement and severance benefit plan is funded approximately 65.0% and 64.8% as of December 31, 2008 and 2007, respectively, through severance insurance deposits in Korea Life Insurance Co., Ltd. and others for the payment of severance benefits. The beneficiaries of the severance insurance deposit are the Company's employees.

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**Notes to Non-Consolidated Financial Statements**

December 31, 2008 and 2007

**16 Monetary Assets and Liabilities Denominated In Foreign Currency**

Monetary assets and liabilities denominated in foreign currencies, excluding those disclosed elsewhere in the notes 13 and 14 to the financial statements as of December 31, 2008 and 2007 are as follows:

(In millions of Won, USD, JPY, EUR and PLN)

|                                     |                     |        | 2008          |       |                 |
|-------------------------------------|---------------------|--------|---------------|-------|-----------------|
|                                     | Foreign currency(*) |        | Exchange rate |       | Won equivalent  |
| <b>Assets :</b>                     |                     |        |               |       |                 |
| Cash and cash equivalents           | USD                 | 401    | 1,257.5       | (Won) | 504,267         |
|                                     | JPY                 | 5,340  | 13.9389       |       | 74,427          |
|                                     | EUR                 | 3      | 1,776.22      |       | 4,954           |
|                                     | PLN                 | 52     | 426.18        |       | 22,305          |
| Trade accounts and notes receivable | USD                 | 1,246  | 1,257.5       |       | 1,567,140       |
|                                     | JPY                 | 2,490  | 13.9389       |       | 34,708          |
|                                     | EUR                 | 24     | 1,776.22      |       | 42,629          |
| Other accounts receivable           | USD                 | 16     | 1,257.5       |       | 19,684          |
|                                     | JPY                 | 10     | 13.9389       |       | 137             |
| Prepaid value added tax             | PLN                 | 255    | 426.18        |       | 108,511         |
| Long-term loans                     | USD                 | 10     | 1,257.5       |       | 12,575          |
|                                     |                     |        |               |       | (Won) 2,391,337 |
| <b>Liabilities :</b>                |                     |        |               |       |                 |
| Accounts payable                    | USD                 | 513    | 1,257.5       | (Won) | 645,447         |
|                                     | JPY                 | 6,302  | 13.9389       |       | 87,839          |
| Other accounts payable              | USD                 | 252    | 1,257.5       |       | 316,805         |
|                                     | JPY                 | 39,782 | 13.9389       |       | 554,522         |
|                                     | EUR                 | 1      | 1,776.22      |       | 1,652           |
|                                     | PLN                 | 1      | 426.18        |       | 468             |
|                                     |                     |        |               |       | (Won) 1,606,733 |

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December 31, 2008 and 2007

16 Monetary Assets and Liabilities Denominated In Foreign Currency. Continued*(In millions of Won, USD, JPY, EUR, SGD, MYR and PLN)*

|                                     |                     |        | 2007          |                |           |
|-------------------------------------|---------------------|--------|---------------|----------------|-----------|
|                                     | Foreign currency(*) |        | Exchange rate | Won equivalent |           |
| <b>Assets :</b>                     |                     |        |               |                |           |
|                                     | USD                 | 99     | 938.2         | (Won)          | 93,350    |
|                                     | JPY                 | 716    | 8.382         |                | 6,002     |
| Cash and cash equivalents           | EUR                 | 0.1    | 1,371.65      |                | 144       |
|                                     | PLN                 | 99     | 381.16        |                | 37,589    |
|                                     | SGD                 |        | 651.84        |                | 16        |
|                                     | MYR                 |        | 283.70        |                | 17        |
|                                     | USD                 | 2,313  | 938.2         |                | 2,170,106 |
| Trade accounts and notes receivable | JPY                 | 4,796  | 8.382         |                | 40,203    |
|                                     | EUR                 | 163    | 1,371.65      |                | 223,268   |
| Other accounts receivable           | USD                 | 114    | 938.2         |                | 106,882   |
|                                     | JPY                 | 30     | 8.382         |                | 254       |
| Prepaid value added tax             | PLN                 | 197    | 381.16        |                | 74,947    |
|                                     |                     |        |               | (Won)          | 2,752,778 |
| <b>Liabilities :</b>                |                     |        |               |                |           |
| Accounts payable                    | USD                 | 426    | 938.2         | (Won)          | 399,720   |
|                                     | JPY                 | 15,336 | 8.382         |                | 128,549   |
| Other accounts payable              | USD                 | 85     | 938.2         |                | 79,479    |
|                                     | JPY                 | 1,727  | 8.382         |                | 14,477    |
|                                     | EUR                 | 2      | 1,371.65      |                | 2,153     |
|                                     |                     |        |               | (Won)          | 624,378   |

(\*) PLN, SGD and MYR represent Poland Zloty, Singapore Dollar and Malaysia Ringgit, respectively.

17 Warranty Reserve

Changes in warranty reserve for the years ended December 31, 2008 and 2007 are as follows:

*(In millions of Won)*

|                  | Balance at the<br>beginning of the year | 2008     |          | Balance at the<br>end of the year |
|------------------|---|----------|----------|-----------------------------------|
|                  |   | Increase | Decrease |                                   |
| Warranty reserve | (Won) 49,295                            | 90,063   | (81,253) | 58,105                            |

*(In millions of Won)*

|                  | Balance at the<br>beginning of the year | 2007     |          | Balance at the<br>end of the year |
|------------------|---|----------|----------|-----------------------------------|
|                  |   | Increase | Decrease |                                   |
| Warranty reserve | (Won) 28,015                            | 72,058   | (50,778) | 49,295                            |

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LG DISPLAY CO., LTD.

**Notes to Non-Consolidated Financial Statements**

December 31, 2008 and 2007

18 **Commitments and Contingencies**

(a) Commitments

*Overdraft agreements and credit facility agreement*

As of December 31, 2008, the Company has bank overdraft agreements with Woori Bank and other various banks amounting to (Won)59,000 million in aggregate and there is no overdraft balance.

*Factoring and securitization of accounts receivable*

The Company has agreements with Korea Exchange Bank and other several banks for U.S. dollar denominated accounts receivable negotiating facilities of up to an aggregate of USD1,616.5 million. As of December 31, 2008, accounts and notes receivable amounting to USD478 million were sold that are current and outstanding.

In October 2006, LG Display America, Inc., LG Display Germany GmbH and LG Display Shanghai Co., Ltd. entered into a five-year accounts receivable selling program with Standard Chartered Bank on a revolving basis, of up to USD600 million. The Company joined this program in April 2007. For the year ended December 31, 2008, no accounts and notes receivable were sold.

*Letters of credit*

As of December 31, 2008, the Company has agreements with Korea Exchange Bank in relation to the opening of letters of credit up to (Won)20,000 million and USD35.5 million.

*Payment guarantees*

The Company receives payment guarantee from ABN AMRO Bank amounting to USD8.5 million relating to value added tax payments in Poland. As of December 31, 2008, the Company entered into a payment guarantee agreement with a syndicate of banks including Kookmin Bank and Societe Generale in connection with a EUR70 million term loan credit facility of LG Display Poland Sp. zo.o.

*License agreements*

As of December 31, 2008, in relation to its TFT-LCD business, the Company has technical license agreements with Hitachi, Ltd., and others and has a trademark license agreement with LG Corporation. The trademark license agreement with Koninklijke Philips Electronics N.V. has expired as of June 30, 2008.



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LG DISPLAY CO., LTD.

**Notes to Non-Consolidated Financial Statements**

December 31, 2008 and 2007

18 **Commitments and Contingencies. Continued**

(b) Contingencies

**Patent infringement lawsuit against Chi Mei Optoelectronics Corp. and others**

On December 1, 2006, the Company filed a complaint against Chi Mei Optoelectronics Corp. and AU Optronics Corp. alleging patent infringement related to liquid crystal display and manufacturing process for TFT-LCDs in the United States District Court for the District of Delaware. On March 8, 2007, AU Optronics Corp. countersued the Company in the United States District Court for the Western District of Wisconsin; however, the case was transferred to the United States District Court for the District of Delaware due to the Company's motion to transfer. On May 4, 2007, Chi Mei Optoelectronics Corp. countersued the Company for patent infringement in the United States District Court for the Eastern District of Texas; however, on March 31, 2008, the suit was transferred to the United States District Court for the District of Delaware according to the Company's motion to transfer. The Company is unable to predict the ultimate outcome of the above matters.

**Intervention in Positive Technologies, Inc.'s patent infringement lawsuit**

On April 14, 2006, Positive Technologies, Inc. filed a complaint in the United States District Court for the Eastern District of Texas against, among others, several of the Company's customers, including BenQ America Corp., Hitachi America Ltd., Panasonic Corp. of North America, Philips Electronics North America Corp. and Toshiba America, Inc. for alleged infringement of two of its patents relating to LCD displays. In March 2007, the Company was granted the intervention in the patent infringement case brought by Positive Technologies, Inc. On November 7, 2008, the Company settled with Positive Technologies, Inc., and the case was dismissed on December 12, 2008.

**Anvik Corporation's lawsuit for infringement of patent**

On February 2, 2007, Anvik Corporation filed a patent infringement case against the Company, along with other LCD manufacturing companies in the United States District Court for the Southern District of New York, in connection with the usage of photo-masking equipment manufactured by Nikon Corporation. The Company is unable to predict the ultimate outcome of this case.

**O2 Micro International Ltd.'s request for an investigation to US International Trade Commission**

On December 15, 2008, O2 Micro International Ltd. and O2 Micro, Inc. have requested the United States International Trade Commission (ITC) to commence a Trade Remedy Investigation alleging that the Company, LG Display America, Inc. and others have infringed their patents relating to LCD Displays. The Company is unable to predict the ultimate outcome of this case.

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**Notes to Non-Consolidated Financial Statements**

December 31, 2008 and 2007

18 **Commitments and Contingencies. Continued**

*Investigation and litigation filed by authorities in Korea, Japan, Canada, US and European Commission*

The Company and LG Display America, Inc. ( LGDUS ), the US subsidiary of the Company, were under investigation by U.S. Department of Justice ( DOJ ) with their role in conspiracies to fix prices in the sale of liquid crystal display (LCD) panels. In November 2008, the Company and LGDUS agreed to a plea agreement with DOJ and agreed to pay a fine of USD400 million over a five-year period.

As of December 31, 2008, the Company is under investigation by fair trade or antitrust authorities in Korea, Japan, Canada and European Commission with respect to possible anti-competitive activities in the LCD industry.

In 2006, the Company, along with a number of other firms in the LCD industry, has been named as defendants in class actions in the United States and Canada for alleged violation of the antitrust laws in connection with the sale of LCD panels to both direct and indirect purchaser plaintiffs, and the class actions in the United States were consolidated and transferred to the United States District Court for the Northern District of California. In February 2007, the Company and certain of its current and former officers and directors were named as defendants in a federal class action in the United States by the shareholders of the Company alleging violations of the U.S. Securities Exchange Act of 1934, as amended, by the Company and certain its officers and directors in connection with possible anti-competitive activities in the LCD industry.

Each of these investigations, legal proceedings and claims is ongoing and the outcome in any of these matters may have a negative effect on the Company's financial condition, results of operations or cash flows.

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LG DISPLAY CO., LTD.

**Notes to Non-Consolidated Financial Statements**

December 31, 2008 and 2007

19 Derivative Instruments

(a) Derivative instruments used by the Company for hedging purposes as of December 31, 2008 are as follows:

| Hedging purpose     | Derivative instrument   |
|---------------------|---|
| Hedge of fair value | Foreign currency forwards   |
| Hedge of cash flows | Foreign currency forwards(*)<br>Cross currency swap<br>Interest rate swap |

(\*) Effective October 1, 2008, the Company discontinued the designation of foreign currency forward contracts as a hedging instrument for hedge of future cash flows and ceased the use of hedge accounting.

(b) Hedge of fair value

The Company enters into foreign currency forward contracts to manage the exposure to changes in the value of foreign currency denominated accounts receivable and accounts payable in accordance with its foreign currency risk management policy. Hedge accounting is not applied related to the abovementioned derivatives.

(i) Foreign Currency Forwards

Details of foreign currency forwards outstanding as of December 31, 2008 are as follows:

*(In millions of Won and USD, except forward rate)*

| Bank                        | Maturity date                     | Selling | Buying       | Forward rate                            |
|-----------------------------|-----------------------------------|---------|--------------|---|
| BNP Paribas Bank and others | January 28, 2009~<br>May 18, 2009 | USD225  | (Won)306,738 | (Won)1,302.2~<br><br>(Won)1,419.1: USD1 |

(ii) Unrealized gains and losses related to the above derivatives as of December 31, 2008 are as follows:

*(In millions of Won)*

| Type                      | Unrealized gains | Unrealized losses |
|---------------------------|------------------|-------------------|
| Foreign Currency Forwards | (Won) 24,574     |                   |

The unrealized gains are charged to operations as gains on foreign currency translation for the year ended December 31, 2008.

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LG DISPLAY CO., LTD.

**Notes to Non-Consolidated Financial Statements**

December 31, 2008 and 2007

19 Derivative Instruments, Continued

## (c) Hedge of cash flows

The Company enters into foreign currency forward contracts to manage the exposure to changes in cash flows related to forecasted purchase of raw materials and sale of products in foreign currencies. In addition, the Company entered into cross currency swap and interest rate swap contracts to manage the exposure to changes in cash flows from changes in foreign currency exchange rates and interest rates related to floating rate notes. Details of the Company's derivative instruments related to hedge of cash flows as of December 31, 2008 are as follows:

## (i) Foreign Currency Forwards

Details of foreign currency forwards outstanding as of December 31, 2008 are as follows:

*(In millions of Won and USD, except forward rate)*

| Bank                        | Maturity date                         | Selling | Buying       | Forward rate                             |
|-----------------------------|---------------------------------------|---------|--------------|--|
| BNP Paribas Bank and others | January 20, 2009~<br>January 28, 2009 | USD20   | (Won) 21,024 | (Won)1,046.9~<br><br>(Won)1,055.5 : USD1 |

The Company discontinued the cash flow hedge accounting effective October 1, 2008 for foreign currency forwards. Losses from derivative contracts incurred before October 1, 2008 were recognized as accumulated other comprehensive income, net of tax and subsequent losses from changes in the fair value of derivative instruments amounting to (Won)1,517 million are recognized immediately in earnings.

Above mentioned contracts of derivatives were entered into before September 30, 2008, and are not past due as of December 31, 2008. There are no derivatives relating to cash flow hedge that are newly entered into after October 1, 2008.

The net unrealized losses, recorded under accumulated other comprehensive income, are expected to be recognized as realized gains and losses within the next twelve months.

## (ii) Cross Currency Swap

*(In millions of Won and USD, except forward rate)*

| Bank                    | Maturity date                        | Selling       | Buying            | Contract rate   |
|-------------------------|--------------------------------------|---------------|-------------------|---|
| Kookmin Bank and others | August 29, 2011~<br>January 31, 2012 |               | USD150            | Receive<br>floating rate<br><br>3M LIBOR~<br><br>3M LIBOR+0.53% |
|                         |                                      | (Won) 143,269 | Pay fixed<br>rate | 4.54%~5.35%   |

Net unrealized gains and losses, net of related taxes, were recorded as accumulated other comprehensive income.

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In relation to the abovementioned cross currency swap, unrealized losses amounting to (Won)5,804 million, recorded as accumulated other comprehensive income, are expected to be charged to operations as losses within the next twelve months.

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**Notes to Non-Consolidated Financial Statements**

December 31, 2008 and 2007

19 Derivative Instruments, Continued

(iii) Interest Rate Swap

*(In millions of USD, except forward rate)*

| Bank          | Maturity date | Contract amount | Contract rate         |               |
|---------------|---------------|-----------------|-----------------------|---------------|
| SC First Bank | May 21, 2009~ | USD150          | Receive floating rate | 6M LIBOR      |
|               | May 24, 2010  |                 | Pay fixed rate        | 5.375%~5.644% |

Net unrealized gains and losses, net of related taxes, were recorded as accumulated other comprehensive income.

In relation to the abovementioned interest rate swap, unrealized losses amounting to (Won)5,421 million, recorded as accumulated other comprehensive income, are expected to be charged to operations as losses within the next twelve months.

(iv) Unrealized gains and losses, before tax, related to hedge of cash flows as of December 31, 2008 are as follows:

*(In millions of Won)*

| Type                      | Unrealized gains | Unrealized losses | Cash flow hedge requirements |
|---------------------------|------------------|-------------------|------------------------------|
| Foreign currency forwards | (Won)            | 2,534             | Fulfilled                    |
| Cross currency swap(*)    |                  | 11,511            | Fulfilled                    |
| Interest rate swap        |                  | 8,017             | Fulfilled                    |

-

(\*) The unrealized gains amounting to (Won)47,895 million related to the foreign exchange rate risk are recognized as gains in the non-consolidated statement of income in the current period.

(d) Realized gains and losses related to derivative instruments for the year ended December 31, 2008 are as follows:

*(In millions of Won)*

| Hedge purpose    | Type                      | Transaction gains | Transaction losses |
|------------------|---------------------------|-------------------|--------------------|
| Cash flow hedge  | Cross currency swap       | (Won) 145         | 1,101              |
| Cash flow hedge  | Interest rate swap        |                   | 3,653              |
| Cash flow hedge  | Foreign currency forwards | 5,978             | 195,843            |
| Fair value hedge | Foreign currency forwards | 19,619            | 240,010            |

|                  |                       |       |        |
|------------------|-----------------------|-------|--------|
| Fair value hedge | Range forward options | 2,441 | 59,538 |
|------------------|-----------------------|-------|--------|

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LG DISPLAY CO., LTD.

**Notes to Non-Consolidated Financial Statements**

December 31, 2008 and 2007

**20 Capital Stock**

The Company is authorized to issue 500,000,000 shares of capital stock (par value (Won)5,000), and as of December 31, 2008, the number of issued common shares is 357,815,700.

There are no changes in the capital stock from January 1, 2007 to December 31, 2008.

**21 Capital Surplus**

Capital surplus as of December 31, 2008 and 2007 is as follows:

*(In millions of Won)*

| <b>Accounts</b>            | <b>2008</b>            | <b>2007</b>      |
|----------------------------|------------------------|------------------|
| Additional paid-in capital | (Won) 2,251,113        | 2,251,113        |
| Conversion rights (*)      | 59,958                 | 59,958           |
| <b>Total</b>               | <b>(Won) 2,311,071</b> | <b>2,311,071</b> |

-

(\*) Net of tax effects.

**22 Accumulated Other Comprehensive Income**

Accumulated other comprehensive income as of December 31, 2008 and 2007 is as follows:

*(In millions of Won)*

| <b>Accounts</b>   | <b>2008</b>          | <b>2007</b>  |
|---|----------------------|--------------|
| Unrealized gains on available-for-sale securities           | (Won) 25,934         | 20,222       |
| Changes in equity arising from application of equity method | 164,910              | 20,222       |
| Gain on valuation of derivative instruments                 |                      | 1,498        |
| Loss on valuation of derivative instruments                 | (16,906)             | (15,897)     |
| <b>Total</b>  | <b>(Won) 173,938</b> | <b>5,823</b> |



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LG DISPLAY CO., LTD.

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**23 Retained Earnings**

The Commercial Code of the Republic of Korea requires the Company to appropriate, as a legal reserve, an amount equal to a minimum of 10% of cash dividends paid until such reserve equals 50% of its issued capital stock. The reserve is not available for the payment of cash dividends, but may be transferred to capital stock or used to reduce accumulated deficit, if any, with the ratification of the Company's majority shareholders.

**24 Income Taxes**

(a) Income tax expense for the years ended December 31, 2008 and 2007 consists of :

| <i>(In millions of Won)</i>                                 | <b>2008</b>   | <b>2007</b> |
|---|---------------|-------------|
| Current income taxes  | (Won) 287,748 | 78,352      |
| Deferred income taxes from changes in temporary differences | (8,102)       | 6,949       |
| Deferred income taxes from changes in tax credit            | (18,088)      | (126,711)   |
| Deferred income taxes from changes in losses carryforward   |               | 248,493     |
| Deferred income taxes added to shareholders' equity         | (54,974)      | (5,548)     |
| Income tax expense  | (Won) 206,584 | 201,535     |

(b) The income tax expense calculated by applying statutory tax rates to the Company's taxable income for the year differs from the actual tax expense in the statement of income for the years ended December 31, 2008 and 2007 for the following reasons:

| <i>(In millions of Won)</i>                        | <b>2008</b>     | <b>2007</b> |
|--|-----------------|-------------|
| Income before income tax                           | (Won) 1,293,480 | 1,545,562   |
| Charge for income taxes at normal tax rates        | 355,676         | 425,016     |
| Adjustments  | (149,092)       | (223,481)   |
| Non-tax deductible expenses                        | 588             | 767         |
| Tax credits and deduction                          | (235,294)       | (66,015)    |
| Change in tax rates                                | 18,683          |             |
| Changes in unrealizable deferred income tax assets | 71,530          | (159,527)   |
| Others   | (4,599)         | 1,294       |
| Income tax expense                                 | (Won) 206,584   | 201,535     |
| Effective tax rate                                 | 15.97%          | 13.04%      |

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LG DISPLAY CO., LTD.

**Notes to Non-Consolidated Financial Statements**

December 31, 2008 and 2007

24 Income Taxes, Continued

(c) The tax effects of temporary differences, tax credit carryforwards and losses carryforwards that resulted in significant portions of deferred tax assets and liabilities at December 31, 2008 and 2007 are presented below:

(i) 2008

| <i>(In millions of Won)</i>  | <b>January 1,<br/>2008</b> | <b>Increase<br/>(decrease)</b> | <b>December 31,<br/>2008</b> |
|--|----------------------------|--------------------------------|------------------------------|
| Temporary differences:   |                            |                                |                              |
| Accrued income   | (Won) (14,055)             | (74,182)                       | (88,237)                     |
| Inventories  | 22,860                     | 73,735                         | 96,595                       |
| Change in fair value of available-for-sale securities                |                            | (33,248)                       | (33,248)                     |
| Equity method investments  | (24,320)                   | 284,054                        | 259,734                      |
| Changes in capital adjustment arising from equity method investments | (19,381)                   | (192,042)                      | (211,423)                    |
| Other current assets   | 15,561                     | (86,513)                       | (70,952)                     |
| Loss on valuation of derivative instruments                          | 21,927                     | 135                            | 22,062                       |
| Gain on valuation of derivative instruments                          | (2,066)                    | 2,066                          |                              |
| Property, plant and equipment  | 176,626                    | 11,243                         | 187,869                      |
| Warranty reserve and other reserves                                  | 49,295                     | 12,225                         | 61,520                       |
| Gain on foreign currency translation                                 |                            | (138,599)                      | (138,599)                    |
| Loss on foreign currency translation                                 |                            | 435,875                        | 435,875                      |
| Others   | 9,331                      | 34,856                         | 44,187                       |
| <b>Total</b>   | <b>235,778</b>             | <b>329,605</b>                 | <b>565,383</b>               |
| Tax credit carryforwards   | (Won) 448,522              | 20,098                         | 468,620                      |

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LG DISPLAY CO., LTD.

**Notes to Non-Consolidated Financial Statements**

December 31, 2008 and 2007

24 Income Taxes, Continued*(In millions of Won)*

|   | January 1,<br>2008 | Deferred tax assets (liabilities) |                      |          |                 |
|---|--------------------|-----------------------------------|----------------------|----------|-----------------|
|   |                    | Increase<br>(decrease)            | December 31,<br>2008 | Current  | Non-<br>Current |
| Accrued income  | (Won) (3,521)      | (17,832)                          | (21,353)             | (21,353) |                 |
| Inventories   | 5,726              | 17,650                            | 23,376               | 23,376   |                 |
| Change in fair value of available-for-sale securities                   |                    | (7,314)                           | (7,314)              |          | (7,314)         |
| Equity method investments   | (13,960)           | 7,514                             | (6,446)              |          | (6,446)         |
| Changes in capital adjustment arising from equity<br>method investments | 841                | (47,354)                          | (46,513)             |          | (46,513)        |
| Other current assets  | 3,898              | (21,068)                          | (17,170)             | (17,170) |                 |
| Loss on valuation of derivative instruments                             | 6,030              | (874)                             | 5,156                | 3,329    | 1,827           |
| Gain on valuation of derivative instruments                             | (568)              | 568                               |                      |          |                 |
| Property, plant and equipment   | 47,713             | (5,561)                           | 42,152               |          | 42,152          |
| Warranty reserve and other reserves                                     | 12,348             | 2,317                             | 14,665               | 12,444   | 2,221           |
| Gain on foreign currency translation                                    |                    | (33,541)                          | (33,541)             | (33,541) |                 |
| Loss on foreign currency translation                                    |                    | 105,482                           | 105,482              | 105,482  |                 |
| Others  | 2,155              | 8,115                             | 10,270               | 8,427    | 1,843           |
| Subtotal  | 60,662             | 8,102                             | 68,764               | 80,994   | (12,230)        |
| Tax credit carryforwards  | 403,670            | 18,088                            | 421,758              |          | 421,758         |
| Deferred income tax assets  | (Won) 464,332      | 26,190                            | 490,522              | 80,994   | 409,528         |

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**Notes to Non-Consolidated Financial Statements**

December 31, 2008 and 2007

24 **Income Taxes. Continued**

(ii) 2007

| <i>(In millions of Won)</i>  | <b>January 1,<br/>2007</b> | <b>Increase<br/>(decrease)</b> | <b>December 31,<br/>2007</b> |
|--|----------------------------|--------------------------------|------------------------------|
| Temporary differences:   |                            |                                |                              |
| Accrued income   | (Won) (829)                | (13,226)                       | (14,055)                     |
| Inventories  | 76,719                     | (53,859)                       | 22,860                       |
| Equity method investments  | (42,100)                   | 17,780                         | (24,320)                     |
| Changes in capital adjustment arising from equity method investments | 29,564                     | (48,945)                       | (19,381)                     |
| Other current liabilities  | 1,790                      | 13,771                         | 15,561                       |
| Loss on valuation of Derivative instruments                          | 16,305                     | 5,622                          | 21,927                       |
| Gain on valuation of Derivative instruments                          | (33,687)                   | 31,621                         | (2,066)                      |
| Property, plant and equipment  | 148,635                    | 27,991                         | 176,626                      |
| Warranty reserve and other reserves                                  | 28,015                     | 21,280                         | 49,295                       |
| Others   | 40,047                     | (30,716)                       | 9,331                        |
| Total  | 264,459                    | (28,681)                       | 235,778                      |
| Tax credit carryforwards   | 436,486                    | 12,036                         | 448,522                      |
| Losses carryforwards   | (Won) 903,610              | (903,610)                      |                              |

| <i>(In millions of Won)</i>  | <b>Deferred tax assets (liabilities)</b> |                                |                              |                |                    |
|--|--|--------------------------------|------------------------------|----------------|--------------------|
|  | <b>January 1,<br/>2007</b>               | <b>Increase<br/>(decrease)</b> | <b>December 31,<br/>2007</b> | <b>Current</b> | <b>Non-Current</b> |
| Accrued income   | (Won) (228)                              | (3,293)                        | (3,521)                      | (3,521)        |                    |
| Inventories  | 21,098                                   | (15,372)                       | 5,726                        | 5,726          |                    |
| Equity method investments  | (11,578)                                 | (2,382)                        | (13,960)                     |                | (13,960)           |
| Changes in capital adjustment arising from equity method investments | 3,014                                    | (2,173)                        | 841                          |                | 841                |
| Other Current liabilities  | 492                                      | 3,406                          | 3,898                        | 3,898          |                    |
| Loss on valuation of derivative instruments                          | 4,484                                    | 1,546                          | 6,030                        | 6,030          |                    |
| Gain on valuation of derivative instruments                          | (9,264)                                  | 8,696                          | (568)                        | (568)          |                    |
| Property, plant and equipment  | 40,875                                   | 6,838                          | 47,713                       |                | 47,713             |
| Warranty reserve and other reserves                                  | 7,704                                    | 4,644                          | 12,348                       | 12,348         |                    |
| Others   | 11,014                                   | (8,859)                        | 2,155                        | 14,231         | (12,076)           |
| Subtotal   | 67,611                                   | (6,949)                        | 60,662                       | 38,144         | 22,518             |
| Tax credit carryforwards   | 276,959                                  | 126,711                        | 403,670                      | 292,133        | 111,537            |
| Losses carryforwards   | 248,493                                  | (248,493)                      |                              |                |                    |

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|                            |               |           |         |         |         |
|----------------------------|---------------|-----------|---------|---------|---------|
| Deferred income tax assets | (Won) 593,063 | (128,731) | 464,332 | 330,277 | 134,055 |
|----------------------------|---------------|-----------|---------|---------|---------|

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LG DISPLAY CO., LTD.

**Notes to Non-Consolidated Financial Statements**

December 31, 2008 and 2007

24 **Income Taxes, Continued**

The tax credit carryforwards amounting to (Won)159,527, which were not recognized as deferred tax assets as of December 31, 2006, was recognized as the Company had determined it was probable that future profits would be available against which the Company could utilize the related benefit as of December 31, 2007.

(d) Amounts and maturity date of the item which are not recognized as deferred tax assets are as follows:

| <i>(In millions of Won)</i> | <b>2008</b>   | <b>2007</b> |
|-----------------------------|---------------|-------------|
| Equity method investments   | (Won) 406,156 | 26,259      |

As of December 31, 2008, the Company did not recognize temporary differences related to the loss in excess of equity method investments, as the possibility of realization of the deferred tax assets, through events such as disposal of the related investments in foreseeable future, is remote.

(e) Amounts which are not recognized as deferred tax liabilities are as follows:

| <i>(In millions of Won)</i>  | <b>2008</b>   | <b>2007</b> |
|--|---------------|-------------|
| Equity method investments  | (Won) 119,788 |             |
| Changes in capital adjustment arising from equity method investments |               | 22,442      |

As of December 31, 2008, the Company did not recognize deferred liabilities relating to temporary differences from retained earnings related to equity method on subsidiaries, considering the effect of credit for foreign taxes paid.

(f) Income tax expense that was directly charged or credited to accumulated other comprehensive income as of December 31, 2008 and 2007 are as follows:

| <i>(In millions of Won)</i>  | <b>2008</b>          | <b>2007</b>   |
|--|----------------------|---|
|  | <b>Amount</b>        | <b>Current<br/>income tax<br/>Deferred<br/>income tax</b> |
| Change in fair value of available-for-sale securities                | (Won) 33,248         | (7,314)   |
| Changes in capital adjustment arising from equity method investments | 192,042              | (47,354)  |
| Loss on valuation of derivative instruments                          | (135)                | (874)   |
| Gain on valuation of derivative instruments                          | (2,066)              | 568   |
| <b>Total</b>   | <b>(Won) 223,089</b> | <b>(54,974)</b>   |

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LG DISPLAY CO., LTD.

**Notes to Non-Consolidated Financial Statements**

December 31, 2008 and 2007

24 **Income Taxes, Continued***(In millions of Won)*

|  | <b>Amount</b>       | <b>2007<br/>Current<br/>income tax</b> | <b>Deferred<br/>income tax</b> |
|--|---------------------|--|--------------------------------|
| Changes in capital adjustment arising from equity method investments | (Won) 48,945        |  | (2,173)                        |
| Loss on valuation of derivative instruments                          | (5,622)             |  | 1,546                          |
| Gain on valuation of derivative instruments                          | (31,621)            |  | 8,696                          |
| Conversion rights  | 49,516              | (13,617)                               |                                |
| <b>Total</b>   | <b>(Won) 61,218</b> | <b>(13,617)</b>                        | <b>8,069</b>                   |

(g) As of December 31, 2008 and 2007 details of aggregate deferred tax assets and liabilities, income taxes payable and income tax refund receivable are as follows:

*(In millions of Won)*

|                          | <b>Current</b> | <b>2008<br/>Non-current</b> | <b>Total</b> |
|--------------------------|----------------|-----------------------------|--------------|
| Deferred tax assets      | (Won) 153,058  | 469,801                     | 622,859      |
| Deferred tax liabilities | 72,064         | 60,273                      | 132,337      |
| Income taxes payable     | 265,550        |                             | 265,550      |

*(In millions of Won)*

|                          | <b>Current</b> | <b>2007<br/>Non-current</b> | <b>Total</b> |
|--------------------------|----------------|-----------------------------|--------------|
| Deferred tax assets      | (Won) 334,366  | 160,091                     | 494,457      |
| Deferred tax liabilities | 4,089          | 26,036                      | 30,125       |
| Income taxes payable     | 72,342         |                             | 72,342       |

Statutory tax rate applicable to the Company is 27.5% for the years ended December 31, 2008 and 2007. Under the Foreign Investment Promotion Act of Korea, from September 1999, the Company had been entitled to an exemption from income taxes in proportion to the percentage of foreign equity for seven years following the registration of each foreign equity investment, and at one-half of that percentage for the subsequent three years. The effective tax rate, including adjustment for tax credits, tax exemption for foreign investment, and deferred income taxes applicable to the Company was approximately 15.97% in 2008.

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LG DISPLAY CO., LTD.

**Notes to Non-Consolidated Financial Statements**

December 31, 2008 and 2007

**25 Cost of Sales**

Details of cost of sales for the years ended December 31, 2008 and 2007 are as follows:

| <i>(In millions of Won)</i>         | <b>2008</b>      | <b>2007</b> |
|-------------------------------------|------------------|-------------|
| Finished goods                      | (Won) 13,422,008 | 12,054,909  |
| Beginning balance of finished goods | 310,975          | 256,002     |
| Cost of goods manufactured          | 13,397,240       | 12,109,882  |
| Ending balance of finished goods    | (286,207)        | (310,975)   |
| Merchandise                         | 185,254          |             |
| Others                              | 19,340           | 21,779      |
|                                     | (Won) 13,626,602 | 12,076,688  |

**26 Selling, General and Administrative Expenses**

Details of selling, general and administrative expenses for the years ended December 31, 2008 and 2007 are as follows:

| <i>(In millions of Won)</i> | <b>2008</b>   | <b>2007</b> |
|-----------------------------|---------------|-------------|
| Salaries                    | (Won) 86,433  | 83,665      |
| Severance benefits          | 9,184         | 8,480       |
| Other employee benefits     | 14,507        | 8,718       |
| Shipping cost               | 122,922       | 151,904     |
| Rent                        | 4,745         | 4,268       |
| Fees and commissions        | 84,708        | 71,183      |
| Entertainment               | 2,780         | 1,903       |
| Depreciation                | 8,657         | 7,071       |
| Taxes and dues              | 4,489         | 2,222       |
| Advertising                 | 48,905        | 30,377      |
| Sales promotion             | 24,005        | 18,117      |
| Development costs           | 6,610         | 3,218       |
| Research                    | 141,427       | 102,864     |
| Bad debt expenses           |               | 5,296       |
| SVC expenses                | 90,696        | 72,058      |
| Others                      | 52,264        | 23,964      |
|                             | (Won) 702,332 | 595,308     |



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LG DISPLAY CO., LTD.

**Notes to Non-Consolidated Financial Statements**

December 31, 2008 and 2007

27 **Earnings Per Share**

(a) Basic earnings per share for the years ended December 31, 2008 and 2007 are as follows:

*(In Won, except earnings per share and share information)*

|  | 2008                    | 2007              |
|--|-------------------------|-------------------|
| <b>Net income</b>                                    | (Won) 1,086,896,360,997 | 1,344,027,180,277 |
| Weighted-average number of common shares outstanding | 357,815,700             | 357,815,700       |
| <b>Earnings per share</b>                            | (Won) 3,038             | 3,756             |

There were no events or transactions that resulted in changes in the number of common shares used for calculating earnings per share.

(b) Diluted earnings per share for the years ended December 31, 2008 and 2007 are as follows:

*(In Won, except earnings per share and share information)*

|  | 2008                    | 2007              |
|--|-------------------------|-------------------|
| <b>Net income</b>  | (Won) 1,086,896,360,997 | 1,344,027,180,277 |
| Interest on convertible bond, net of tax   | 19,139,925,063          | 13,185,581,052    |
| <b>Adjusted income</b>   | 1,106,036,286,060       | 1,357,212,761,329 |
| Weighted-average number of common shares outstanding and common equivalent shares(*) | 368,346,462             | 365,212,337       |
| <b>Diluted earnings per share</b>  | (Won) 3,003             | 3,716             |

(\*) Weighted-average number of common shares outstanding is calculated as follows:

| <i>(In shares)</i>   | 2008        | 2007        |
|--|-------------|-------------|
| <b>Weighted-average number of common shares (basic)</b>                        | 357,815,700 | 357,815,700 |
| Effect of conversion of convertible bonds                                      | 10,530,762  | 7,396,637   |
| <b>Weighted-average number of common shares (diluted) at December 31, 2008</b> | 368,346,462 | 365,212,337 |

(c) The number of dilutive potential ordinary shares outstanding for the years ended December 31, 2008 and 2007 is calculated as follows:

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| <i>(In shares)</i>                        | <b>2008</b>        | <b>2007</b>        |
|---|--------------------|--------------------|
| Number of convertible bonds               | 10,530,762         | 10,464,234         |
| Period                                    | January 1, 2008 ~  | April 18, 2007 ~   |
|   | December 31, 2008  | December 31, 2007  |
| Weighted                                  | 366 days /366 days | 258 days /365 days |
| Effect of conversion of convertible bonds | 10,530,762         | 7,396,637          |

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LG DISPLAY CO., LTD.

**Notes to Non-Consolidated Financial Statements**

December 31, 2008 and 2007

28 Dividends

(a) The dividend payout ratios for the years ended December 31, 2008 and 2007 are as follows:

*(In millions of Won)*

|                       | 2008      | 2007      |
|-----------------------|-----------|-----------|
| Dividend amount       | 178,908   | 268,362   |
| Net income            | 1,086,896 | 1,344,027 |
| Dividend payout ratio | 16.46%    | 19.97%    |

(b) The dividend yield ratios for the years ended December 31, 2008 and 2007 are as follows:

*(In Won except Dividend yield ratio)*

|   | 2008   | 2007   |
|---|--------|--------|
| Dividend per share                            | 500    | 750    |
| Market price of a common share as of year end | 21,000 | 49,500 |
| Dividend yield ratio                          | 2.38%  | 1.52%  |

29 Share-Based Payments

(a) The terms and conditions of share-based payment arrangement as of December 31, 2008 are as follows:

|                                      | Descriptions   |
|--------------------------------------|--|
| Settlement method                    | Cash settlement  |
| Type of arrangement                  | Stock appreciation rights (granted to senior executives) |
| Date of grant                        | April 7, 2005  |
| Weighted-average exercise price (*1) | (Won)44,050  |
| Number of rights granted             | 450,000  |
| Number of rights forfeited (*2)      | 230,000  |
| Number of rights cancelled (*3)      | 110,000  |
| Number of rights outstanding         | 110,000  |
| Exercise period                      | From April 8, 2008 to April 7, 2012                      |
| Vesting conditions                   | Two years of service from the date of grant              |

(\*1) The exercise price at the grant date was (Won)44,260 per stock appreciation right ( SARs ). However, the exercise price was subsequently adjusted to (Won)44,050 due to additional issuance of common shares in 2005.

(\*2) SARs were forfeited in connection with senior executives who left the Company before meeting the vesting requirement.

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(\*3) If the appreciation of the Company's share price is equal or less than that of the Korea Composite Stock Price Index ( KOSPI ) over the three-year period following the grant date, only 50% of the outstanding SARs are exercisable. As the actual increase rate of the Company's share price for the three-year period ending April 7, 2008 was less than that of the KOSPI for the same three-year period, only 110,000 shares, 50% of the outstanding SARs as of December 31, 2008 are exercisable.

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**Notes to Non-Consolidated Financial Statements**

December 31, 2008 and 2007

29 Share-Based Payments, Continued

(b) The changes in the number of SARs outstanding for the years ended December 31, 2008 and 2007 are as follows:

*(Number of shares)*

|                              | <b>Stock appreciation rights</b> |             |
|------------------------------|----------------------------------|-------------|
|                              | <b>2008</b>                      | <b>2007</b> |
| Balance at beginning of year | 220,000                          | 260,000     |
| Forfeited or cancelled       | 110,000                          | 40,000      |
| Outstanding at end of year   | 110,000                          | 220,000     |
| Exercisable at end of year   | 110,000                          |             |

(c) The Company reversed accumulated stock compensation cost of (Won)560 million for the year ended December 31, 2008 as the market price of the Company's common share was less than the exercise price of a SAR.

30 Comprehensive Income

Comprehensive income for the years ended December 31, 2008 and 2007 is as follows:

| <i>(In millions of Won)</i>   | <b>2008</b>     | <b>2007</b> |
|---|-----------------|-------------|
| <b>Net income</b>   | (Won) 1,086,896 | 1,344,027   |
| Change in fair value of available-for-sale securities, net of tax effect of (Won)(7,314) million in 2008 and nil in 2007                        | 25,934          |             |
| Change in equity arising from application of equity method, net of tax effect of (Won)(47,354) million in 2008 and (Won)(2,173) million in 2007 | 144,688         | 46,772      |
| Gain on valuation of cash flow hedges, net of tax effect of (Won)568 million in 2008 and (Won)8,696 million in 2007                             | (1,498)         | (22,925)    |
| Loss on valuation of cash flow hedges, net of tax effect of (Won)(874) million in 2008 and (Won)1,546 million in 2007                           | (1,009)         | (4,076)     |
| <b>Comprehensive income</b>   | (Won) 1,255,011 | 1,363,798   |

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LG DISPLAY CO., LTD.

**Notes to Non-Consolidated Financial Statements**

December 31, 2008 and 2007

31 Value-Added Information

Value added information for the years ended December 31, 2008 and 2007 is as follows:

(i) 2008

| <i>(In millions of Won)</i> | <b>Cost of sales</b> | <b>Selling,<br/>general and<br/>administrative<br/>expense</b> | <b>Research and<br/>development<br/>expense(*1)</b> | <b>Construction-<br/>in-progress</b> | <b>Total</b> |
|-----------------------------|----------------------|--|---|--------------------------------------|--------------|
| Salaries and wages          | (Won) 642,857        | 89,634   | 54,595  | 21,305                               | 808,391      |
| Severance benefits          | 53,363               | 9,453  | 4,673   | 1,467                                | 68,956       |
| Other employee benefits     | 108,507              | 14,830   | 6,197   | 2,119                                | 131,653      |
| Rent                        | 12,275               | 4,756  | 446   |                                      | 17,477       |
| Depreciation(*2)            | 2,302,146            | 9,240  | 19,503  | 708                                  | 2,331,597    |
| Taxes and dues              | 8,643                | 4,489  | 170   |                                      | 13,302       |
|                             | (Won) 3,127,791      | 132,402  | 85,584  | 25,599                               | 3,371,376    |

(ii) 2007

| <i>In millions of Won</i> | <b>Cost of sales</b> | <b>Selling,<br/>general and<br/>administrative<br/>expense</b> | <b>Research and<br/>development<br/>expense(*1)</b> | <b>Construction-<br/>in-progress</b> | <b>Total</b> |
|---------------------------|----------------------|--|---|--------------------------------------|--------------|
| Salaries and wages        | (Won) 561,497        | 83,665   | 45,840  | 214                                  | 691,216      |
| Severance benefits        | 49,971               | 8,480  | 3,691   | 521                                  | 62,663       |
| Other employee benefits   | 87,003               | 8,718  | 4,932   | 9                                    | 100,662      |
| Rent                      | 2,761                | 4,268  | 522   |                                      | 7,551        |
| Depreciation(*2)          | 2,628,428            | 7,071  | 20,207  | 1,296                                | 2,657,002    |
| Taxes and dues            | 7,175                | 2,222  | 252   |                                      | 9,649        |
|                           | (Won) 3,336,835      | 114,424  | 75,444  | 2,040                                | 3,528,743    |

(\*1) Research and development expense includes amount allocated to cost of sales.

(\*2) Depreciation includes amortization of intangible assets.

32 Supplemental Cash Flow Information

Significant non-cash investing and financing activities for the years ended December 31, 2008 and 2007 are as follows:

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| <i>In millions of Won</i>  | <b>2008</b>     | <b>2007</b> |
|--|-----------------|-------------|
| Increase (decrease) in other accounts payable arising from purchase of property, plant and equipment | (Won) 1,265,519 | (556,005)   |

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LG DISPLAY CO., LTD.

**Notes to Non-Consolidated Financial Statements**

December 31, 2008 and 2007

**33 Segment Information**

(a) The Company manufactures and sells TFT-LCD and AM-OLED products. The segment of AM-OLED is not presented separately, as the sales of AM-OLED products are insignificant to total sales.

(b) The Company sells its products in domestic and foreign markets. Export sales represent approximately 93% of total sales for the year ended December 31, 2008. The following is a summary of sales by region based on the location of the customers for the years ended December 31, 2008 and 2007:

*In millions of Won*

|      | Domestic        | Taiwan    | Japan     | US        | China     | Europe    | Others    | Total      |
|------|-----------------|-----------|-----------|-----------|-----------|-----------|-----------|------------|
| 2008 | (Won) 1,063,742 | 3,523,766 | 1,548,890 | 2,194,250 | 2,971,396 | 2,732,894 | 1,830,302 | 15,865,240 |
| 2007 | (Won) 1,026,253 | 3,432,418 | 1,333,123 | 1,519,095 | 2,762,241 | 2,439,346 | 1,650,655 | 14,163,131 |

**34 Date of Authorization for Issue of Financial Statements**

The 2008 financial statements were authorized for issue on January 16, 2009, at the Board of Directors Meeting.

**35 Results of Operations for the Last Interim Period**

| <i>In millions of Won</i>            | 2008<br>4 <sup>th</sup> Quarter | 2007<br>4 <sup>th</sup> Quarter |
|--------------------------------------|---------------------------------|---------------------------------|
| Revenue                              | (Won) 3,722,702                 | 4,314,493                       |
| Operating income (loss)              | (432,934)                       | 880,903                         |
| Net income (loss) for the period     | (696,677)                       | 759,908                         |
| Earnings (losses) per share (in Won) | (1,947)                         | 2,124                           |

**36 Subsequent Event**

LG Display Singapore Pte. Ltd. was incorporated in Singapore on January 12, 2009, to sell TFT-LCD products. Its capital stock amounted to SGD1.4 million ((Won)1,250 million) and is wholly owned by the Company.

**37 Status of the Company's Adoption of Korean IFRS**

In March 2008, a task force was set up for the Company's adoption of the Korean International Financial Reporting Standards ( K-IFRS ) in 2010. The task force comprehensively analyzed differences in SKAS and K-IFRS in the Company's significant accounting policies and selected the



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accounting applicable to the Company by benchmarking application of IFRS of other companies. Material adjustments to accounting policies in adopting IFRS, compared to the current accounting policies, are believed to be with convertible bond and employee benefits, and the Company is currently in the process of evaluating the impacts of the adjustments.

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**Independent Accountants' Review Report on Internal Accounting Control System**

**English translation of a Report Originally Issued in Korean**

To the President of

LG Display Co., Ltd.:

We have reviewed the accompanying Report on the Operations of Internal Accounting Control System ( IACS ) of LG Display Co., Ltd. (the Company ) as of December 31, 2008. The Company's management is responsible for designing and maintaining effective IACS and for its assessment of the effectiveness of IACS. Our responsibility is to review management's assessment and issue a report based on our review. In the accompanying report of management's assessment of IACS, the Company's management stated: Based on the assessment on the operations of the IACS, the Company's IACS has been effectively designed and is operating as of December 31, 2008, in all material respects, in accordance with the IACS Framework issued by the Internal Accounting Control System Operation Committee.

We conducted our review in accordance with IACS Review Standards, issued by the Korean Institute of Certified Public Accountants. Those Standards require that we plan and perform the review to obtain assurance of a level less than that of an audit as to whether Report on the Operations of Internal Accounting Control System is free of material misstatement. Our review consists principally of obtaining an understanding of the Company's IACS, inquiries of company personnel about the details of the report, and tracing to related documents we considered necessary in the circumstances. We have not performed an audit and, accordingly, we do not express an audit opinion.

A company's IACS is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, however, IACS may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on our review, nothing has come to our attention that Report on the Operations of Internal Accounting Control System as of December 31, 2008 is not prepared in all material respects, in accordance with IACS Framework issued by the Internal Accounting Control System Operation Committee.

This report applies to the Company's IACS in existence as of December 31, 2008. We did not review the Company's IACS subsequent to December 31, 2008. This report has been prepared for Korean regulatory purposes, pursuant to the External Audit Law, and may not be appropriate for other purposes or for other users.

/s/ KPMG Samjong Accounting Corp.  
Seoul, Korea  
February 16, 2009

**Notice to Readers**

This report is annexed in relation to the audit of the non-consolidated financial statements as of and for the year ended December 31, 2008 and the review of internal accounting control system pursuant to Article 2-3 of the Act on External Audit for Stock Companies of the Republic of Korea.

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**Report on the operation of internal Control of Financial Reporting**

To the Board of Directors and Audit Committee of LG Display Co., Ltd

I, as the Internal Control over Financial Reporting ( ICFR ) Officer of LG Display ( the Company ), assessed the effectiveness of the design and operation of the Company s ICFR for the year ending December 31, 2008.

The Company s management, including myself, is responsible for designing and operating an ICFR. I assessed the design and operational effectiveness of the ICFR in the prevention and detection of an error or fraud which may cause a misstatement in the preparation and disclosure of reliable financial statements. I followed the Best Practice Guideline to evaluate the effectiveness of the ICFR design and operation.

Based on the assessment results, I believe that the Company s ICFR, as of December 31, 2008, is effectively designed and operating, in all material respects, in conformity with the Best Practice Guideline.

January 15, 2009

James (Hoyoung) Jeong

Internal Control over Financial Reporting Officer

Young Soo Kwon

Chief Executive Officer or President

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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: March 31, 2009

By: /s/ Kyeong Lae Lee

(Signature)

Name: Kyeong Lae Lee

Title: Senior Manager/Finance & Risk Management Department