

LG Display Co., Ltd.
Form 6-K
February 27, 2017
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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 February 2017

LG Display Co., Ltd.

(Translation of Registrant's name into English)

LG Twin Towers, 128 Yeoui-dearo, Youngdungpo-gu, Seoul 07336, 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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1. Name of external auditor: Samjong Accounting Corporation (KPMG)
2. Date of receiving external audit report: February 27, 2017
3. Auditor's opinion

Audit Report on Consolidated Financial Statements	FY 2016 Unqualified	FY 2015 Unqualified
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4. Financial Highlights of Consolidated Financial Statements

Items	FY 2016	FY 2015
Total Assets	24,884,336,178,373	22,577,160,382,698
Total Liabilities	11,421,947,749,091	9,872,205,188,475
Total Shareholders' Equity	13,462,388,429,269	12,704,955,194,226
Capital Stock	1,789,078,500,000	1,789,078,500,000
Revenues	26,504,073,995,307	28,383,883,974,604
Operating Income	1,311,415,548,952	1,625,566,151,157
Ordinary Income	1,316,234,427,423	1,433,981,627,738
Net Income	931,508,969,394	1,023,455,615,045
Total Shareholders' Equity / Capital Stock	752.0%	710.1%

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

Consolidated Financial Statements

For the Years Ended December 31, 2016 and 2015

(With Independent Auditors' Report Thereon)

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Independent Auditors Report

Based on a report originally issued in Korean

To the Board of Directors and Shareholders

LG Display Co., Ltd.:

We have audited the accompanying consolidated financial statements of LG Display Co., Ltd. and its subsidiaries (the Group) which comprise the consolidated statements of financial position of the Group as of December 31, 2016 and 2015, the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

Management s Responsibility for the Consolidated Financial Statements

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

Auditors Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Korean Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with K-IFRS.

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.

KPMG Samjong Accounting Corp.

Seoul, Korea

February 21, 2017

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This report is effective as of February 21, 2017, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Financial Position

As of December 31, 2016 and 2015

<i>(In millions of won)</i>	Note	December 31, 2016	December 31, 2015
Assets			
Cash and cash equivalents	6, 13	₩ 1,558,696	751,662
Deposits in banks	6, 13	1,163,750	1,772,337
Trade accounts and notes receivable, net	7, 13, 17, 19	4,957,993	4,097,836
Other accounts receivable, net	7, 13	143,592	105,815
Other current financial assets	8, 13	28,016	4,904
Inventories	9	2,287,785	2,351,669
Prepaid income taxes		592	3,469
Other current assets	7	343,762	443,942
Total current assets		10,484,186	9,531,634
Deposits in banks	6, 13	13	13
Investments in equity accounted investees	10	172,683	384,755
Other non-current financial assets	8, 13	74,633	49,732
Property, plant and equipment, net	11, 20	12,031,449	10,546,020
Intangible assets, net	12, 20	894,937	838,730
Deferred tax assets	28	867,011	930,629
Other non-current assets	7	359,424	295,647
Total non-current assets		14,400,150	13,045,526
Total assets		₩ 24,884,336	22,577,160
Liabilities			
Trade accounts and notes payable	13, 19	₩ 2,877,326	2,764,694
Current financial liabilities	13, 14	667,909	1,416,112
Other accounts payable	13	2,449,517	1,499,722
Accrued expenses		639,629	633,113
Income tax payable		257,082	91,726
Provisions	16	55,972	109,897
Advances received		61,818	51,127
Other current liabilities	16	48,966	40,321
Total current liabilities		7,058,219	6,606,712
Non-current financial liabilities	13, 14	4,111,333	2,808,204
Non-current provisions	16	8,155	11,817
Defined benefit liabilities, net	15	142,987	353,798

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Deferred tax liabilities	28	32,108	34,663
Other non-current liabilities	16	69,146	57,010
Total non-current liabilities		4,363,729	3,265,492
Total liabilities		11,421,948	9,872,204
Equity			
Share capital	18	1,789,079	1,789,079
Share premium		2,251,113	2,251,113
Retained earnings		9,004,283	8,158,526
Reserves	18	(88,478)	(5,766)
Total equity attributable to owners of the Controlling Company		12,955,997	12,192,952
Non-controlling interests		506,391	512,004
Total equity		13,462,388	12,704,956
Total liabilities and equity		₩ 24,884,336	22,577,160

See accompanying notes to the consolidated financial statements.

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2016 and 2015

<i>(In millions of won, except earnings per share)</i>	Note	2016	2015
Revenue	19, 20, 21	₩ 26,504,074	28,383,884
Cost of sales	9, 19	(22,754,270)	(24,069,572)
Gross profit		3,749,804	4,314,312
Selling expenses	23	(693,937)	(878,300)
Administrative expenses	23	(610,479)	(592,517)
Research and development expenses		(1,133,972)	(1,217,929)
Operating profit		1,311,416	1,625,566
Finance income	26	139,671	158,829
Finance costs	26	(266,186)	(316,229)
Other non-operating income	25	1,590,824	1,273,833
Other non-operating expenses	25	(1,467,831)	(1,326,782)
Equity in income of equity accounted investees, net	10	8,339	18,765
Profit before income tax		1,316,233	1,433,982
Income tax expense	27	(384,725)	(410,526)
Profit for the year		931,508	1,023,456
Other comprehensive income (loss)			
Items that will never be reclassified to profit or loss			
Remeasurements of net defined benefit liabilities	15,27	155,346	(110,257)
Other comprehensive income (loss) from associates and joint ventures		200	(607)
Related income tax	15,27	(37,594)	26,682
		117,952	(84,182)
Items that are or may be reclassified to profit or loss			
Net change in fair value of available-for-sale financial assets	26, 27	(77)	(288)
Foreign currency translation differences for foreign operations	26, 27	(90,503)	44,913
Other comprehensive income (loss) from associates and joint ventures	27	(5,416)	19,176
Related income tax	27	19	214
		(95,977)	64,015

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Other comprehensive income (loss) for the year, net of income tax		21,975	(20,167)
Total comprehensive income for the year	₩	953,483	1,003,289
Profit attributable to:			
Owners of the Controlling Company		906,713	966,553
Non-controlling interests		24,795	56,903
Profit for the year	₩	931,508	1,023,456
Total comprehensive income attributable to:			
Owners of the Controlling Company		941,953	940,448
Non-controlling interests		11,530	62,841
Total comprehensive income for the year	₩	953,483	1,003,289
Earnings per share (In won)			
Basic earnings per share	29	₩ 2,534	2,701
Diluted earnings per share	29	₩ 2,534	2,701

See accompanying notes to the consolidated financial statements.

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2016 and 2015

<i>(In millions of won)</i>	Attributable to owners of the Controlling Company					Non-controlling interests	Total equity
	Share capital	Share premium	Retained earnings	Reserves	Sub-total		
Balances at January 1, 2015	₩ 1,789,079	2,251,113	7,455,063	(63,843)	11,431,412	351,998	11,783,410
Total comprehensive income (loss) for the year							
Profit for the year			966,553		966,553	56,903	1,023,456
Other comprehensive income (loss)							
Net change in fair value of available-for-sale financial assets, net of tax				(218)	(218)		(218)
Remeasurements of net defined benefit liabilities, net of tax			(83,575)		(83,575)		(83,575)
Foreign currency translation differences for foreign operations, net of tax				39,119	39,119	5,938	45,057
Other comprehensive income (loss) from associates and joint ventures			(607)	19,176	18,569		18,569
Total other comprehensive income (loss)			(84,182)	58,077	(26,105)	5,938	(20,167)
Total comprehensive income for the year	₩		882,371	58,077	940,448	62,841	1,003,289

Transaction with owners, recognized directly in equity							
Dividends to equity holders			(178,908)		(178,908)		(178,908)
Subsidiaries dividends distributed to non-controlling interests					(5,743)		(5,743)
Capital contribution from non-controlling interests					102,908		102,908
Balances at December 31, 2015	₩ 1,789,079	2,251,113	8,158,526	(5,766)	12,192,952	512,004	12,704,956
Balances at January 1, 2016	₩ 1,789,079	2,251,113	8,158,526	(5,766)	12,192,952	512,004	12,704,956
Total comprehensive income (loss) for the year							
Profit for the year			906,713		906,713	24,795	931,508
Other comprehensive income (loss)							
Net change in fair value of available-for-sale financial assets, net of tax				(58)	(58)		(58)
Remeasurements of net defined benefit liabilities, net of tax			117,752		117,752		117,752
Foreign currency translation differences for foreign operations, net of tax				(77,238)	(77,238)	(13,265)	(90,503)
Other comprehensive income (loss) from associates and joint ventures			200	(5,416)	(5,216)		(5,216)
Total other comprehensive income (loss)			117,952	(82,712)	35,240	(13,265)	21,975

Total comprehensive income (loss) for the year	₩		1,024,665	(82,712)	941,953	11,530	953,483	
Transaction with owners, recognized directly in equity								
Dividends to equity holders			(178,908)		(178,908)		(178,908)	
Subsidiaries dividends distributed to non-controlling interests						(17,143)	(17,143)	
Balances at December 31, 2016								
	₩	1,789,079	2,251,113	9,004,283	(88,478)	12,955,997	506,391	13,462,388

See accompanying notes to the consolidated financial statements.

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2016 and 2015

<i>(In millions of won)</i>	Note	2016	2015
Cash flows from operating activities:			
Profit for the year		₩ 931,508	1,023,456
Adjustments for:			
Income tax expense	27	384,725	410,526
Depreciation	11, 22	2,643,445	2,969,394
Amortization of intangible assets	12, 22	378,126	406,462
Gain on foreign currency translation		(250,508)	(73,057)
Loss on foreign currency translation		161,897	80,084
Expenses related to defined benefit plans	15, 24	220,962	199,033
Gain on disposal of property, plant and equipment		(14,637)	(18,179)
Loss on disposal of property, plant and equipment		7,466	4,037
Impairment loss on property, plant and equipment		1,610	3,027
Loss on disposal of intangible assets		75	29
Impairment loss on intangible assets		138	239
Reversal of impairment loss on intangible assets			(80)
Finance income		(58,748)	(81,572)
Finance costs		187,931	222,699
Equity in income of equity method accounted investees, net	10	(8,339)	(18,765)
Other income		(15,546)	(12,454)
Other expenses		182,468	269,995
		3,821,065	4,361,418
Change in trade accounts and notes receivable		(553,775)	(1,060,718)
Change in other accounts receivable		62,981	38,411
Change in other current assets		126,616	87,130
Change in inventories		105,688	404,862
Change in other non-current assets		(126,256)	(78,859)
Change in trade accounts and notes payable		(114,977)	(670,565)
Change in other accounts payable		66,930	(459,730)
Change in accrued expenses		(16,431)	(66,071)
Change in other current liabilities		17,272	14,015
Change in other non-current liabilities		21,641	48,240
Change in provisions		(160,462)	(143,228)
Change in defined benefit liabilities, net		(276,459)	(279,672)
		(847,232)	(2,166,185)
Cash generated from operating activities		3,905,341	3,218,689

Income taxes paid	(187,816)	(414,007)
Interests received	48,911	58,860
Interests paid	(125,530)	(136,965)
Net cash provided by operating activities	₩ 3,640,906	2,726,577

See accompanying notes to the consolidated financial statements.

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows, Continued

For the years ended December 31, 2016 and 2015

<i>(In millions of won)</i>	Note	2016	2015
Cash flows from investing activities:			
Dividends received	₩	59,820	25,577
Proceeds from withdrawal of deposits in banks		3,293,398	2,306,672
Increase in deposits in banks		(2,684,810)	(2,544,114)
Acquisition of available-for-sale financial assets		(859)	(4,550)
Proceeds from disposal of available-for-sale financial assets		507	2,263
Acquisition of financial assets at fair value through profit or loss		(1,500)	
Acquisition of investments in equity accounted investees			(30,647)
Proceeds from disposal of investments in equity accounted investees		29,745	7,263
Acquisition of property, plant and equipment		(3,735,948)	(2,364,988)
Proceeds from disposal of property, plant and equipment		278,067	447,320
Acquisition of intangible assets		(405,167)	(294,638)
Proceeds from disposal of intangible assets		261	1,135
Government grants received		6,393	5,017
Proceeds from settlement of derivatives		4,008	(35)
Increase in short-term loans		(2,132)	
Proceeds from collection of short-term loans		8,202	
Increase in long-term loans		(32,498)	(16,516)
Decrease in deposits		2,436	
Increase in deposits		(9,105)	(1,595)
Acquisition of businesses, net of cash acquired			(270,093)
Net cash used in investing activities		(3,189,182)	(2,731,929)
Cash flows from financing activities:			
Proceeds from short-term borrowings		107,345	
Repayments of short-term borrowings			(223,626)
Proceeds from issuance of debentures		597,573	298,778
Proceeds from long-term debt		1,667,060	901,451
Repayments of long-term debt		(347,693)	(324,570)
Repayments of current portion of long-term debt and debentures		(1,520,287)	(744,788)
Subsidiaries dividends distributed to non-controlling interests		(17,143)	(5,743)
Capital contribution from non-controlling interests			102,908
Dividends paid		(178,908)	(178,908)
Net cash provided by (used in) financing activities		307,947	(174,498)

Net increase (decrease) in cash and cash equivalents	759,671	(179,850)
Cash and cash equivalents at January 1	751,662	889,839
Effect of exchange rate fluctuations on cash held	47,363	41,673
Cash and cash equivalents at December 31	₩ 1,558,696	751,662

See accompanying notes to the consolidated financial statements.

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

1. **Reporting Entity**

(a) **Description of the Controlling Company**

LG Display Co., Ltd. (the Controlling Company) was incorporated in February 1985 and the Controlling Company is a public corporation listed in the Korea Exchange since 2004. The main business of the Controlling Company and its subsidiaries (the Group) is to manufacture and sell displays and its related products. As of December 31, 2016, the Group is operating Thin Film Transistor Liquid Crystal Display (TFT-LCD) and Organic Light Emitting Diode (OLED) panel manufacturing plants in Gumi, Paju and China and TFT-LCD and OLED module manufacturing plants in Gumi, Paju, China and Poland. The Controlling Company is domiciled in the Republic of Korea with its address at 128 Yeouidae-ro, Yeongdeungpo-gu, Seoul, the Republic of Korea. As of December 31, 2016, LG Electronics Inc., a major shareholder of the Controlling Company, owns 37.9% (135,625,000 shares) of the Controlling Company's common stock.

The Controlling Company's common stock is listed on the Korea Exchange under the identifying code 034220. As of December 31, 2016, there are 357,815,700 shares of common stock outstanding. The Controlling Company's common stock is also listed on the New York Stock Exchange in the form of American Depositary Shares (ADSs) under the symbol LPL. One ADS represents one-half of one share of common stock. As of December 31, 2016, there are 27,797,140 ADSs outstanding.

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Notes to the Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

1. Reporting Entity, Continued(b) Consolidated Subsidiaries as of December 31, 2016*(In millions)*

Subsidiaries	Location	Percentage of ownership	Fiscal year end	Date of incorporation	Business	Capital stocks
LG Display America, Inc.	San Jose, U.S.A.	100%	December 31	September 24, 1999	Sell Display products	USD 411
LG Display Japan Co., Ltd.	Tokyo, Japan	100%	December 31	October 12, 1999	Sell Display products	JPY 95
LG Display Germany GmbH	Ratingen, Germany	100%	December 31	November 5, 1999	Sell Display products	EUR 1
LG Display Taiwan Co., Ltd.	Taipei, Taiwan	100%	December 31	April 12, 1999	Sell Display products	NTD 116
LG Display Nanjing Co., Ltd.(*1)	Nanjing, China	100%	December 31	July 15, 2002	Manufacture Display products	CNY 3,020
LG Display Shanghai Co., Ltd.	Shanghai, China	100%	December 31	January 16, 2003	Sell Display products	CNY 4
LG Display Poland Sp. z o.o.	Wroclaw, Poland	100%	December 31	September 6, 2005	Manufacture Display products	PLN 511
LG Display Guangzhou Co., Ltd.	Guangzhou, China	100%	December 31	June 30, 2006	Manufacture Display products	CNY 1,655
LG Display Shenzhen Co., Ltd.	Shenzhen, China	100%	December 31	August 28, 2007	Sell Display products	CNY 4
LG Display Singapore Pte. Ltd.	Singapore	100%	December 31	January 12, 2009	Sell Display products	USD 1.1
L&T Display Technology (Fujian) Limited	Fujian, China	51%	December 31	January 5, 2010	Manufacture and sell LCD module and LCD monitor sets	CNY 116
LG Display Yantai Co., Ltd.	Yantai, China	100%	December 31	April 19, 2010	Manufacture Display products	CNY 1,008
	Gumi,	100%	December 31			KRW 800

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Nanumnuri Co., Ltd.	South Korea			March 21, 2012	Janitorial services	
LG Display (China) Co., Ltd.(*2)	Guangzhou, China	70%	December 31	December 10, 2012	Manufacture and sell Display products	CNY 8,156
Unified Innovative Technology, LLC	Wilmington, U.S.A.	100%	December 31	March 12, 2014	Manage intellectual property	USD 9
LG Display Guangzhou Trading Co., Ltd.	Guangzhou, China	100%	December 31	April 28, 2015	Sell Display products	CNY 1.2
Global OLED Technology, LLC	Herndon, U.S.A.	100%	December 31	December 18, 2009	Manage OLED intellectual property	USD 138
LG Display Vietnam Haiphong Co., Ltd.(*3)	Haiphong, Vietnam	100%	December 31	May 5, 2016	Manufacture Display products	VND 2,187,870
Suzhou Lehui Display Co., Ltd.(*4)	Suzhou, China	100%	December 31	July 1, 2016	Manufacture and sell LCD module and LCD monitor sets	CNY 637

(*1) In December 2016, the Controlling Company contributed ₩13,979 million in cash for the capital increase of LG Display Nanjing Co., Ltd. (LGDNJ). There was no change in the Controlling Company's ownership percentage in LGDNJ as a result of this additional investment.

(*2) In October 2016, LG Display Guangzhou Co., Ltd. (LGDGZ) contributed ₩1,465 million in cash for the capital increase of LG Display (China) Co., Ltd. (LGDCA). The Group's ownership percentage in LGDCA increased from 70.00% to 70.03% as a result.

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Notes to the Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

1. Reporting Entity, Continued(b) Consolidated Subsidiaries as of December 31, 2016, Continued

(*3) In May 2016, the Controlling Company established LG Display Vietnam Haiphong Co., Ltd. to manufacture Display products. As of December 31, 2016, the Controlling Company has a 100% equity interest of this subsidiary and its capital stock amounts to ₩117,378 million.

(*4) In July 2016, Suzhou Raken Technology Co., Ltd., a joint venture of the Controlling Company and AmTRAN Technology Co., Ltd. (AmTRAN), split into Suzhou Raken Technology Co., Ltd. and Suzhou Lehui Display Co., Ltd. The Controlling Company acquired 100% equity interest in Suzhou Lehui Display Co., Ltd. and AmTRAN acquired 100% equity interest in Suzhou Raken Technology Co., Ltd., respectively, by exchanging equity interests (note 31).

As of December 31, 2016, LG Display U.S.A., Inc., a subsidiary of the Controlling Company, completed its voluntary liquidation.

₩349,977 million and ₩531,304 million, respectively, are attributable to the Controlling Company over the distributed dividends from consolidated subsidiaries for the years ended December 31, 2016 and 2015.

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

(In millions of won)

Subsidiaries	December 31, 2016			2016	
	Total assets	Total liabilities	Total shareholders equity	Sales	Net income (loss)
LG Display America, Inc.	₩ 1,956,963	1,939,225	17,738	10,616,003	8,888
LG Display Japan Co., Ltd.	275,902	271,356	4,546	1,841,304	2,148
LG Display Germany GmbH	635,597	630,225	5,372	1,956,743	2,060
LG Display Taiwan Co., Ltd.	603,406	591,555	11,851	1,683,349	3,350
LG Display Nanjing Co., Ltd.	729,928	90,116	639,812	447,544	43,068
LG Display Shanghai Co., Ltd.	778,951	764,890	14,061	1,543,986	5,881
LG Display Poland Sp. z o.o.	162,117	8,579	153,538	47,821	3,070
LG Display Guangzhou Co., Ltd.	2,094,388	1,282,653	811,735	2,517,322	211,874
LG Display Shenzhen Co., Ltd.	257,262	250,895	6,367	1,886,790	2,509
LG Display Singapore Pte. Ltd.	434,194	432,260	1,934	981,219	1,807
	374,698	300,695	74,003	1,327,560	18,289

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L&T Display Technology (Fujian) Limited					
LG Display Yantai Co., Ltd.	1,622,688	1,278,088	344,600	2,402,669	75,010
Nanumnuri Co., Ltd.	4,612	3,602	1,010	16,047	(355)
LG Display (China) Co., Ltd.	3,121,451	1,554,529	1,566,922	1,912,569	52,778
Unified Innovative Technology, LLC	7,497	18	7,479		(1,184)
LG Display Guangzhou Trading Co., Ltd.	158,183	157,588	595	424,919	206
Global OLED Technology, LLC	91,062	11,678	79,384	8,480	(6,446)
LG Display Vietnam Haiphong Co., Ltd.	163,535	46,156	117,379		(1,018)
Suzhou Lehui Display Co., Ltd.(*)	227,464	115,486	111,978	203,738	(8,236)
	₩ 13,699,898	9,729,594	3,970,304	29,818,063	413,699

(*) Revenue and profit of Suzhou Lehui Display Co., Ltd. for the year ended December 31, 2016 represents financial information subsequent to its acquisition date, July 1, 2016.

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Notes to the Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

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

Subsidiaries	December 31, 2015			2015	
	Total assets	Total liabilities	Total shareholders equity	Sales	Net income (loss)
LG Display America, Inc.	₩ 1,530,639	1,479,935	50,704	11,508,652	3,046
LG Display Japan Co., Ltd.	174,686	154,090	20,596	1,590,675	1,682
LG Display Germany GmbH	511,703	503,726	7,977	2,123,368	2,459
LG Display Taiwan Co., Ltd.	670,674	660,241	10,433	1,995,216	2,483
LG Display Nanjing Co., Ltd.	695,623	64,864	630,759	403,552	41,017
LG Display Shanghai Co., Ltd.	926,503	911,682	14,821	1,518,461	6,791
LG Display Poland Sp. z o.o.	167,491	10,117	157,374	64,228	4,405
LG Display Guangzhou Co., Ltd.	1,908,061	1,134,064	773,997	2,453,655	237,369
LG Display Shenzhen Co., Ltd.	266,804	261,145	5,659	1,829,569	2,897
LG Display Singapore Pte. Ltd.	169,790	169,668	122	1,111,372	1,994
L&T Display Technology (Fujian) Limited	355,249	283,643	71,606	1,280,286	20,010
LG Display Yantai Co., Ltd.	1,441,411	1,091,911	349,500	2,273,020	88,604
LG Display U.S.A., Inc.	333	22	311	235	2,993
Nanumnuri Co., Ltd.	3,199	1,834	1,365	11,360	103
LG Display (China) Co., Ltd.	2,678,341	1,090,259	1,588,082	1,654,680	127,654
Unified Innovative Technology, LLC	8,447	1	8,446		(1,225)
LG Display Guangzhou Trading Co., Ltd.	93,246	92,854	392	187,630	170
Global OLED Technology, LLC	89,329	5,753	83,576	4,882	(5,017)
	₩ 11,691,529	7,915,809	3,775,720	30,010,841	537,435

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Notes to the Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

1. Reporting Entity, Continued

(d) Associates as of December 31, 2016

(In millions of won)

Associates	Location	Percentage of ownership 2016 2015		Fiscal year end	Date of incorporation	Business	Carrying amount
Paju Electric Glass Co., Ltd.	Paju, South Korea	40%	40%	December 31	January 2005	Manufacture electric glass for FPDs	₩ 52,750
New Optics Ltd.	Yangju, South Korea	46%	46%	December 31	August 2005	Manufacture back light parts for TFT-LCDs	40,045
INVENIA Co., Ltd. (LIG INVENIA Co., Ltd.)(*1)	Seongnam, South Korea	13%	13%	December 31	January 2001	Develop and manufacture equipment for FPDs	2,450
WooRee E&L Co., Ltd.(*1) (*2)	Ansan, South Korea	14%	21%	December 31	June 2008	Manufacture LED back light unit packages	8,627
LB Gemini New Growth Fund No. 16(*3)	Seoul, South Korea	31%	31%	December 31	December 2009	Invest in small and middle sized companies and benefit from M&A opportunities	8,647
Can Yang Investments Limited (*1)	Hong Kong	9%	9%	December 31	January 2010	Develop, manufacture and sell LED parts	5,580
YAS Co., Ltd.(*1) (*4)	Paju, South Korea	18%	19%	December 31	April 2002	Develop and manufacture deposition equipment for OLEDs	9,883
Narenanotech Corporation	Yongin, South Korea	23%	23%	December 31	December 1995	Manufacture and sell FPD manufacturing equipment	23,717

AVATEC Co., Ltd.(*1)(*5)	Daegu, South Korea	17%	16%	December 31	August 2000	Process and sell electric glass for FPDs	20,984
Arctic Sentinel, Inc. (Fuhu, Inc.)(*1)	Los Angeles USA		10%	10%	March 31 2008	Develop and manufacture tablet for kids	
							₩ 172,683

(*1) Although the Controlling Company's share interests in INVENIA Co, Ltd., WooRee E&L Co., Ltd., Can Yang Investments Limited, YAS Co., Ltd., AVATEC Co., Ltd and Arctic Sentinel, Inc are below 20%, the Controlling Company is able to exercise significant influence through its right to appoint a director to the board of directors of each investee or the transactions between the Controlling Company and the investees are significant. Accordingly, the investments in these investees have been accounted for using the equity method.

(*2) In 2016, the Controlling Company's ownership percentage in WooRee E&L Co., Ltd. (WooRee E&L) decreased from 21% to 14% as the Controlling Company did not participate in the capital increase of WooRee E&L. The Controlling Company recognized an impairment loss of ₩6,137 million as finance cost for the difference between the carrying amount and the recoverable amount of investment in WooRee E&L.

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

1. **Reporting Entity, Continued**

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

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

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

In 2016, the Controlling Company disposed of the entire investments in TLI Inc. and AVACO Co., Ltd. for ₩7,839 million ₩16,756 million, respectively, and recognized ₩3,064 million ₩4,290 million, respectively, for the difference between the disposal amount and the carrying amount as finance income.

2. **Basis of Presenting Financial Statements**

(a) **Statement of Compliance**

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

The consolidated financial statements were authorized for issuance by the Board of Directors on January 23, 2017, which will be submitted for approval to the shareholders' meeting to be held on March 16, 2017.

(b) **Basis of Measurement**

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

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

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

(c) Functional and Presentation Currency

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

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

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

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

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

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

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

Classification of financial instruments (note 3.(d))

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

Recognition and measurement of provisions (note 3.(j), 16 and 17)

Net realizable value of inventories (note 9)

Measurement of defined benefit obligations (note 15)

Deferred tax assets and liabilities (note 28)

3. **Summary of Significant Accounting Policies**

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

(a) Consolidation

(i) Business Combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities in accordance with K-IFRS No. 1032 and K-IFRS No. 1039. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

3. Summary of Significant Accounting Policies, Continued

(a) Consolidation, Continued

(ii) Subsidiaries

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

(iii) Non-controlling interests

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

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

(iv) Loss of Control

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

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

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

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

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

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

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

3. Summary of Significant Accounting Policies, Continued

(a) Consolidation, Continued

(vi) Transactions eliminated on consolidation

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

(b) Foreign Currency Transactions and Translation

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

If the presentation currency of the Group is different from a foreign operation's functional currency, the financial position and financial performance of the foreign operation are translated into the presentation currency using the following methods. The assets and liabilities of foreign operations, whose functional currency is not the currency of a hyperinflationary economy, including goodwill and fair value adjustments arising on acquisition, are translated to the Group's functional currency at exchange rates at the reporting date. The income and expenses of foreign operations are translated to the Group's functional currency at exchange rates at the dates of the transactions. Foreign currency

differences are recognized in other comprehensive income. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

3. Summary of Significant Accounting Policies, Continued

(b) Foreign Currency Transactions and Translation, Continued

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

(c) Inventories

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

(d) Financial Instruments

(i) Non-derivative financial assets

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

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

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

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

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

3. Summary of Significant Accounting Policies, Continued

(d) Financial Instruments, Continued

(i) Non-derivative financial assets, Continued

Financial assets at fair value through profit or loss

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

Cash and cash equivalents

Cash and cash equivalents include all cash balances and short-term highly liquid investments with an original maturity of three months or less that are readily convertible into known amounts of cash.

Deposits in banks

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

Loans and receivables

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or that are not classified as financial assets at FVTPL, held-to-maturity financial assets or loans and receivables. The Group's investments in equity securities and certain debt securities are classified as available-for-sale financial assets.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognized in other comprehensive income and presented within equity in the fair value reserve. When an investment in available-for-sale financial assets is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

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

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

3. Summary of Significant Accounting Policies, Continued

(d) Financial Instruments, Continued

(ii) Non-derivative financial liabilities

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

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

Non-derivative financial liabilities other than financial liabilities classified as FVTPL are classified as other financial liabilities and measured initially at fair value minus transaction costs that are directly attributable to the issuance of financial liabilities. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. As of December 31, 2016, non-derivative financial liabilities comprise borrowings, bonds and others.

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

(iii) Share Capital

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

(iv) Derivative financial instruments

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

Hedge Accounting

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

On initial designation of the hedge, the Group's management formally designates and documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship, both at the inception of the hedge relationship as well as on an ongoing basis.

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

3. Summary of Significant Accounting Policies, Continued

(d) Financial Instruments, Continued

(iv) Derivative financial instruments, Continued

i) Fair value hedges

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

ii) Cash flow hedges

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

Embedded derivative

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

Other derivative financial instruments

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

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

3. Summary of Significant Accounting Policies, Continued

(e) Property, Plant and Equipment

(i) Recognition and measurement

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

Estimated useful lives of the assets are as follows:

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

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

(f) Borrowing Costs

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

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

3. Summary of Significant Accounting Policies, Continued

(g) Government Grants

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

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

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

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

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

(iii) Other government grants

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

(h) Intangible Assets

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

(i) Goodwill

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

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

3. Summary of Significant Accounting Policies, Continued

(h) Intangible Assets, Continued

(ii) Research and development

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

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

the technical feasibility of completing the intangible asset so that it will be available for use or sale,

its intention to complete the intangible asset and use or sell it,

its ability to use or sell the intangible asset,

how the intangible asset will generate probable future economic benefits. Among other things, the Group can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset,

the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset, and

its ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

(iii) Other intangible assets

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

(iv) Subsequent costs

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

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For the years ended December 31, 2016 and 2015

3. Summary of Significant Accounting Policies, Continued(h) Intangible Assets, Continued(v) Amortization

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

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

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

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

(i) Impairment(i) Financial assets

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

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

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

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For the years ended December 31, 2016 and 2015

3. Summary of Significant Accounting Policies, Continued

(i) Impairment, Continued

(i) Financial assets, Continued

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

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

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

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

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

In a subsequent period, for the financial assets recorded at fair value, if the fair value increases and the increase can be objectively related to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed. The amount of the reversal in financial assets carried at amortized cost and a debt instrument classified as available for sale is recognized in profit or loss. However, impairment loss recognized for an investment in an equity instrument classified as available-for-sale is reversed through other comprehensive income.

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

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For the years ended December 31, 2016 and 2015

3. Summary of Significant Accounting Policies, Continued

(i) Impairment, Continued

(ii) Non-financial assets

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

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

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

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

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

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For the years ended December 31, 2016 and 2015

3. Summary of Significant Accounting Policies, Continued

(j) Provisions

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

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

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

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

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

(k) Employee Benefits

(i) Short-term employee benefits

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

(ii) Other long-term employee benefits

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

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

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For the years ended December 31, 2016 and 2015

3. Summary of Significant Accounting Policies, Continued

(k) Employee Benefits, Continued

(iii) Defined contribution plan

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

(iv) Defined benefit plan

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

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

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

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

(l) Revenue

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of estimated returns, earned trade discounts, volume rebates and other cash incentives paid to customers. Revenue is recognized when persuasive evidence exists that the significant risks and rewards of ownership have been transferred to the buyer, generally on delivery and acceptance at the customers premises, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue when the sales are recognized. Sales taxes collected from customers and remitted to governmental authorities are accounted for on a net basis and therefore are excluded from revenues in the consolidated statements of comprehensive income.

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Notes to the Consolidated Financial Statements

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3. **Summary of Significant Accounting Policies, Continued**

(m) **Operating Segments**

An operating segment is a component of the Group that: 1) engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with other components of the group, 2) whose operating results are reviewed regularly by the Group's chief operating decision maker (CODM) in order to allocate resources and assess its performance, and 3) for which discrete financial information is available. Management has determined that the CODM of the Group is the Board of Directors. The CODM does not receive and therefore does not review discrete financial information for any component of the Group. Consequently, no operating segment information is included in these consolidated financial statements. Entity wide disclosures of geographic and product revenue information are provided in note 23 to these consolidated financial statements.

(n) **Finance Income and Finance Costs**

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

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

(o) **Income Tax**

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

(i) Current tax

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

and non-taxable or non-deductible items from the accounting profit.

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

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For the years ended December 31, 2016 and 2015

3. Summary of Significant Accounting Policies, Continued

(o) Income Tax, Continued

(ii) Deferred tax

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

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

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

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

(p) Earnings Per Share

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

effects of all dilutive potential common stocks such as convertible bonds and others.

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

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For the years ended December 31, 2016 and 2015

3. Summary of Significant Accounting Policies, Continued

(q) Change in Accounting Policies

The Group has consistently applied the accounting policies to the consolidated financial statements for 2016 and 2015 except for the new amendment effective for annual periods beginning on or after January 1, 2016 as mentioned below.

(i) K-IFRS No. 1001, *Presentation of Financial Statements*

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

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

The Group retrospectively adopted this change in accounting policy and restated the comparative consolidated statements of comprehensive income (loss) and changes in equity for the year ended December 31, 2015.

(r) New Standards and Amendments Not Yet Adopted

The following new standards and amendments to existing standards have been published and are mandatory for the Group for annual periods beginning on or after January 1, 2016, and the Group has not early adopted them.

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

K-IFRS No. 1109, *Financial Instruments*, published on September 25, 2015 which will replace the K-IFRS No. 1039, *Financial Instruments: Recognition and Measurement*, is effective for annual periods January 1, 2018, with early adoption permitted. The Group plans to adopt K-IFRS No. 1109 in its consolidated financial statements for annual periods beginning on January 1, 2018.

Adoption of K-IFRS No. 1109 will generally be applied retrospectively, except as described below.

Advantage of exemption allowing the Group not to restate comparative information for prior periods with respect to classification, measurement and impairment changes.

Prospective application of new hedge accounting except for those specified in K-IFRS No. 1109 for retrospective application such as accounting for the time value of options and others.

Key features of K-IFRS No. 1109 are a) new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics, b) impairment model based on changes in expected credit losses, and c) new approach to hedge qualification and methods for assessing hedge effectiveness.

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Notes to the Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

3. Summary of Significant Accounting Policies, Continued**(r) New Standards and Amendments Not Yet Adopted, Continued**

Adoption of K-IFRS No. 1109 necessitates the assessment on the potential impact on the Group's consolidated financial statements resulting from the application of new standards, revision of its accounting process and internal controls related to reporting financial instruments. The quantitative impact of adopting K-IFRS No. 1109 on the Group's consolidated financial statements in 2018 is not known and cannot be reliably estimated because it will be dependent on the financial instruments that the Group holds and economic conditions at that time as well as accounting elections and judgments that it will make in the future.

The Group plans to assess the impacts of adoption of K-IFRS No. 1109 on its consolidated financial statements, the accounting system and the internal controls in 2017. The Group plans to finalize assessing the financial impact of the adoption of K-IFRS No. 1109 by September 30, 2017 and disclose the results in its consolidated financial statements for the year ending December 31, 2017. The potential general impact on its consolidated financial statements resulting from the application of new standards are as follows:

Classification and Measurement of Financial Assets

K-IFRS No. 1109 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL), based on the business model in which assets are managed and their cash flow characteristics. However, derivatives embedded in contracts where the host is a financial assets in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Business model assessment	Contractual cash flow characteristics	
	Solely payments of principal and interest	Others
Hold to collect contractual cash flows	Amortized cost (*1)	FVTPL (*2)
Hold to collect contractual cash flows and sell financial assets	FVOCI	
Hold to sell financial assets and others	FVTPL	

(*1) The Group may irrevocably designate a financial asset as measured at FVTPL using the fair value option at initial recognition if doing so eliminates or significantly reduces accounting mismatch.

(*2) The Group may irrevocably designate an equity investment that is not held for trading as measured at FVOCI using the fair value option.

The requirements to classify financial assets as amortized cost or FVOCI under K-IFRS No. 1109 are more restrictive than them under K-IFRS No. 1039. Accordingly, increase in proportion of financial assets classified as FVTPL may result in increase of volatility in profit or loss of the Group. As of December 31, 2016, the Group recognized ₩7,917,073 million of loans and receivable, ₩7,993 million of available-for-sale financial assets and ₩1,382 million of financial assets at fair value through profit or loss.

A debt investment is measured at amortized cost if it meets both of the following conditions:

The asset is held within a business model whose objective is achieved by collecting contractual cash flows; and

The contractual terms of the financial asset give rise on specified dates to cash flow that are solely payments of principal and interest on the principal amount outstanding.

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

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For the years ended December 31, 2016 and 2015

3. Summary of Significant Accounting Policies, Continued

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

As of December 31, 2016, the Group recognized ₩7,917,073 million of loans and receivables and ₩154 million of debt instruments classified as available-for-sale financial assets and measured at amortized cost.

A debt investment is measured at FVOCI if it meets both of the following conditions:

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

The contractual terms of the financial asset give rise on specified dates to cash flow that are solely payments of principal and interest on the principal amount outstanding.

Equity investment that are not held for trading may be irrevocably designated as FVOCI on initial recognition and they are not subsequently recycled to profit or loss. As of December 31, 2016, the Group recognized ₩7,839 million of equity investment classified as available-for-sale financial assets.

A financial asset is measured at FVTPL, if:

The asset's contractual cash flows do not represent solely payments of principal and interest on the principal amount outstanding;

Debt instrument is held for trading; or

Equity instrument is not designated as FVOCI.

As of December 31, 2016, the Group recognized ₩1,382 million of debt instrument classified as FVTPL.

Classification and Measurement of Financial Liabilities

Under K-IFRS No. 1109, the amount of change in the fair value of liabilities designated as at FVTPL that is attributable to changes in the credit risk of the liability is not presented in the item of profit or loss, but in OCI and they are not subsequently recycled to profit or loss. However, if accounting mismatch is created or enlarged as a result of this accounting treatment, the amount of change in the credit risk of the financial liabilities is also recognized as profit or loss.

Adoption of K-IFRS No. 1109 may result in decrease of profit or loss in relation to evaluation of financial liabilities as some of change in the fair value of financial liabilities designated as at FVTPL is presented in OCI.

Impairment: Financial assets and contract assets

Impairment loss is recognized if there is any objective evidence that a financial asset or group of financial asset is impaired according to incurred loss model under K-IFRS No. 1039. However, K-IFRS No. 1109 replaces the incurred loss model in K-IFRS No. 1039 with an expected credit loss impairment model which applies to debt instruments measured at amortized cost or at fair value through other comprehensive income, lease receivable, loan commitments and financial guarantee contracts.

Under K-IFRS No. 1109, loss allowance is classified into three stages below in accordance with increase of credit risk after initial recognition of financial assets and measured on the 12-month expected credit loss (ECL) or lifetime ECL basis. Under K-IFRS No. 1109, credit losses are recognized earlier than that under K-IFRS 1039.

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3. Summary of Significant Accounting Policies, Continued(r) New Standards and Amendments Not Yet Adopted, Continued

	Classification	Loss allowances
Stage 1	No significant increase in credit risk since initial recognition	12-month expected credit losses: the expected credit losses that result from default events that are possible within 12 months after the reporting date.
Stage 2	Significant increase in credit risk since initial recognition	Lifetime expected credit losses: the expected credit losses that result from all possible default events over the expected life of the financial instrument.
Stage 3	Objective evidence of credit risk impairment	

Under K-IFRS No. 1109, cumulative change in lifetime expected credit loss since initial recognition is recognized as a loss allowance for financial asset, if it was credit-impaired at initial recognition. As of December 31, 2016, the Group recognized ₩2,604 million of loss allowances for ₩7,919,831 million of debt instrument measured at amortized cost such as loans, receivables and debt instrument classified available-for-sale financial asset.

Hedge accounting

K-IFRS No. 1109 maintains mechanics of hedge accounting including fair value hedges, cash flow hedges and hedges of a net investment in a foreign operation while replacing complex and regulation based requirements of hedge accounting in K-IFRS No. 1039 with principle based method for assessing hedge effectiveness by focusing on the risk management strategy of the Group. K-IFRS No. 1109 enlarges the risk management objectives and strategy and mitigates hedge accounting requirements including elimination of assessment to determine if it actually to have been highly effective throughout the financial reporting periods for which the hedge was designated and quantified guidance (80-125 percent).

By complying with the hedging rules in K-IFRS 1109, the Group can apply hedge accounting for transactions that do not meet the hedging criteria under K-IFRS 1039 thereby reducing volatility in the profit or loss.

When initially applying K-IFRS 1109, the Group may choose as its accounting policy to continue to apply hedge accounting requirements under K-IFRS 1039 instead of the requirements in K-IFRS 1109.

(ii) K-IFRS No. 1115, Revenue from contracts with customers

K-IFRS No. 1115, *Revenue from contracts with customers*, published on November 6, 2015 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. K-IFRS No. 1115 replaces existing revenue recognition guidance, including K-IFRS No. 1018 Revenue, K-IFRS No. 1011, *Construction Contracts*, K-IFRS No. 2031, *Revenue: Barter Transactions Involving Advertising Services*, K-IFRS No. 2113, *Customer Loyalty Programmes*, K-IFRS No. 2115, *Agreements for the Construction of Real Estate* and K-IFRS No. 2118, *Transfers of Assets from Customers*. The Group plans to adopt K-IFRS No. 1115 in its consolidated financial statements for annual periods beginning on January 1, 2018, using the retrospective approach. As a result, the Group also will apply retrospective approach for the comparative periods presented in its consolidated financial statements in accordance with K-IFRS No. 1008, *Accounting Policies, Changes in Accounting Estimates and Errors*. The Group plans to use the practical expedients for completed contracts as of January 1, 2017 and accordingly the revenue in connection with those contracts will not be restated.

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3. Summary of Significant Accounting Policies, Continued

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

Revenue recognition criteria in K-IFRS No. 1018 are applied separately to each transaction including sale of goods, rendering of services, interest, royalties, dividends and construction contracts. However, K-IFRS No. 1115 establishes a single new revenue recognition standard for contracts with customers and introduces a five-step model for determining whether, how much and when revenue is recognized.

The steps in five-step model are as follows:

- a) Identify the contract with a customer.
- b) Identify the performance obligations in the contract.
- c) Determine the transaction price.
- d) Allocate the transaction price to the performance obligations in the contract.
- e) Recognize revenue when (or as) the entity satisfies a performance obligation.

The Group plans to assess the impacts of adoption of K-IFRS No. 1115 on its consolidated financial statements, the accounting system and the internal controls in 2017. The Group plans to finalize assessing the financial impact of the adoption of K-IFRS No. 1115 by September 2017 and disclose the results in its consolidated financial statements for the year ended December 31, 2017. The potential general impact on its consolidated financial statements resulting from the application of the new standard is as follows:

Variable Consideration

The consideration received from customers may be variable as the Group allows its customers to return their products, if any fault, according to the contracts. The Group shall estimate an amount of variable consideration by using the expected value or the most likely amount, depending on which method the entity expects to better predict the amount of consideration to which it will be entitled and include in the transaction price some or all of an amount of variable consideration estimated only to the extent that is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when return period expires. The Group shall recognize refund liability measured at the amount of consideration received (or receivable) to which the Group does not expect to be entitled. Management believes that the adoption of the amendment is expected to have no significant impact on the consolidated statement of financial position of the Group.

(iii) K-IFRS No. 1007, *Statement of Cash Flows*

The amendment to K-IFRS No. 1007, *Statement of Cash Flows*, is part of the disclosure initiative to improve presentation and disclosure in financial statements and requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes due to cash flows and non-cash changes such as changes from financing cash flows, changes arising from obtaining or losing control of subsidiaries or other businesses, the effect of changes in foreign exchange rates and changes in fair value and other changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after January 1, 2017, with early application permitted. Management plans to include additional required disclosures in its consolidated financial statements for the year ending December 31, 2017 in accordance with the amendment to K-IFRS No. 1007.

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3. Summary of Significant Accounting Policies, Continued

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

(iv) K-IFRS No. 1012, *Income Taxes*

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in the opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. These amendments are effective for annual periods beginning on or after January 1, 2017 with early application permitted. Management believes that the adoption of the amendment is expected to have no significant impact on the consolidated statement of financial position of the Group.

4. Determination of Fair Value

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

(a) Current Assets and Liabilities

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

(b) Trade Receivables and Other Receivables

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

(c) Investments in Equity and Debt Securities

The fair value of marketable available-for-sale financial assets is determined by reference to their quoted closing bid price at the reporting date. The fair value of non-marketable securities is determined using valuation methods.

(d) Non-derivative Financial Liabilities

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

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5. **Risk Management**

(a) **Financial Risk Management**

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

(i) Credit risk

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

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

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

The Group does not establish allowances for receivables under insurance or receivables from customers with a high credit rating. For the rest of the receivables, the Group establishes an allowance for impairment of trade and other receivables that have been individually or collectively evaluated for impairment and estimated on the basis of historical loss experience for assets.

(ii) Liquidity risk

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

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

(iii) Market risk

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

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For the years ended December 31, 2016 and 2015

5. **Risk Management**

(a) Financial Risk Management

Currency risk

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

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

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

Interest rate risk

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

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For the years ended December 31, 2016 and 2015

5. Risk Management, Continued**(b) Capital Management**

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

(In millions of won)

	December 31, 2016	December 31, 2015
Total liabilities	₩ 11,421,948	9,872,204
Total equity	13,462,388	12,704,956
Cash and deposits in banks (*1)	2,722,446	2,523,999
Borrowings (including bonds)	4,778,770	4,224,231
Total liabilities to equity ratio	85%	78%
Net borrowings to equity ratio (*2)	15%	13%

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

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

6. Cash and Cash Equivalents and Deposits in Banks

Cash and cash equivalents and deposits in banks at the reporting date are as follows:

(In millions of won)

	December 31, 2016	December 31, 2015
Current assets		
Cash and cash equivalents		
Demand deposits	₩ 1,558,696	751,662
Deposits in banks		
Time deposits	₩ 1,091,364	1,701,837
Restricted cash (*)	72,386	70,500

	₩	1,163,750	1,772,337
Non-current assets			
Deposits in banks			
Restricted cash (*)	₩	13	13
	₩	2,722,459	2,524,012

(*) Restricted cash includes mutual growth fund amounting to ₩70,500 million to aid LG Group's second and third-tier suppliers, pledge amounting to ₩1,886 million to enforce investment plans according to the receipt of subsidies from Gumi city and Gyeongsangbuk-do and others.

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For the years ended December 31, 2016 and 2015

7. Receivables and Other Current Assets

(a) Trade accounts and notes receivable at the reporting date are as follows:

(In millions of won)

	December 31, 2016	December 31, 2015
Trade, net	₩ 3,916,171	3,008,123
Due from related parties	1,041,822	1,089,713
	₩ 4,957,993	4,097,836

(b) Other accounts receivable at the reporting date are as follows:

(In millions of won)

	December 31, 2016	December 31, 2015
Current assets		
Non-trade receivable, net	₩ 134,161	89,792
Accrued income	9,431	16,023
	₩ 143,592	105,815

Due from related parties included in other accounts receivable, as of December 31, 2016 and 2015 are ₩5,231 million and ₩2,526 million, respectively.

(c) Other assets at the reporting date are as follows:

(In millions of won)

	December 31, 2016	December 31, 2015
Current assets		
Advance payments	₩ 9,297	11,465
Prepaid expenses	74,657	59,962
Value added tax refundable	259,808	372,515
	₩ 343,762	443,942

Non-current assets

Long-term prepaid expenses	₩	358,424	293,847
Long-term advanced payment		1,000	1,800
	₩	359,424	295,647

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8. Other Financial Assets

(a) Other financial assets at the reporting date are as follows:

<i>(In millions of won)</i>	December 31, 2016	December 31, 2015
Current assets		
Available-for-sale financial assets	₩	558
Deposits	20,320	1,295
Short-term loans	7,696	3,051
	₩	28,016
		4,904
Non-current assets		
Financial asset at fair value through profit or loss	₩	1,382
Available-for-sale financial assets	7,993	10,840
Deposits	27,635	20,939
Long-term loans	34,760	12,805
Long-term non-trade receivable	2,619	5,148
Derivatives	244	
	₩	74,633
		49,732

Other financial assets of related parties as of December 31, 2016 and 2015 are ₩3,488 million and ₩2,683 million, respectively.

(b) Available-for-sale financial assets at the reporting date are as follows:

<i>(In millions of won)</i>	December 31, 2016	December 31, 2015
Current assets		
Debt securities		
Government bonds	₩	558
Non-current assets		
Debt securities		
Government bonds	₩	151

Equity securities			
Intellectual Discovery, Ltd.	₩	729	2,673
Kyulux, Inc.		3,266	3,266
Henghao Technology Co., Ltd.		1,559	3,372
ARCH Venture Fund Vill, L.P.		2,285	1,378
	₩	7,839	10,689
	₩	7,993	11,398

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For the years ended December 31, 2016 and 2015

9. Inventories

Inventories at the reporting date are as follows:

<i>(In millions of won)</i>	December 31, 2016	December 31, 2015
Finished goods	₩ 930,818	910,844
Work-in-process	685,913	720,221
Raw materials	354,791	389,442
Supplies	316,263	331,162
	₩ 2,287,785	2,351,669

For the years ended December 31, 2016 and 2015, the amount of inventories recognized as cost of sales, inventory write-downs and reversal and usage of inventory write-downs included in cost of sales are as follows:

<i>(In millions of won)</i>	2016	2015
Inventories recognized as cost of sales	₩ 22,754,270	24,069,572
Including: inventory write-downs	204,123	363,755
Including: reversal and usage of inventory write-downs	(363,755)	(332,699)

There were no significant reversals of inventory write-downs recognized during 2016 and 2015.

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For the years ended December 31, 2016 and 2015

10. Investments in Equity Accounted Investees

(a) Investments in equity accounted investees consist of the following:

(in millions of won)

Company	Carrying value	
	December 31, 2016	December 31, 2015
Suzhou Raken Technology Co., Ltd.(*1)	₩	145,731
Paju Electric Glass Co., Ltd.	52,750	58,852
TLI Inc.		5,351
AVACO Co., Ltd.		12,758
New Optics Ltd.	40,045	48,491
INVENIA Co., Ltd.		
(Formerly, LIG INVENIA Co., Ltd.)(*2)	2,450	1,827
WooRee E&L Co. Ltd (*2)	8,627	25,021
LB Gemini New Growth Fund No.16	8,647	24,268
Can Yang Investments Limited	5,580	7,384
YAS Co., Ltd.	9,883	10,607
Narenanotech Corporation	23,717	24,661
AVATEC Co., Ltd.(*2)	20,984	19,804
Arctic Sentinel, Inc. (Formerly, Fuhu, Inc.)		
	₩ 172,683	384,755

(*1) In July 2016, Suzhou Raken Technology Co., Ltd., a joint venture of the Controlling Company and AmTRAN Technology Co., Ltd. (AmTRAN), split into Suzhou Raken Technology Co., Ltd. and Suzhou Lehui Display Co., Ltd. The Controlling Company acquired 100% equity interest in Suzhou Lehui Display Co., Ltd. and recognized gain on disposal of its investments in the investee at the time of acquisition (note 31).

(*2) Based on quoted market prices at December 31, 2016, the fair values of the investments in INVENIA Co., Ltd., WooRee E&L Co., Ltd. and AVATEC Co., Ltd., which are listed companies on the Korea Securities Dealers Automated Quotations, are ₩17,040 million, ₩10,064 million and ₩17,490 million, respectively.

Dividends received from equity accounted investees for the years ended December 31, 2016 and 2015 amounted to ₩59,820 million and ₩25,577 million, respectively.

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For the years ended December 31, 2016 and 2015

10. Investments in Equity Accounted Investees, Continued

(b) Summary of financial information of a significant joint venture as of and for the years ended December 31, 2016 and 2015 are as follows:

(i) Summary of financial information

- Suzhou Raken Technology Co., Ltd.

<i>(In millions of won)</i>	December 31, 2015	
Total assets	₩	540,241
Current assets		442,130
Non-current assets		98,111
Total liabilities		250,318
Current liabilities		250,318

(*) Financial information as of December 31, 2016 is not disclosed as the Controlling Company does not hold interest in Suzhou Raken Technology Co., Ltd. as a result of exchange of equity interests.

<i>(In millions of won)</i>	2016(*)	2015
Revenue	₩ 578,885	993,298
Profit for the year	4,811	10,682
Other comprehensive income (loss)	(4,641)	2,533
Total comprehensive income	170	13,215

(*) Represents transactions occurred prior to exchange of equity interests.

(ii) Additional financial information

- Suzhou Raken Technology Co., Ltd.

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<i>(In millions of won)</i>	December 31, 2015	
Cash and cash equivalents	₩	44,376

(*) Financial information as of December 31, 2016 is not disclosed as the Controlling Company does not hold interest in Suzhou Raken Technology Co., Ltd. as a result of exchange of equity interests.

<i>(In millions of won)</i>	2016(*)	2015
Depreciation	₩ 3,457	7,858
Amortization of intangible assets	275	527
Interest income	666	1,010
Interest expense	87	17
Income tax expense	1,712	3,608

(*) Represents transactions occurred prior to exchange of equity interests

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10. Investments in Equity Accounted Investees, Continued

(c) Reconciliation from financial information of a significant joint venture to its carrying value in the consolidated financial statements as of December 31, 2015 is as follows:

(i) As of December 31, 2015

(In millions of won)

Company	Net asset	Ownership interest	Net asset (applying ownership interest)	Intra-group transaction	Book value
Suzhou Raken Technology Co., Ltd.	₩289,923	51%	147,861	(2,130)	145,731

(*) Financial information as of December 31, 2016 is not disclosed as the Controlling Company does not hold interest in Suzhou Raken Technology Co., Ltd. as a result of exchange of equity interests.

(d) Summary of financial information as of and for the years ended December 31, 2016 and 2015 of a major associate is as follows:

(i) Paju Electric Glass Co., Ltd.

<i>(In millions of won)</i>	December 31, 2016	December 31, 2015
Total assets	₩ 225,086	239,231
Current assets	182,656	193,110
Non-current assets	42,430	46,121
Total liabilities	91,364	90,494
Current liabilities	87,116	86,298
Non-current liabilities	4,248	4,196
<i>(In millions of won)</i>	2016	2015
Revenue	₩ 549,559	491,329
Profit for the year	21,082	14,729

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Other comprehensive income (loss)	16,477	(51)
Total comprehensive income	37,559	14,678

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10. Investments in Equity Accounted Investees, Continued

- (e) Reconciliation from financial information of a major associate to their carrying value in the consolidated financial statements as of December 31, 2016 and 2015 is as follows:

- (i) As of December 31, 2016

(In millions of won)

Company	Net asset	Ownership interest	Net asset (applying ownership interest)	Intra-group Goodwill transaction	Book value
Paju Electric Glass Co., Ltd.	₩ 133,722	40%	53,489	(739)	52,750

- (ii) As of December 31, 2015

(In millions of won)

Company	Net asset	Ownership interest	Net asset (applying ownership interest)	Intra-group Goodwill transaction	Book value
Paju Electric Glass Co., Ltd.	₩ 148,737	40%	59,494	(642)	58,852

- (f) Book value of other joint venture and associates, in aggregate, as of December 31, 2016 and 2015 is as follows:

- (i) As of December 31, 2016

(In millions of won)

**Book value Net profit (loss) of joint ventures and associates
(applying ownership interest)**

		Profit (loss) for the year	Other comprehensive income (loss)	Total comprehensive income (loss)
Other associates	₩ 119,933	(2,983)	(14,197)	(17,180)

(ii) As of December 31, 2015

(In millions of won)

		Net profit (loss) of joint ventures and associates (applying ownership interest)		
	Book value	Profit (loss) for the year	Other comprehensive income (loss)	Total comprehensive income (loss)
Other joint venture	₩	(991)	3,948	2,957
Other associates	180,172	8,461	13,349	21,810

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10. Investments in Equity Accounted Investees, Continued

(g) Reconciliation from financial information of significant joint venture and associates to their carrying value in the consolidated financial statements for the years ended December 31, 2016 and 2015 is as follows:

(In millions of won)

		2016						
		Equity income				Other		
		Acquisition/Dividends (loss) on				income		
		received investments				(loss)		
		Other				gain (loss)		
Company		January 1	Disposal	received	investments	(loss)	gain (loss)	December 31
Joint venture	Suzhou Raken Technology Co., Ltd.	₩ 145,731	(121,204)	(29,902)	2,985	2,390		
Associates	Paju Electric Glass Co., Ltd.	58,852		(21,030)	8,337	6,591		52,750
	Others	180,172	(28,034)	(8,888)	(2,983)	(14,197)	(6,137)	119,933
		₩ 384,755	(149,238)	(59,820)	8,339	(5,216)	(6,137)	172,683

(In millions of won)

		2015						
		Equity income				Other		
		Acquisition/Dividends (loss) on				income		
		received investments				(loss)		
		Other				gain (loss)		
Company		January 1	Disposal	received	investments	(loss)	gain (loss)	December 31
Joint ventures	Suzhou Raken Technology Co., Ltd.	₩ 138,912			5,527	1,292		145,731
	Others	28,733	(31,690)		(991)	3,948		
Associates	Paju Electric Glass Co., Ltd.	77,162		(24,058)	5,768	(20)		58,852
	Others	162,837	23,835	(1,519)	8,461	13,349	(26,791)	180,172
		₩ 407,644	(7,855)	(25,577)	18,765	18,569	(26,791)	384,755

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For the years ended December 31, 2016 and 2015

11. Property, Plant and Equipment

Changes in property, plant and equipment for the year ended December 31, 2016 are as follows:

(In millions of won)

	Land	Buildings and structures	Machinery and equipment	Furniture and fixtures	Construction-in-progress (*1)	Others	Total
Acquisition cost as of January 1, 2016	₩462,787	5,998,384	36,450,747	794,894	1,268,946	216,044	45,191,802
Accumulated depreciation as of January 1, 2016		(2,117,951)	(31,694,483)	(663,331)		(164,257)	(34,640,022)
Accumulated impairment loss as of January 1, 2016			(5,760)				(5,760)
Book value as of January 1, 2016	₩462,787	3,880,433	4,750,504	131,563	1,268,946	51,787	10,546,020
Additions					4,562,263		4,562,263
Business combinations (*2)		16,023	655	449		663	17,790
Depreciation		(288,891)	(2,283,482)	(57,130)		(13,942)	(2,643,445)
Impairment loss		(1,610)					(1,610)
Disposals	(1,303)	(3,204)	(284,855)	(1,746)		(862)	(291,970)
Others (*3)		313,404	2,461,635	52,471	(2,846,180)	18,670	
Effect of movements in exchange rates		(30,357)	(118,060)	(1,349)	(1,179)	(261)	(151,206)
Government grants received		(638)	(3,869)		(1,886)		(6,393)
Book value as of December 31, 2016	₩461,484	3,885,160	4,522,528	124,258	2,981,964	56,055	12,031,449
Acquisition cost as of December 31,	₩461,484	6,284,778	37,472,177	775,682	2,981,964	202,306	48,178,391

2016

Accumulated depreciation as of December 31, 2016	₩	(2,397,967)	(32,947,359)	(651,424)	(146,251)	(36,143,001)
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Accumulated impairment loss as of December 31, 2016	₩	(1,651)	(2,290)			(3,941)
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(*1) As of December 31, 2016, construction-in-progress mainly relates to construction of manufacturing facilities.

(*2) Business combinations include property, plant and equipment related to Suzhou Lehui Display Co., Ltd. as its control was transferred to the Controlling Company by exchanging equity interests.

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

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11. Property, Plant and Equipment, Continued

Changes in property, plant and equipment for the year ended December 31, 2015 are as follows:

(In millions of won)

	Land	Buildings and structures	Machinery and equipment	Furniture and fixtures	Construction-in-progress (*1)	Others	Total
Acquisition cost as of January 1, 2015	₩ 434,601	5,952,542	35,359,577	833,458	1,122,749	236,323	43,939,250
Accumulated depreciation as of January 1, 2015		(1,838,043)	(29,782,076)	(724,340)		(183,744)	(32,528,203)
Accumulated impairment loss as of January 1, 2015			(8,167)	(1)		(13)	(8,181)
Book value as of January 1, 2015	₩ 434,601	4,114,499	5,569,334	109,117	1,122,749	52,566	11,402,866
Additions					2,561,108		2,561,108
Business combinations (*2)			24,466	490		2,054	27,010
Depreciation		(278,225)	(2,618,820)	(56,353)		(15,996)	(2,969,394)
Impairment loss			(3,027)				(3,027)
Disposals	(2,092)	(5,651)	(437,515)	(913)		(9,992)	(456,163)
Others (*3)	30,210	48,824	2,232,756	79,910	(2,415,227)	23,527	
Effect of movements in exchange rates	68	986	(11,673)	(688)	316	(372)	(11,363)
Government grants received			(5,017)				(5,017)
Book value as of December 31, 2015	₩ 462,787	3,880,433	4,750,504	131,563	1,268,946	51,787	10,546,020
	₩ 462,787	5,998,384	36,450,747	794,894	1,268,946	216,044	45,191,802

Acquisition cost as
of December 31,
2015

Accumulated depreciation as of December 31, 2015 ₩	(2,117,951)	(31,694,483)	(663,331)	(164,257)	(34,640,022)
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Accumulated impairment loss as of December 31, 2015 ₩		(5,760)			(5,760)
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(*1) As of December 31, 2015, construction-in-progress mainly relates to construction of manufacturing facilities.

(*2) Business combinations include property, plant and equipment related to OLED Lighting business and Global OLED Technology LLC as the Controlling Company acquired OLED Lighting business from LG Chem Ltd. and made additional investment in Global OLED Technology and its control was transferred.

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

The capitalized borrowing costs and capitalization rate for the years ended December 31, 2016 and 2015 are as follows:

(In millions of won)

	2016	2015
Capitalized borrowing costs	₩ 16,909	13,696
Capitalization rate	2.91%	3.73%

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12. Intangible Assets

Changes in intangible assets for the year ended December 31, 2016 are as follows:

	Intellectual property rights	Software	Member- ships	Development costs	Construction in-progress (software)	Customer relationships	Technology	Good- will	Others (*3)	Total
Position cost as of December 31, 2016	₩ 817,359	698,844	51,092	1,111,503	2,986	59,176	11,074	104,455	13,089	2,869,474
Amortization as of December 31, 2016	(516,421)	(541,212)		(924,273)		(19,731)	(6,275)		(13,063)	(2,020,975)
Amortization impairment of January 1,			(9,873)							(9,873)
Carrying value as of December 31, 2016	₩ 300,938	157,632	41,219	187,230	2,986	39,445	4,799	104,455	26	838,775
Acquisitions - internally developed				322,288						322,288
Acquisitions - external business combinations	21,160		800		80,481					102,441
Amortization (*2)	(41,088)	(75,786)		(253,178)		(6,947)	(1,107)	4,623	(20)	(378,526)
Impairment loss			(336)							(336)
Transfer from Construction-in-progress		65,327			(65,327)					
Change in exchange rates	5,256	(1,766)	8		598			994		5,186
Carrying value as of December 31, 2016	₩ 286,266	145,772	41,553	256,340	18,738	32,498	3,692	110,072	6	894,937
Position cost as of December 31, 2016	₩ 904,664	806,835	51,564	1,433,791	18,738	59,176	11,074	110,072	13,077	3,408,817
	₩ (618,398)	(661,063)		(1,177,451)		(26,678)	(7,382)		(13,071)	(2,504,973)

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

12. **Intangible Assets, Continued**

(*1) Business combinations include intangible assets related to Suzhou Lehui Display Co., Ltd. as its control was transferred to the Controlling Company by exchanging equity interests.

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

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

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For the years ended December 31, 2016 and 2015

12. Intangible Assets, Continued

Changes in intangible assets for the year ended December 31, 2015 are as follows:

(Millions of won)

	Intellectual property rights	Software	Member-Develop- ment ships	Construction- in-progress costs	Customer relationships	Technology	Good- will	Others (*3)	Total	
Acquisition cost as of December 31, 2015	₩ 587,068	611,149	50,258	884,436	5,247	24,011	11,074	14,593	13,089	2,200,818
Amortization accumulated as of December 31, 2015	(485,641)	(463,853)		(630,812)		(16,019)	(5,171)		(13,017)	(1,614,483)
Accumulated impairment losses as of January 1,			(9,742)							(9,742)
Carrying value as of December 31, 2015	₩ 101,427	147,296	40,516	253,624	5,247	7,992	5,903	14,593	72	576,090
Increases - internally developed				227,067						227,067
Increases - external acquisitions	28,504		1,930		73,098					103,532
Decreases - business combinations	197,454	144				35,165		88,932		321,695
Amortization (*2)	(30,780)	(77,359)		(293,461)		(3,712)	(1,104)		(46)	(406,462)
Impairment losses		(11)	(1,153)							(1,164)
Reversal of impairment losses			(239)							(239)
Transfer from Construction-in-progress		75,401		(75,401)						
Effect of movements in exchange rates	4,333	12,161	85		42		930			17,551
Carrying value as of December 31, 2015	₩ 300,938	157,632	41,219	187,230	2,986	39,445	4,799	104,455	26	838,735
	₩ 817,359	698,844	51,092	1,111,503	2,986	59,176	11,074	104,455	13,089	2,869,434

Position cost as of
December 31, 2015

Accumulated depreciation as of December 31, 2015	₩ (516,421)	(541,212)	(924,273)	(19,731)	(6,275)	(13,063)	(2,020)
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Accumulated impairment
losses of December 31,

₩	(9,873)						(9,873)
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LG DISPLAY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

12. Intangible Assets, Continued

- (*1) Business combinations include intangible assets related to OLED Lighting business and Global OLED Technology LLC as the Controlling Company acquired OLED Lighting business from LG Chem Ltd. and made additional investment in Global OLED Technology and its control was transferred.
- (*2) The Group has classified the amortization as manufacturing overhead costs, selling expenses, administrative expenses and research and development expenses.
- (*3) Others mainly consist of rights to use electricity and gas supply facilities.

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For the years ended December 31, 2016 and 2015

13. Financial Instruments**(a) Credit Risk****(i) Exposure to credit risk**

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:

(In millions of won)

	December 31, 2016	December 31, 2015
Cash and cash equivalents	₩ 1,558,696	751,662
Deposits in banks	1,163,763	1,772,350
Trade accounts and notes receivable, net	4,957,993	4,097,836
Non-trade receivable, net	134,161	89,792
Accrued income	9,431	16,023
Available-for-sale financial assets	154	709
Financial assets at fair value through profit or loss	1,382	
Deposits	47,954	22,234
Short-term loans	7,696	3,051
Long-term loans	34,760	12,805
Long-term non-trade receivable	2,619	5,148
Derivatives	244	
	₩ 7,918,853	6,771,610

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

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For the years ended December 31, 2016 and 2015

13. Financial Instruments, Continued

(a) Credit Risk, Continued

(ii) Impairment loss

The aging of trade accounts and note receivable, other accounts receivable and long-term non-trade receivable as of December 31, 2016 and 2015 are as follows:

(In millions of won)

	Book value		December 31, 2016			
			Trade accounts		Impairment loss	
	Trade accounts and notes receivable	Other accounts receivable(*)	Long-term non-trade receivable	and notes receivable	Other accounts receivable(*)	Long-term non-trade receivable
Not past due	₩ 4,958,591	140,893	2,643	(1,488)	(669)	(23)
Past due 1-15 days	386	2,298			(20)	
Past due 16-30 days	417	309				
Past due 31-60 days	65	640			(6)	
Past due more than 60 days	22	545			(398)	
	₩ 4,959,481	144,685	2,643	(1,488)	(1,093)	(23)

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

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Notes to the Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

13. Financial Instruments, Continued*(In millions of won)*

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

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

The movement in the allowance for impairment in respect of trade accounts and notes receivable, other accounts receivable and long-term non-trade receivable for the years ended December 31, 2016 and 2015 is as follows:

(In millions of won)

	2016			2015		
	Trade accounts and notes receivable	Other accounts receivable	Long-term non-trade receivable	Trade accounts and notes receivable	Other accounts receivable	Long-term non-trade receivable
Balance at the beginning of the period	₩ 1,507	566	52	825	794	79
(Reversal of) bad debt expense	(19)	527	(29)	682	(228)	(27)
Balance at the reporting date	₩ 1,488	1,093	23	1,507	566	52

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Notes to the Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

13. Financial Instruments, Continued

(b) Liquidity Risk

The following are the contractual maturities of financial liabilities, including estimated interest payments, as of December 31, 2016.

(In millions of won)

	Carrying amount	Total	Contractual cash flows				More than 5 years
			6 months or less	6-12 months	1-2years	2-5 years	
Non-derivative financial liabilities							
Secured bank loans	₩ 700,820	744,323	12,447	12,653	430,698	288,525	
Unsecured bank loans	2,197,132	2,307,718	322,139	21,451	639,176	1,263,210	61,742
Unsecured bond issues	1,880,818	1,999,660	204,327	211,498	536,350	966,390	81,095
Trade accounts and notes payable	2,877,326	2,877,326	2,877,326				
Other accounts payable	2,449,517	2,449,981	2,447,321	2,660			
Long-term other accounts payable	3,530	3,992			3,992		
Derivative financial liabilities							
Derivatives	472	478	134	164	180		
	₩ 10,109,615	10,383,478	5,863,694	248,426	1,610,396	2,518,125	142,837

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

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For the years ended December 31, 2016 and 2015

13. Financial Instruments, Continued**(c) Currency Risk****(i) Exposure to currency risk**

The Group's exposure to foreign currency risk based on notional amounts at the reporting date is as follows:

(In millions)

	December 31, 2016						
	USD	JPY	CNY	TWD	EUR	PLN	VND
Cash and cash equivalents	518	308	3,785	36	1	77	338,770
Deposits in banks			500				
Trade accounts and notes receivable	3,558	10	1,776				
Non-trade receivable	52	2,434	199	12		2	
Long-term non-trade receivable	2						
Other assets denominated in foreign currencies	1	259	210	6			506
Trade accounts and notes payable	(1,204)	(14,940)	(2,567)				
Other accounts payable	(397)	(9,836)	(771)	(7)	(2)	(5)	(665,869)
Debt	(1,251)		(3,264)				
Net exposure	1,279	(21,765)	(132)	47	(1)	74	(326,593)

(In millions)

	December 31, 2015					
	USD	JPY	CNY	TWD	EUR	PLN
Cash and cash equivalents	578	1,005	866	12		45
Deposits in banks			1,200			
Trade accounts and notes receivable	2,935	12	1,465			
Non-trade receivable	20	2	101	13		
Long-term no-trade receivable	4					
Other assets denominated in foreign currencies	1	254	27	6		
Trade accounts and notes payable	(1,207)	(17,016)	(1,267)			
Other accounts payable	(541)	(13,821)	(1,352)	(7)	(2)	(11)
Debt	(1,185)		(1,964)			
Net exposure	605	(29,564)	(924)	24	(2)	34

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Notes to the Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

13. Financial Instruments, Continued

Significant exchange rates applied during the reporting periods are as follows:

<i>(In won)</i>	Average rate		Reporting date spot rate	
	2016	2015	December 31, 2016	December 31, 2015
USD	₩ 1,159.83	1,131.30	1,208.50	1,172.00
JPY	10.67	9.35	10.37	9.72
CNY	174.4	179.47	173.26	178.48
TWD	35.97	35.64	37.41	35.51
EUR	1,283.95	1,256.17	1,267.60	1,280.53
PLN	294.41	300.22	287.62	300.79
VND	0.0518	0.0516	0.0531	0.0522

(ii) Sensitivity analysis

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

<i>(In millions of won)</i>	December 31, 2016		December 31, 2015	
	Equity	Profit or loss	Equity	Profit or loss
USD (5 percent weakening)	₩ 57,111	63,337	24,838	33,152
JPY (5 percent weakening)	(8,972)	(7,237)	(11,340)	(9,486)
CNY (5 percent weakening)	(3,410)	7,077	(8,582)	1,069
TWD (5 percent weakening)	88		42	
EUR (5 percent weakening)	(40)	(79)	(214)	270
PLN (5 percent weakening)	1,129	(167)	575	(208)
VND (5 percent weakening)	(867)			

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

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For the years ended December 31, 2016 and 2015

13. **Financial Instruments, Continued**

(d) Interest Rate Risk

(i) Profile

The interest rate profile of the Group's interest-bearing financial instruments at the reporting date is as follows:

(In millions of won)

	December 31, 2016	December 31, 2015
Fixed rate instruments		
Financial assets	₩ 2,722,600	2,524,708
Financial liabilities	(2,203,378)	(2,289,336)
	₩ 519,222	235,372
Variable rate instruments		
Financial liabilities	₩ (2,575,392)	(1,934,895)

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

For the years ended December 31, 2016 and 2015 a change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below for the respective following years. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

(In millions of won)

	Equity		Profit or loss	
	1% increase	1% decrease	1% increase	1% decrease
December 31, 2016				
Variable rate instruments(*)	₩ (16,868)	16,868	(16,868)	16,868
December 31, 2015				
Variable rate instruments(*)	₩ (14,667)	14,667	(14,667)	14,667

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

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For the years ended December 31, 2016 and 2015

13. **Financial Instruments, Continued**

(e) Fair Values

(i) Fair values versus carrying amounts

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

(In millions of won)

	December 31, 2016		December 31, 2015	
	Carrying amounts	Fair values	Carrying amounts	Fair values
Assets carried at fair value				
Available-for-sale financial assets	₩ 154	154	709	709
Financial asset at fair value through profit or loss	1,382	1,382		
Derivatives	244	244		
Assets carried at amortized cost				
Cash and cash equivalents	₩ 1,558,696	(*)	751,662	(*)
Deposits in banks	1,163,763	(*)	1,772,350	(*)
Trade accounts and notes receivable	4,957,993	(*)	4,097,836	(*)
Non-trade receivable	134,161	(*)	89,792	(*)
Accrued income	9,431	(*)	16,023	(*)
Deposits	47,954	(*)	22,234	(*)
Short-term loans	7,696	(*)	3,051	(*)
Long-term loans	34,760	(*)	12,805	(*)
Long-term non-trade receivable	2,619	(*)	5,148	(*)
Liabilities carried at fair value				
Derivatives	₩ 472	472	85	85
Liabilities carried at amortized cost				
Secured bank loans	₩ 700,820	700,820	698,192	698,192
Unsecured bank loans	2,197,132	2,200,522	1,239,914	1,239,969
Unsecured bond issues	1,880,818	1,903,863	2,286,125	2,337,835
Trade accounts and notes payable	2,877,326	(*)	2,764,694	(*)
Other accounts payable	2,449,517	2,449,938	1,499,722	1,499,963
Long-term other accounts payable	3,530	3,891	8,402	9,005

(*) Excluded from disclosures as the carrying amount approximates fair value.
The basis for determining fair values is disclosed in note 4.

(ii) Financial Instruments measured at cost

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

(In millions of won)

	December 31, 2016	December 31, 2015
Intellectual Discovery Co., Ltd.	₩ 729	2,673
Kyulux, Inc.	3,266	3,266
Henghao Technology Co., Ltd.	1,559	3,372
ARCH Venture Fund Vill, L.P.	2,285	1,378
	₩ 7,839	10,689

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For the years ended December 31, 2016 and 2015

13. Financial Instruments, Continued

(e) Fair Values, Continued

(ii) Financial Instruments measured at cost

The movement in the available-for-sale financial assets for the years ended December 31, 2016 and 2015 is as follows:

(In millions of won)

	December 31, 2016					
	January 1, 2016	Disposal Acquisition and others		Impairment	Effect of movements in exchange rates	December 31, 2016
Intellectual Discovery Co., Ltd.	₩ 2,673			(1,944)		729
Kyulux Inc.	3,266					3,266
Henghao Technology Co., Ltd.	3,372			(1,813)		1,559
ARCH Venture Fund Vill, L.P	1,378	859	(48)		96	2,285
	₩ 10,689	859	(48)	(3,757)	96	7,839

(In millions of won)

	December 31, 2015					
	January 1, 2015	Disposal Acquisition and others		Impairment	Effect of movements in exchange rates	December 31, 2015
Intellectual Discovery Co., Ltd.	₩ 2,673					2,673
Kyulux Inc.		3,266				3,266
Henghao Technology Co., Ltd.	3,372					3,372
ARCH Venture Fund Vill, L.P	118	792			468	1,378
	₩ 6,163	4,058			468	10,689

Available-for-sale-financial assets consist of investments in equity securities and the fair value of some investments in equity securities are measured at cost because the range of reasonable fair value measurements is significant and the probabilities of the various estimates cannot be reasonably assessed since they do not have a quoted price in an active market for an identical instruments.

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For the years ended December 31, 2016 and 2015

13. Financial Instruments, Continued

(e) Fair Values, Continued

(iii) Fair values of financial assets and liabilities

i) Fair value hierarchy

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

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

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

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

ii) Financial instruments measured at fair value

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

(In millions of won)

	Level 1	Level 2	Level 3	Total
December 31, 2016				
Assets				
Available-for-sale financial assets	₩ 154			154
Financial asset at fair value through profit or loss			1,382	1,382
Derivatives			244	244
Liabilities				
Derivatives	₩		472	472

(In millions of won)

	Level 1	Level 2	Level 3	Total
December 31, 2015				
Assets				
Available-for-sale financial assets	₩ 709			709
Liabilities				
Derivatives	₩		85	85

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For the years ended December 31, 2016 and 2015

13. Financial Instruments, Continued

(e) Fair Values, Continued

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

<i>(In millions of won)</i> Classification	December 31, 2016			Valuation technique	Input
	Level 1	Level 2	Level 3		
Liabilities					
Secured bank loans				Discounted cash flow	Discount rate
	₩		700,820		
Unsecured bank loans				Discounted cash flow	Discount rate
			2,200,522		
Unsecured bond issues				Discounted cash flow	Discount rate
			1,903,863		
Other accounts payable				Discounted cash flow	Discount rate
			2,449,938		
Long-term other accounts payable				Discounted cash flow	Discount rate
			3,891		

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

Discounted
cash flow Discount
rate

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

	December 31, 2016	December 31, 2015
Debentures, loans and others	1.48~2.68%	1.52~2.48%

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For the years ended December 31, 2016 and 2015

14. Financial Liabilities

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

(In millions of won)

	December 31, 2016	December 31, 2015
Current		
Short-term borrowings	₩ 113,209	
Current portion of long-term debt	554,700	1,416,112
	₩ 667,909	1,416,112
Non-current		
Won denominated borrowings	₩ 821,922	202,992
Foreign currency denominated borrowings	1,777,877	1,323,454
Bonds	1,511,062	1,281,673
Derivatives(*)	472	85
	₩ 4,111,333	2,808,204

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

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

(In millions of won, USD)

Lender	Annual interest rate	
	as of	
	December 31, 2016 (%)	December 31, 2016 December 31, 2015
Standard Chartered Bank Korea Limited	6ML + 0.62	₩ 113,209

Foreign currency equivalent

USD 94

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

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Notes to the Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

14. Financial Liabilities, Continued

(c) Won denominated long-term borrowings at the reporting date is as follows:

(In millions of won)

Lender	Annual interest rate as of	December 31,	December 31,
		2016	2015
Woori Bank	3-year Korean Treasury Bond rate - 1.25, 2.75	₩ 2,991	4,452
Shinhan Bank	CD rate (91 days) + 0.30	200,000	200,000
Korea Development Bank and others	3-year Industrial Financial Debenture rate + 0.55, 5-year Industrial Financial Debenture rate + 0.60, CD rate (91 days) + 0.64, CD rate (91 days) + 0.74	620,000	
Less current portion of long-term borrowings		(1,069)	(1,460)
		₩ 821,922	202,992

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

(In millions of won and USD, CNY)

Lender	Annual interest rate as of	December 31,	December 31,
		2016	2015
	December 31, 2016 (%) (*)		

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The Export-Import Bank of Korea	3ML+0.55~1.40	₩ 1,027,225	879,000
Standard Chartered Bank Korea Limited	6ML+0.62	8,469	
China Construction Bank and others	USD: 3ML+0.2.00		
	CNY: 4.28	926,058	854,654
Foreign currency equivalent		USD 1,157	USD 1,185
		CNY 3,264	CNY 1,964
Less current portion of long-term borrowings		₩ (183,875)	(410,200)
		₩ 1,777,877	1,323,454

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

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For the years ended December 31, 2016 and 2015

14. Financial Liabilities, Continued

(e) Details of bonds issued and outstanding at the reporting date are as follows:

(In millions of won)

	Maturity	Annual interest rate		
		as of December 31, 2016 (%)	December 31, 2016	December 31, 2015
Won denominated bonds (*)				
Publicly issued bonds	April 2017 ~			
	May 2022	1.73~3.73	₩ 1,885,000	2,290,000
Less discount on bonds			(4,182)	(3,875)
Less current portion			(369,756)	(1,004,452)
			₩ 1,511,062	1,281,673

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

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For the years ended December 31, 2016 and 2015

15. Employee Benefits

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

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

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

(In millions of won)

	December 31, 2016	December 31, 2015
Present value of partially funded defined benefit obligations	₩ 1,401,396	1,381,648
Fair value of plan assets	(1,258,409)	(1,027,850)
	₩ 142,987	353,798

(b) Changes in the present value of the defined benefit obligations for the years ended December 31, 2016 and 2015 are as follows :

(In millions of won)

	2016	2015
Opening defined benefit obligations	₩ 1,381,648	1,114,689
Current service cost	210,682	187,768
Interest cost	39,420	38,776
Remeasurements (before tax)	(161,082)	104,817
Benefit payments	(65,099)	(66,755)
Transfers from (to) related parties	(4,205)	2,353
Others	32	
Closing defined benefit obligations	₩ 1,401,396	1,381,648

Weighted average remaining maturity of defined benefit obligations as of December 31, 2016 and 2015 are 14.3 years and 14.5 years, respectively.

(c) Changes in fair value of plan assets for the years ended December 31, 2016 and 2015 are as follows:

(In millions of won)

	2016	2015
Opening fair value of plan assets	₩ 1,027,850	790,509
Expected return on plan assets	29,140	27,511
Remeasurements (before tax)	(5,736)	(5,440)
Contributions by employer directly to plan assets	265,000	270,000
Benefit payments	(57,845)	(54,809)
Transfers from (to) related parties		79
Closing fair value of plan assets	₩ 1,258,409	1,027,850

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For the years ended December 31, 2016 and 2015

15. Employee Benefits, Continued

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

(In millions of won)

	December 31, 2016	December 31, 2015
Guaranteed deposits in banks	₩ 1,258,409	1,027,850

As of December 31, 2016, the Controlling Company maintains the plan assets with Mirae Asset Securities Co., Ltd., Shinhan Bank and others.

The Group's estimated additional contribution to the plan assets for the year ending December 31, 2017 is nil under the assumption that the Controlling Company continues to maintain the plan assets at 80% of the amount payable and all the employees of the Controlling Company would leave the Controlling Company on December 31, 2017.

(e) Expenses recognized in profit or loss for the years ended December 31, 2016 and 2015 are as follows:

(In millions of won)

	2016	2015
Current service cost	₩ 210,682	187,768
Net interest cost	10,280	11,265
	₩ 220,962	199,033

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

(In millions of won)

	2016	2015
Cost of sales	₩ 177,652	159,348
Selling expenses	12,513	11,567
Administrative expenses	16,486	14,809
Research and development expenses	14,311	13,309
	₩ 220,962	199,033

- (f) Remeasurements of net defined benefit liabilities (assets) included in other comprehensive income (loss) for the years ended December 31, 2016 and 2015 are as follows:

<i>(In millions of won)</i>	2016	2015
Balance at January 1	₩ (281,902)	(197,720)
Remeasurements		
Actuarial profit or loss arising from:		
Experience adjustment	70,258	15,567
Demographic assumptions	(4,605)	(22,267)
Financial assumptions	95,429	(98,117)
Return on plan assets	(5,736)	(5,440)
Share of associates regarding remeasurements	200	(607)
	₩ 155,546	(110,864)
Income tax	₩ (37,594)	26,682
Balance at December 31	₩ (163,950)	(281,902)

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15. Employee Benefits, Continued

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

	December 31, 2016	December 31, 2015
Expected rate of salary increase	4.7%	5.1%
Discount rate for defined benefit obligations	3.0%	2.9%

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

		December 31, 2016	December 31, 2015
Teens	Males	0.01%	0.01%
	Females	0.00%	0.00%
Twenties	Males	0.01%	0.01%
	Females	0.00%	0.00%
Thirties	Males	0.01%	0.01%
	Females	0.01%	0.01%
Forties	Males	0.03%	0.03%
	Females	0.02%	0.02%
Fifties	Males	0.05%	0.05%
	Females	0.02%	0.02%

(h) Reasonably possible changes to respective relevant actuarial assumptions would have affected the defined benefit obligations by the amounts as of December 31, 2016 are as follows:

	Defined benefit obligation	
	1% increase	1% decrease
Discount rate for defined benefit obligations	₩ (174,724)	212,383
Expected rate of salary increase	206,250	(173,543)

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16. Provisions and Other Liabilities

(a) Changes in provisions for the year ended December 31, 2016 are as follows:

(In millions of won)

	Litigations and claims	Warranties (*1)	Others	Total
Balance at January 1, 2016	₩ 61,245	56,429	4,040	121,714
Additions	12,471	166,322	873	180,666
Reversal	(14,887)	(631)	(3,248)	(18,766)
Usage and reclassification	(58,829)	(161,335)		(220,164)
Business combination(*2)		677		677
Balance at December 31, 2016	₩	62,462	1,665	64,127
Current	₩	54,307	1,665	55,972
Non-current	₩	8,155		8,155

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

(*2) Business combination includes warranty liability related to Suzhou Lehui Display Co., Ltd. as its control was transferred to the Controlling Company by exchanging equity interests.

(b) Other liabilities at the reporting date are as follows:

(In millions of won)

	December 31, 2016	December 31, 2015
Current liabilities		
Withholdings	₩ 40,190	30,477
Unearned revenues	8,776	9,844
	₩ 48,966	40,321

Non-current liabilities			
Long-term accrued expenses	₩	65,616	48,609
Long-term other accounts payable		3,530	8,401
	₩	69,146	57,010

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

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For the years ended December 31, 2016 and 2015

17. **Contingent Liabilities and Commitments**

(a) Legal Proceedings

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

In December 2013, Delaware Display Group LLC and Innovative Display Technologies LLC filed a patent infringement case (First Case) against the Controlling Company and LG Display America, Inc. in the United States District Court for the District of Delaware and DDG and IDT filed a new patent infringement case against the Controlling Company and LG Display America, Inc. over the three patents that were dismissed without prejudice from the First Case in December 2015. In May 2016, the case has been stayed by the United States District Court for the District of Delaware pending Inter Partes Review. Additionally, in August 2016, Innovative Display Technologies LLC filed a new patent infringement case against the Controlling Company and LG Display America, Inc. in the United States District Court for the Eastern District of Texas with respect to two new patents. The Group does not have a present obligation for these matters and has not recognized any provision at December 31, 2016. It is not possible to reasonably estimate an amount of potential loss, if any, because the information plaintiffs have provided regarding damages are unreliable and may substantially change as litigation proceeds or the plaintiffs have not provided any information regarding damages.

Surpass Tech Innovation LLC

In March 2014, Surpass Tech Innovation LLC filed a complaint in the United States District Court for the District of Delaware against the Controlling Company and LG Display America, Inc. for alleged patent infringement. As of December 31, 2016, the case which has been stayed by the United States District Court for the District of Delaware pending Inter Partes Review (IPR) is still stayed although IPR has been completed. The Group does not have a present obligation for this matter and has not recognized any provision at December 31, 2016. It is not possible to reasonably estimate an amount of potential loss, if any, because the plaintiffs have not provided any information regarding damages.

Anti-trust litigations

The Controlling Company reached agreements on individual lawsuit and class actions in the United States and Canada, respectively, in connection with alleged violation of the antitrust laws during the year ended December 31, 2016.

Others

The Group is defending against various claims related to intellectual property and others in addition to pending proceedings described above. The Group does not have a present obligation for these matters and has not recognized any provision at December 31, 2016.

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17. Contingent Liabilities and Commitments, Continued**(b) Commitments****Factoring and securitization of accounts receivable**

The Controlling Company has agreements with KEB Hana Bank and several other banks for accounts receivable sales negotiating facilities of up to an aggregate of USD 2,023 million (~~₩~~2,445,376 million) in connection with the Controlling Company's export sales transactions with its subsidiaries. As of December 31, 2016, no short-term borrowings were outstanding in connection with these agreements. In connection with all of the contracts in this paragraph, the Controlling Company has sold its accounts receivable with recourse.

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

(In millions of USD and KRW)

Classification	Financial institutions	Maximum	Not yet due
		Contractual amount	KRW Contractual amount
Controlling Company	Shinhan Bank	KRW 90,000	90,000
	Sumitomo Mitsui Banking Corporation	USD 20	24,170
	Bank of Tokyo-Mitsubishi UFJ	USD 70	84,595
		USD 90	
		KRW 90,000	198,765
Subsidiaries			
LG Display Singapore Pte. Ltd.	Standard Chartered Bank	USD 300	362,550
LG Display Taiwan Co., Ltd.	BNP Paribas	USD 82	99,097
	Hongkong & Shanghai	USD 150	181,275

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	Banking Corp. Taishin International Bank Sumitomo Mitsui	USD 320	386,270
	Banking Corporation	USD 100	120,850
LG Display Shanghai Co., Ltd.	BNP Paribas	USD 125	151,063
LG Display Germany GmbH	Citibank BNP Paribas	USD 160 USD 107	193,360 129,310
LG Display America, Inc.	Hongkong & Shanghai Banking Corp. Sumitomo Mitsui Banking Corporation	USD 600 USD 250	725,100 302,125
LG Display Japan Co., Ltd.	Sumitomo Mitsui Banking Corporation	USD 90	108,765
LG Display Guangzhou Trading Co., Ltd.	Industrial and Commercial Bank of China	USD 64	77,344
		USD 2,348	2,837,559
		USD 2,438	
		KRW 90,000	3,036,324

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For the years ended December 31, 2016 and 2015

17. Contingent Liabilities and Commitments, Continued

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

Letters of credit

As of December 31, 2016, the Controlling Company has agreements in relation to the opening of letters of credit up to USD 40 million (~~₩~~48,340 million) with KEB Hana Bank, USD 80 million (~~₩~~96,680 million) with Bank of China and USD 50 million (~~₩~~60,425 million) with Sumitomo Mitsui Banking Corporation.

Payment guarantees

The Controlling Company obtained payment guarantees amounting to USD 8.5 million (~~₩~~10,272 million) from Shinhan bank for value added tax payments in Poland and amounting to USD 75 million (~~₩~~90,638 million) from Westchester Fire Insurance Company for the settlement of an litigation.

LG Display Japan Co., Ltd. and other subsidiaries are provided with payment guarantees from the Bank of Tokyo-Mitsubishi UFJ and other various banks amounting to JPY 700 million (~~₩~~7,258 million), CNY 3,641 million (~~₩~~630,840 million), USD 0.5 million (~~₩~~604 million), EUR 2.5 million (~~₩~~3,169 million) and PLN 0.2 million (~~₩~~58 million), respectively, for their local tax payments.

Credit facility

LG Display Japan Co., Ltd. and other subsidiaries have entered into short-term credit facility agreements of up to USD 23 million (~~₩~~27,796 million) and JPY 8,000 million (~~₩~~82,945 million) in total, with Mizuho Corporate Bank and other various banks.

License agreements

As of December 31, 2016, in relation to its LCD business, the Group has technical license agreements with Hitachi Display, Ltd. and others and has a trademark license agreement with LG Corp.

Pledged Assets

Regarding the secured bank loan amounting to USD 300 million (~~₩~~360,572 million) and CNY 1,964 million (~~₩~~340,248 million) from China Construction Bank, as of December 31, 2016, the Group provided its property, plant and equipment and others with carrying amount of ~~₩~~804,534 million as pledged assets.

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For the years ended December 31, 2016 and 2015

18. Capital and Reserves**(a) Share capital**

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

(b) Reserves

Reserves consist mainly of the following:

Fair value reserve

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

Translation reserve

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

Other comprehensive income (loss) from associates and joint venture

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

Reserves as of December 31, 2016 and 2015 are as follows:

<i>(In millions of won)</i>	December 31, 2016	December 31, 2015
Net change in fair value of available-for-sale financial assets	₩	58
Foreign currency translation differences for foreign operations	(59,042)	18,196
Other comprehensive income (loss) from associates and joint	(29,436)	(24,020)

venture (excluding
remeasurements)

₩ (88,478) (5,766)

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For the years ended December 31, 2016 and 2015

18. Capital and Reserves

The movement in reserves for the years ended December 31, 2016 and 2015 is as follows:

(In millions of won)

	Net change in fair value of available-for-sale financial assets		Foreign currency translation differences for foreign operations	Other comprehensive income (loss) from associates and joint ventures (excluding remeasurements)	Total
January 1, 2015	₩ 276		(20,923)	(43,196)	(63,843)
Change in reserves	(218)		39,119	19,176	58,077
December 31, 2015	58		18,196	(24,020)	(5,766)
January 1, 2016	58		18,196	(24,020)	(5,766)
Change in reserves	(58)		(77,238)	(5,416)	(82,712)
December 31, 2016			(59,042)	(29,436)	(88,478)

(c) Dividends

The dividends of ₩178,908 million (₩500 won per share) are determined by the board of directors of the Controlling Company in 2017 but have not been paid yet. There are no income tax consequences.

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19. Related Parties and Others

(a) Related parties

Related parties for the year ended December 31, 2016 are as follows:

Classification	Description
Associates(*)	Paju Electric Glass Co., Ltd. and others
Subsidiaries of Associates	Shinbo Electric Co., Ltd. and others
Entity that has significant influence over the Controlling Company	LG Electronics Inc.
Subsidiaries of the entity that has significant influence over the Controlling Company	Subsidiaries of LG Electronics Inc.

(*) Details of associates are described in note 1 and 10.

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

Classification	December 31, 2016	December 31, 2015
Subsidiaries of associates	-	ADP System Co., Ltd.
	Shinbo Electric Co., Ltd.	Shinbo Electric Co., Ltd.
	-	AVATEC Electronics Yantai Co., Ltd.
	New Optics USA, Inc.	New Optics USA, Inc.
	NEWOPTIX RS. SA DE CV	-
Entity that has significant influence over the Controlling Company	LG Electronics Inc.	LG Electronics Inc.
Subsidiaries of the entity that has significant influence over the Controlling Company	-	Hi Logistics Co., Ltd.
	Hiplaza Co., Ltd.	Hiplaza Co., Ltd.
	Hi Entech Co., Ltd.	Hi Entech Co., Ltd.
	LG Hitachi Water Solutions Co., Ltd.	LG Hitachi Water Solutions Co., Ltd.
	LG Innotek Co., Ltd.	LG Innotek Co., Ltd.

Hanuri Co., Ltd.	Hanuri Co., Ltd.
Qingdao LG Inspur Digital Communication Co., Ltd.	Qingdao LG Inspur Digital Communication Co., Ltd.
-	LG Innotek USA, Inc.
LG Electronics Wroclaw Sp. z o.o.	LG Electronics Wroclaw Sp. z o.o.
LG Electronics Reynosa, S.A. DE C.V.	LG Electronics Reynosa, S.A. DE C.V.
LG Electronics Thailand Co., Ltd.	LG Electronics Thailand Co., Ltd.
LG Electronics Taiwan Taipei Co., Ltd.	LG Electronics Taiwan Taipei Co., Ltd.

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19. Related Parties and Others, Continued

Classification	December 31, 2016	December 31, 2015
	LG Electronics Shenyang Inc.	LG Electronics Shenyang Inc.
	LG Electronics RUS, LLC	LG Electronics RUS, LLC
	LG Electronics Nanjing New Technology Co., LTD.	LG Electronics Nanjing New Technology Co., LTD.
	LG Electronics Mlawa Sp. z o.o.	LG Electronics Mlawa Sp. z o.o.
	LG Electronics Mexicali, S.A. DE C.V.	LG Electronics Mexicali, S.A. DE C.V.
	LG Electronics India Pvt. Ltd.	LG Electronics India Pvt. Ltd.
	LG Electronics do Brasil Ltda.	LG Electronics do Brasil Ltda.
	LG Electronics Air-Conditioning (Shandong) Co., Ltd.	LG Electronics Air-Conditioning (Shandong) Co., Ltd.
	LG Electronics Almaty Kazakhstan	LG Electronics Almaty Kazakhstan
	LG Electronics S.A. (Pty) Ltd.	LG Electronics S.A. (Pty) Ltd
	-	LG Electronics (Kunshan) Computer Co., Ltd.
	LG Electronics Singapore PTE LTD.	LG Electronics Singapore PTE LTD.
	Inspur LG Digital Mobile Communications Co., Ltd.	Inspur LG Digital Mobile Communications Co., Ltd.
	-	Hi Logistics Europe B.V.
	-	Hi Logistics (China) Co., Ltd.
	LG Electronics Japan, Inc.	LG Electronics Japan, Inc.
	LG Electronics U.S.A., Inc.	LG Electronics U.S.A., Inc.
	LG Electronics Vietnam Haiphong Co., Ltd.	LG Electronics Vietnam Haiphong Co., Ltd.
	P.T. LG Electronics Indonesia Hientech (Tianjin) Co., Ltd.	P.T. LG Electronics Indonesia Hientech (Tianjin) Co., Ltd.
	Hi M Solutek	Hi M Solutek
	LG Electronics Deutschland GmbH	LG Electronics Deutschland GmbH
	LG Electronics Egypt S.A.E.	-
	LG Innotek Yantai Co., Ltd.	-
	LG Electronics Alabama Inc.	-

(b) Key management personnel compensation

Compensation costs of key management for the years ended December 31, 2016 and 2015 are as follows:

(In millions of won)

	2016	2015
Short-term benefits	₩ 2,323	2,940
Expenses related to the defined benefit plan	897	378
	₩ 3,220	3,318

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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19. Related Parties and Others, Continued

- (c) Significant transactions such as sales of goods and purchases of raw material and outsourcing service and others, which occurred in the normal course of business with related parties for the years ended December 31, 2016 and 2015 are as follows:

(In millions of won)

	2016					
	Purchase and others					
	Acquisition of					
	Purchase of raw material and property, plant and equipment					
	Sales and others	Dividend income	material and others	and equipment	Outsourcing fees	Other costs
Joint Venture						
Suzhou Raken Technology Co., Ltd.(*1)	₩ 59,388	29,902				543
Associates and their subsidiaries						
New Optics Ltd.	₩ 2,469		50,372		7,569	255
New Optics USA, Inc.					509	
NEWOPTIX RS. SA DE CV	33					
INVENIA Co., Ltd. (LIG INVENIA Co., Ltd.)	54		1,429	48,398		261
TLI Inc.(*2)		101	57,429			2,238
AVACO Co., Ltd.(*2)		128	703	31,299		1,373
AVATEC Co., Ltd.		265			70,196	1,027
Paju Electric Glass Co., Ltd.		21,030	453,463			3,674
Shinbo Electric Co., Ltd.	204,637		355,607		2,449	1,097
Narenanotech Corporation	17		513	24,821		909
WooRee E&L Co., Ltd.						32
YAS Co., Ltd.	44		2,076	80,836		1,758
LB Gemini New Growth Fund No. 16		8,394				
	₩ 207,254	29,918	921,592	185,354	80,723	12,624

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19. Related Parties and Others, Continued*(In millions of won)*

	2016				
	Purchase and others				
	Acquisition of				
	Purchase of property, plant				
	Sales	Dividend	material and	and	Outsourcing
	and others	income	others	equipment	fees
					Other costs
Entity that has significant influence over the Controlling Company					
LG Electronics Inc.	₩ 1,580,279		23,047	538,175	103,158
Subsidiaries of the entity that has significant influence over the Controlling Company					
LG Electronics India Pvt. Ltd.	₩ 75,591				69
LG Electronics Vietnam Haiphong Co., Ltd.	162,893				141
LG Electronics Nanjing New Technology Co., Ltd.	229,773			293	1,876
LG Electronics RUS, LLC	127,316				2,993
LG Electronics do Brasil Ltda.	133,903				3,430
LG Innotek Co., Ltd.	11,503		209,878		9,873
Qingdao LG Inspur Digital Communication Co., Ltd.	47,804				
Inspur LG Digital Mobile Communications Co., Ltd.	370,966				5
LG Electronics Mexicali, S.A. DE C.V.	210,021				77
LG Electronics Mlawa Sp. z o.o.	709,558				895
LG Electronics Taiwan Taipei Co., Ltd.	11,919				27

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19. Related Parties and Others, Continued*(In millions of won)*

	2016					
	Purchase and others					
	Acquisition of					
	Purchase of property, plant					
	Sales	Dividend material and	and	and	Outsourcing	Other costs
	and others	income	others	equipment	fees	Other costs
LG Electronics Wroclaw Sp. z o.o.	₩ 290,785					99
LG Hitachi Water Solutions Co., Ltd.				167,987		2,782
LG Electronics Reynosa, S.A. DE C.V.	1,074,790					1,907
LG Electronics Almaty Kazakhstan	15,953					33
LG Electronics Air-Conditioning (Shandong) Co., Ltd.				4,994		259
Hi Entech Co., Ltd.						25,365
Hientech (Tianjin) Co., Ltd.				28,587		10,613
LG Electronics S.A. (Pty) Ltd	21,236					39
Others	2,289					4,094
	₩ 3,496,300		209,878	201,861		64,577
	₩ 5,343,221	59,820	1,154,517	925,390	80,723	180,902

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

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

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19. Related Parties and Others, Continued*(In millions of won)*

	2015					
	Sales and others	Dividend income	Purchase of material and others	Acquisition of property, plant and equipment	Purchase and others Outsourcing fees	Other costs
Joint Venture						
Suzhou Raken Technology Co., Ltd.	₩ 143,125					361
Associates and their subsidiaries						
New Optics Ltd.	₩ 92		47,404		5,880	441
New Optics USA, Inc.					29,475	
INVENIA Co., Ltd. (LIG INVENIA Co., Ltd.)	9		49	42,007		122
TLI Inc.		101	84,732			929
AVACO Co., Ltd.		128	1,826	82,797		6,223
AVATEC Co., Ltd.		530	278		52,097	1,599
AVATEC Electronics Yantai Co., Ltd.						761
Paju Electric Glass Co., Ltd.		24,058	425,314			2,772
Shinbo Electric Co., Ltd.	284,255		473,484		97,736	83
Narenanotech Corporation	3		634	20,515		643
Glonix Co., Ltd.	8		4,581			227
ADP System Co., Ltd.			2,465	2,853		629
YAS Co., Ltd.	9		810	20,324		974
LB Gemini New Growth Fund No. 16		760				
	₩ 284,376	25,577	1,041,577	168,496	185,188	15,403
Entity that has significant influence over the Controlling Company						
LG Electronics Inc.	₩ 1,694,039		39,791	255,046		133,536

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19. Related Parties and Others, Continued*(In millions of won)*

	2015					
	Sales and others		Dividend material and others		Purchase of property, plant and equipment and Outsourcing fees Other costs	
Subsidiaries of the entity that has significant influence over the Controlling Company						
LG Electronics India Pvt. Ltd.	₩	156,428				131
LG Electronics Vietnam Haiphong Co., Ltd.		95,626				
LG Electronics Thailand Co., Ltd.		12,902				188
LG Electronics Nanjing Display Co., Ltd.		182,302				2,200
LG Electronics RUS, LLC		198,897				420
LG Electronics do Brasil Ltda.		298,679				490
LG Electronics (Kunshan) Computer Co., Ltd.		9,282				
LG Innotek Co., Ltd.		5,647		299,033		44,691
Qingdao LG Inspur Digital Communication Co., Ltd.		271,405				
Inspur LG Digital Mobile Communications Co., Ltd.		286,420				
LG Electronics Mexicali, S.A. DE C.V.		160,842				
LG Electronics Mlawa Sp. z o.o.		448,468				1,371
LG Electronics Shenyang Inc.		109,844				4
LG Electronics Taiwan Taipei Co., Ltd.		13,050				
LG Electronics Wroclaw Sp. z o.o.		523,623				298
LG Hitachi Water Solutions Co., Ltd.					40,436	5,664
LG Electronics Reynosa, S.A. DE C.V.		1,020,471				9

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For the years ended December 31, 2016 and 2015

19. Related Parties and Others, Continued*(In millions of won)*

	2015					
	Purchase and others					
	Acquisition of					
	Purchase of property, plant					
	Sales	Dividend	material and	and	Outsourcing	Other costs
	and others	income	others	equipment	fees	Other costs
Hi Entech Co., Ltd.	₩					24,963
Hi Logistics Co., Ltd.	34					24,832
Hi Logistics (China) Co., Ltd.						7,183
Hientech (Tianjin) Co., Ltd.						19,149
LG Electronics U.S.A., Inc.	5,305					868
Others	12		2			8,567
	₩ 3,799,237		299,035	40,436		141,028
	₩ 5,920,777	25,577	1,380,403	463,978	185,188	290,328

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For the years ended December 31, 2016 and 2015

19. Related Parties and Others, Continued

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

(In millions of won)

	Trade accounts and notes receivable and others December 31, 2016		Trade accounts and notes payable and others December 31, 2015	
Joint Venture				
Suzhou Raken Technology Co., Ltd.	₩	14,657		182
Associates and their subsidiaries				
New Optics Ltd.	₩	1,000	8,616	8,584
New Optics USA, Inc.				5,313
INVENIA Co., Ltd. (LIG INVENIA Co., Ltd.)		833	956	6,515
TLI Inc.				15,232
AVACO Co., Ltd.				20,064
AVATEC Co., Ltd.			5,190	5,493
Paju Electric Glass Co., Ltd.			71,685	68,066
Shinbo Electric Co., Ltd.		85,011	73,549	64,693
Narenanotech Corporation		300	283	2,242
ADP System Co., Ltd.				615
YAS Co., Ltd.		833	956	3,531
	₩	87,977	75,744	163,056
Entity that has significant influence over the Controlling Company				
LG Electronics Inc.	₩	357,577	407,498	160,309
				118,073

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For the years ended December 31, 2016 and 2015

19. Related Parties and Others, Continued*(In millions of won)*

	Trade accounts and notes receivable and others		Trade accounts and notes payable and others	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Subsidiaries of the entity that has significant influence over the Controlling Company				
LG Electronics India Pvt. Ltd.	₩ 4,651	12,736		
LG Electronics do Brasil Ltda.	14,299	5,835	27	
LG Electronics RUS, LLC	47,686	43,342		
LG Innotek Co., Ltd.	1,070	311	50,919	76,240
Qingdao LG Inspur Digital Communication Co., Ltd.	7,007	30,038		
Inspur LG Digital Mobile Communications Co., Ltd.	72,963	107,450	5	
LG Electronics Mexicali, S.A. DE C.V.	11,959	14,626	13	
LG Electronics Mlawa Sp. z o.o.	222,480	69,879	27	
LG Electronics Nanjing New Technology Co., Ltd.	51,794	25,195	78	87
LG Electronics Taiwan Taipei Co., Ltd.	3,510	847		
LG Electronics Reynosa, S.A. DE C.V.	93,873	120,940	259	
LG Electronics Wroclaw Sp. z o.o.	27,907	126,898	17	4
LG Electronics Vietnam Haiphong Co., Ltd.	35,121	20,296	7	
LG Electronics Almaty Kazakhstan	4,200	1,532		
LG Electronics S.A. (Pty) Ltd	5,941	1,406	3	
LG Electronics Air-Conditioning (Shandong) Co., Ltd.			1,304	2,244
LG Hitachi Water Solutions Co., Ltd.			108,119	13,811
Hientech (Tianjin) Co., Ltd.			3,746	966
Hi Entech Co., Ltd.			4,080	3,695
Others	526	15,692	1,638	484
	₩ 604,987	597,023	170,242	97,531
	₩ 1,050,541	1,094,922	493,607	424,223

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19. Related Parties and Others, Continued

- (e) Details of significant cash transactions such as loans and collection of loans, which occurred in the normal course of business with related parties for the years ended December 31, 2016 and 2015 are as follows:

(In millions of won)

Associates	January 1, 2016	Loans(*)		December 31, 2016
		Increase	Decrease	
New Optics Ltd.	₩	1,000		1,000
INVENIA Co., Ltd. (LIG INVENIA Co., Ltd.)	1,000		167	833
Narenanotech Corporation	300			300
YAS Co., Ltd.	1,000		167	833
	₩2,300	1,000	334	2,966

(*) Loans are presented based on nominal amounts.

(In millions of won)

Associates	January 1, 2015	Loans(*)		December 31, 2015
		Increase	Decrease	
INVENIA Co., Ltd. (LIG INVENIA Co., Ltd.)	₩	1,000		1,000
Narenanotech Corporation		300		300
YAS Co., Ltd.		1,000		1,000
	₩	2,300		2,300

(*) Loans are presented based on nominal amounts.

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19. Related Parties and Others, Continued**(f) Conglomerate Transactions**

Transactions, trade accounts and notes receivable and payable, and others between the Group and certain companies and their subsidiaries, which are included in LG Group, one of conglomerates according to the Monopoly Regulation and Fair Trade Act for the years ended December 31, 2016 and 2015 are as follows. These entities are not affiliates according to K-IFRS No. 1024, *Related Party Disclosures*.

(In millions of won)

	For the year ended December 31, 2016		December 31, 2016	
	Sales and others	Purchase and others	Trade accounts and notes receivable and others	Trade accounts and notes payable and others
LG Chem Ltd.	₩ 65	941,355	30	106,790
LG Chem (Nanjing) Information & Electronics Materials Co., Ltd.		384,480		79,117
Serveone Co., Ltd.	3,476	1,092,483	20,157	398,671
Serveone (Nanjing) Co., Ltd.		104,743		47,485
Serveone Construction Co., Ltd.		50,204		8,951
Serveone (Guangzhou) Co., Ltd.		90,973		19,719
Serveone Vietnam Co., Ltd.		4,562		587
Silicon Works Co., Ltd.	409	583,508	13	106,313
Hi Logistics (China) Co., Ltd.		12,882		1,535
LG CNS Co., Ltd.	550	183,181		89,152
LG CNS China Inc.	5	39,730		8,597
LG N-Sys Inc.		13,618		9,259
LG International Corp.	17,706	86,008	16,951	16,930
LG International (America) Inc.	20,940	48,551	3,594	20,449
LG International (Japan) Ltd.	139,324	842,483	14,603	125,689
LG International (HongKong) Ltd.	12,500	157	346	

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19. Related Parties and Others, Continued*(In millions of won)*

	For the year ended December 31, 2016		December 31, 2016	
	Sales and others	Purchase and others	Trade accounts and notes receivable and others	Trade accounts and notes payable and others
LG International (Singapore) Pte., Ltd.	₩ 425,025	1,810	31,071	
LG International (Deutschland) GmbH	509	8,848		4,935
Pantos Logistics Co., Ltd.	20	72,722		8,183
Pantos Logistics (China) Co., Ltd.		12,841		1,045
Pantos Logistics (Shanghai) Co., Ltd.		21,249		2,251
Pantos Logistics (Shenzhen) Co., Ltd.		94,972		8,577
LG Management Development Institute		9,720	3,480	376
HS Ad Inc.		5,219		1,465
LG Corp.		59,038	7,937	
Hi Logistics Co., Ltd.	24	16,356		
Others	1,862	15,466	2,732	2,491
	₩ 622,415	4,797,159	100,914	1,068,567

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For the years ended December 31, 2016 and 2015

19. Related Parties Others, Continued*(In millions of won)*

	For the year ended December 31, 2015		December 31, 2015	
	Sales and others	Purchase and others	Trade accounts and notes receivable and others	Trade accounts and notes payable and others
LG Chem Ltd.	₩	1,327,266		123,386
LG Chem (Nanjing) Information & Electronics Materials Co., Ltd.		341,631		69,799
Serveone Co., Ltd.	529	673,235	19,662	153,624
Serveone (Nanjing) Co., Ltd.		88,374		37,376
Serveone Construction Co., Ltd.		49,059		16,770
Serveone (Guangzhou) Co., Ltd.		77,633		20,252
Silicon Works Co., Ltd.		491,640		107,683
LG CNS Co., Ltd.	297	189,549		96,395
LG CNS China Inc.		43,084		16,292
LG N-Sys Inc.		18,503		15,103
LG International Corp.	50,113	94,331	2,205	8,456
LG International (America) Inc.	28,932	40,733	3,161	4,270
LG International (Japan) Ltd.	231,142	765,907	22,018	150,152
LG International (HongKong) Ltd.	4,513	321		
LG International (Singapore) Pte. Ltd.	690,022	155	133,161	39
LG International (Deutschland) GmbH		5,289		1,741
Pantos Logistics Co., Ltd.		26,107		5,283
Pantos Logistics (China) Co., Ltd.		7,187		1,127
Pantos Logistics (Shanghai) Co., Ltd.		10,193		2,677
Pantos Logistics (Shenzhen) Co., Ltd.		31,227		6,379
LG Management Development Institute		8,774	3,480	317

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For the years ended December 31, 2016 and 2015

19. Related Parties Others, Continued*(In millions of won)*

	For the year ended December 31, 2015		December 31, 2015	
			Trade accounts and notes receivable and others	Trade accounts and notes payable and others
	Sales and others	Purchase and others		
HS Ad Inc.	₩	43,801		25,447
LG Corp.		62,146	4,540	3,487
Lusem Co., Ltd.	66	63,616	60	1,327
Hi Logistics Co., Ltd.	7	4,612		2,552
Others	1,878	13,104	2,118	2,118
	₩ 1,007,499	4,477,477	190,405	872,052

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For the years ended December 31, 2016 and 2015

20. Geographic and Other Information

The following is a summary of sales by region based on the location of the customers for the years ended December 31, 2016 and 2015.

(a) Revenue by geography

(In millions of won)

Region	2016	2015
Domestic	₩ 1,825,191	2,217,516
Foreign		
China	18,367,767	19,375,401
Asia (excluding China)	2,148,676	2,605,753
United States	2,053,317	1,981,021
Europe (excluding Poland)	983,672	1,064,122
Poland	1,125,451	1,140,071
	₩ 24,678,883	26,166,368
	₩ 26,504,074	28,383,884

Sales to Company A and Company B amount to ₩9,122,385 million and ₩5,808,630 million, respectively, for the year ended December 31, 2016 (2015: ₩9,900,220 million and ₩6,682,226 million). The Group's top 10 end-brand customers together accounted for 82% of sales for the year ended December 31, 2016 (2015: 82%).

(b) Non-current assets by geography

(In millions of won)

Region	December 31, 2016		December 31, 2015	
	Property, plant and equipment	Intangible assets	Property, plant and equipment	Intangible assets
Domestic	₩ 8,758,171	673,966	7,719,079	607,402
Foreign				
China	3,079,724	23,298	2,728,047	19,946

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Others	193,554	197,673	98,894	211,382
	₩ 3,273,278	220,971	2,826,941	231,328
	₩ 12,031,449	894,937	10,546,020	838,730

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For the years ended December 31, 2016 and 2015

20. **Geographic and Other Information, Continued**

(c) Revenue by product and services

<i>(In millions of won)</i>	2016	2015
Televisions	₩ 10,132,520	10,853,598
Desktop monitors	4,035,195	4,553,138
Tablet products	2,695,808	2,509,911
Notebook computers	2,383,532	2,508,878
Mobile and others	7,257,019	7,958,359
	₩ 26,504,074	28,383,884

21. **Revenue**

Details of revenue for the years ended December 31, 2016 and 2015 are as follows:

<i>(In millions of won)</i>	2016	2015
Sales of goods	₩ 26,463,563	28,344,700
Royalties	17,122	18,674
Others	23,389	20,510
	₩ 26,504,074	28,383,884

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For the years ended December 31, 2016 and 2015

22. The Nature of Expenses and Others

The classification of expenses by nature for the years ended December 31, 2016 and 2015 are as follows:

(In millions of won)

	2016	2015
Changes in inventories	₩ 63,884	402,429
Purchases of raw materials, merchandise and others	14,244,942	14,705,757
Depreciation and amortization	3,021,571	3,375,856
Outsourcing fees	819,742	1,011,084
Labor costs	3,022,607	3,104,043
Supplies and others	1,053,245	1,062,820
Utility	840,664	836,600
Fees and commissions	638,732	580,235
Shipping costs	224,742	231,830
Advertising	67,636	265,755
Warranty expenses	166,691	146,829
Travel	73,807	71,457
Taxes and dues	74,506	76,640
Others	927,218	1,036,131
	₩ 25,239,987	26,907,466

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

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For the years ended December 31, 2016 and 2015

23. Selling and Administrative Expenses

Details of selling and administrative expenses for the years ended December 31, 2016 and 2015 are as follows:

(In millions of won)

	2016	2015
Salaries	₩ 276,824	268,182
Expenses related to defined benefit plans	28,999	26,967
Other employee benefits	89,717	88,191
Shipping costs	191,442	199,774
Fees and commissions	192,786	191,106
Depreciation	129,225	118,719
Taxes and dues	30,523	30,958
Advertising	67,636	265,755
Warranty expenses	166,691	146,829
Rent	25,840	24,184
Insurance	11,561	10,826
Travel	23,343	24,411
Training	14,464	15,515
Others	55,365	59,400
	₩ 1,304,416	1,470,817

24. Personnel Expenses

Details of personnel expenses for the years ended December 31, 2016 and 2015 are as follows:

(In millions of won)

	2016	2015
Salaries and wages	₩ 2,418,869	2,468,767
Other employee benefits	459,730	450,651
Contributions to National Pension plan	69,588	66,191
Expenses related to defined benefit plan	220,962	199,033
	₩ 3,169,149	3,184,642

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For the years ended December 31, 2016 and 2015

25. Other Non-operating Income and Other Non-operating Expenses

(a) Details of other non-operating income for the years ended December 31, 2016 and 2015 are as follows:

(In millions of won)

	2016	2015
Foreign currency gain	₩ 1,543,909	1,221,066
Gain on disposal of property, plant and equipment	14,637	18,179
Reversal of impairment loss on intangible assets		80
Rental income	5,152	4,858
Others	27,126	29,650
	₩ 1,590,824	1,273,833

(b) Details of other non-operating expenses for the years ended December 31, 2016 and 2015 are as follows:

(In millions of won)

	2016	2015
Foreign currency loss	₩ 1,420,502	1,177,634
Loss on disposal of property, plant and equipment	7,466	4,037
Impairment loss on property, plant, and equipment	1,610	3,027
Loss on disposal of intangible assets	75	29
Impairment loss on intangible assets	138	239
Donations	22,221	14,114
Expenses related to legal proceedings or claims and others	15,819	127,702
	₩ 1,467,831	1,326,782

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26. Finance Income and Finance Costs

- (a) Finance income and costs recognized in profit or loss for the years ended December 31, 2016 and 2015 are as follows:

(In millions of won)

	2016	2015
Finance income		
Interest income	₩ 42,079	57,080
Foreign currency gain	81,554	77,879
Gain on disposal of investments in equity accounted investees	11,367	23,268
Gain on transaction of derivatives	4,427	602
Gain on valuation of derivatives	244	
	₩ 139,671	158,829
Finance costs		
Interest expense	₩ 114,519	127,598
Foreign currency loss	132,320	155,728
Loss on valuation of Financial asset at fair value through profit or loss	118	
Loss on impairment of available-for-sale financial assets	3,757	
Loss on disposal of investments in equity accounted investees	5,643	481
Loss on impairment of investments in equity accounted investees	6,137	26,791
Loss on sale of trade accounts and notes receivable	2,886	4,909
Loss on transaction of derivatives	334	722
Loss on valuation of derivatives	472	
	₩ 266,186	316,229

- (b) Finance income and costs recognized in other comprehensive income or loss for the years ended December 31, 2016 and 2015 are as follows:

(In millions of won)

	2016	2015
Foreign currency translation differences for foreign operations	₩ (90,503)	44,913
Net change in fair value of available-for-sale financial assets	(77)	(288)
Tax effect	19	214
Finance income (costs) recognized in other comprehensive income or loss after tax	₩ (90,561)	44,839

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For the years ended December 31, 2016 and 2015

27. Income Taxes

(a) Details of income tax expense for the years ended December 31, 2016 and 2015 are as follows:

(In millions of won)

	2016	2015
Current tax expense		
Current year	₩ 361,237	277,264
Deferred tax expense (benefit)		
Origination and reversal of temporary differences	(49,190)	123,458
Change in unrecognized deferred tax assets	72,678	9,804
	₩ 23,488	133,262
Income tax expense	₩ 384,725	410,526

(b) Income taxes recognized directly in other comprehensive income or loss for the years ended December 31, 2016 and 2015 are as follows:

(In millions of won)

	2016			2015		
	Before tax	Tax benefit (expense)	Net of tax	Before tax	Tax benefit	Net of tax
Net change in fair value of available-for-sale financial assets	₩ (77)	19	(58)	(288)	70	(218)
Remeasurements of net defined benefit liabilities (assets)	155,346	(37,594)	117,752	(110,257)	26,682	(83,575)
Foreign currency translation differences for foreign operations	(90,503)		(90,503)	44,913	144	45,057
Change in equity of equity method investee	(5,216)		(5,216)	18,569		18,569
	₩ 59,550	(37,575)	21,975	(47,063)	26,896	(20,167)

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For the years ended December 31, 2016 and 2015

27. Income Taxes, Continued

(c) Reconciliation of the actual effective tax rate for the years ended December 31, 2016 and 2015 is as follows:

<i>(In millions of won)</i>		2016		2015
Profit for the year		₩ 931,058		1,023,456
Income tax expense		384,725		410,526
Profit before income tax		1,316,233		1,433,982
Income tax expense using the statutory tax rate of each country	33.49%	440,753	32.56%	466,848
Non-deductible expenses	3.39%	44,606	2.66%	38,208
Tax credits	(11.45%)	(150,663)	(8.12%)	(116,439)
Change in unrecognized deferred tax assets	5.52%	72,678	0.68%	9,804
Others	(1.72%)	(22,649)	0.85%	12,105
Actual income tax expense		₩ 384,725		410,526
Actual effective tax rate		29.23%		28.63%

28. Deferred Tax Assets and Liabilities**(a) Unrecognized deferred tax liabilities**

As of December 31, 2016, in relation to the temporary differences on investments in subsidiaries amounting to ₩149,616 million, the Controlling Company did not recognize deferred tax liabilities since the Controlling Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary differences will not reverse in the foreseeable future.

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

Realization of deferred tax assets related to tax credit carryforwards is dependent on whether sufficient taxable income will be generated prior to their expiration. As of December 31, 2016, the Controlling Company recognized deferred tax assets of ₩287,400 million, in relation to tax credit carryforwards, to the extent that management believes the

realization is probable. The amount of unused tax credit carryforwards for which no deferred tax asset is recognized and their expiration dates are as follows:

(In millions of won)

	December 31, 2017	December 31, 2018	December 31, 2019	December 31, 2020	December 31, 2021
Tax credit carryforwards	₩ 14,074	35,500			58,391

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28. Deferred Tax Assets and Liabilities, Continued

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

(In millions of won)

	Assets		Liabilities		Total	
	December, 31, 2016	December, 31, 2015	December, 31, 2016	December, 31, 2015	December, 31, 2016	December 31, 2015
Other accounts receivable, net	₩		(1,190)	(2,388)	(1,190)	(2,388)
Inventories, net	35,771	46,449			35,771	46,449
Available-for-sale financial assets				(19)		(19)
Defined benefit liabilities, net	10,817	58,962			10,817	58,962
Investments in equity accounted investees and subsidiaries	34,777	9,121			34,777	9,121
Accrued expenses	122,998	122,002			122,998	122,002
Property, plant and equipment	338,860	271,252			338,860	271,252
Intangible assets	744	817	(31,771)	(34,663)	(31,027)	(33,846)
Provisions	15,051	14,152			15,051	14,152
Gain or loss on foreign currency translation, net	11	11			11	11
Others	21,435	25,253			21,435	25,253
Tax credit carryforwards	287,400	385,017			287,400	385,017
Deferred tax assets (liabilities)	₩ 867,864	933,036	(32,961)	(37,070)	834,903	895,966

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28. Deferred Tax Assets and Liabilities, Continued

(d) Changes in deferred tax assets and liabilities for the years ended December 31, 2016 and 2015 are as follows:

(In millions of won)

	January 1, 2015	Profit or loss	Other compre- hensive income	Business combi- nation	December 31, 2015	Profit or loss	Other compre- hensive income	December 31, 2016
Other accounts								
receivable, net	₩ (3,440)	1,052			(2,388)	1,198		(1,190)
Inventories, net	46,377	72			46,449	(10,678)		35,771
Available-for-sale financial assets	(88)	(1)	70		(19)		19	
Defined benefit liabilities, net	112,213	(79,933)	26,682		58,962	(10,551)	(37,594)	10,817
Investments in equity accounted investees and subsidiaries	29,839	(20,718)			9,121	25,656		34,777
Accrued expenses	177,163	(55,161)			122,002	996		122,998
Property, plant and equipment	236,848	34,404			271,252	67,608		338,860
Intangible assets	1,423	(1,339)		(33,930)	(33,846)	2,819		(31,027)
Provisions	12,710	1,442			14,152	899		15,051
Gain or loss on foreign currency translation, net	168	(157)			11			11
Others	25,944	(835)	144		25,253	(3,818)		21,435
Tax credit carryforwards	397,105	(12,088)			385,017	(97,617)		287,400
Deferred tax assets (liabilities)	₩ 1,036,262	(133,262)	26,896	(33,930)	895,966	(23,488)	(37,575)	834,903

Statutory tax rate applicable to the Controlling Company to calculate tax base and deferred tax expense is 24.2% as of December 31, 2016.

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29. **Earnings per Share**

(a) Basic earnings per share for the years ended December 31, 2016 and 2015 are as follows:

<i>(In won and No. of shares)</i>	2016	2015
Profit attributable to owners of the Controlling Company	₩ 906,714,278,688	966,553,061,333
Weighted-average number of common stocks		
outstanding	357,815,700	357,815,700
Earnings per share	₩ 2,534	2,701

For the years ended December 31, 2016 and 2015, there were no events or transactions that resulted in changes in the number of common stocks used for calculating earnings per share.

(b) Diluted earnings per share for the years ended December 31, 2016 and 2015 are not calculated since there was no potential common stock.

30. **Supplemental Cash Flow Information**

Supplemental cash flow information for the years ended December 31, 2016 and 2015 is as follows:

<i>(In millions of won)</i>	2016	2015
Non-cash investing and financing activities:		
Changes in other accounts payable arising from the purchase of property, plant and equipment	₩ 809,406	182,424

During the year ended December 31, 2016, the Controlling Company acquired Suzhou Lehui Display Co., Ltd. through the exchange of equity interests (note 31).

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31. Business Combinations

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

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

<i>(In millions of won)</i>	Amount
Consideration transferred (*1)	₩ 125,217
Identifiable assets acquired and liabilities assumed:	
Trade accounts and notes receivable	73,653
Inventories	41,804
Other current assets	77,950
Property, plant and equipment	17,790
Other non-current assets	4,968
Trade accounts and notes payable	(89,493)
Other current liabilities	(6,078)
Identifiable net assets	120,594
Goodwill (*2)	4,623

(*1) Consideration transferred presents the fair value of the Controlling Company's interest in Suzhou Lehui Display Co., Ltd., which was measured using Discounted Cash Flow method.

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

The Controlling Company recognized ₩4,013 million for the difference between the carrying amount and the fair value as finance income in the consolidated statements of comprehensive income for the year ended December 31, 2016 regarding the previously held 51% ownership in Suzhou Raken Technology Co., Ltd.

See note 1(c) for the financial information of Suzhou Lehui Display Co., Ltd. included in the consolidated financial statements since acquisition. The revenue and profit or loss of the Group for the year ended December 31, 2016, as though the acquisition date for the business combination occurred in July 2016 had been as of the beginning of the annual reporting period, were not disclosed as they are not estimated reliably since the revenue and profit or loss of Suzhou Lehui Display Co., Ltd. from the beginning of 2016 to acquisition date are not available and the costs to develop such information would be excessive.

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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: February 27, 2017

By: /s/ Heeyeon Kim
(Signature)

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