

LG Display Co., Ltd.
Form 6-K
April 02, 2019
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

REPORT OF FOREIGN PRIVATE ISSUER

PURSUANT TO RULE 13a-16 OR 15d-16

UNDER THE SECURITIES EXCHANGE ACT OF 1934

For the month of April 2019

LG Display Co., Ltd.

(Translation of Registrant's name into English)

LG Twin Towers, 128 Yeoui-daero, Yeongdeungpo-gu, Seoul 07336, Republic of Korea

(Address of principal executive offices)

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

Form 20-F

Form 40-F

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

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

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

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

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

Yes

No

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ANNUAL REPORT

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

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

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

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

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1. Company

A. Name and contact information

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

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

B. Credit rating

(1) Corporate bonds (Domestic)

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

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

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Subject instrument	Credit rating	Definition
	AAA	Strongest capacity for timely repayment.
	AA+/AA/AA-	Very strong capacity for timely repayment. This capacity may, nevertheless, be slightly inferior than is the case for the highest rating category.
	A+/A/A-	Strong capacity for timely repayment. This capacity may, nevertheless, be more vulnerable to adverse changes in circumstances or in economic conditions than is the case for higher rating categories.
	BBB+/BBB/BBB-	Capacity for timely repayment is adequate, but adverse changes in circumstances and in economic conditions are more likely to impair this capacity.
Corporate bonds	BB+/BB/BB-	Capacity for timely repayment is currently adequate, but that there are some speculative characteristics that make the repayment uncertain over time.
	B+/B/B-	Lack of adequate capacity for repayment and speculative characteristics. Interest payment in time of unfavorable economic conditions is uncertain.
	CCC	Lack of capacity for even current repayment and high risk of default.
	CC	Greater uncertainties than higher ratings.
	C	High credit risk and lack of capacity for timely repayment.
	D	Insolvency.

(2) Corporate bonds (Overseas)

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

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

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

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

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(3) Commercial paper

Subject instrument	Month of rating	Credit rating ⁽¹⁾	Rating agency (Rating range)
Commercial paper	June 2016	A1	Korea Ratings Corporation (A1 ~ D)
	June 2016	A1	NICE Information Service Co., Ltd. (A1 ~ D)
	September 2016	A1	NICE Information Service Co., Ltd. (A1 ~ D)
	September 2016	A1	Korea Ratings Corporation (A1 ~ D)
	May 2017	A1	Korea Investors Service, Inc. (A1 ~ D)
	May 2017	A1	Korea Ratings Corporation (A1 ~ D)
	October 2017	A1	Korea Investors Service, Inc. (A1 ~ D)
	December 2017	A1	Korea Ratings Corporation (A1 ~ D)
	May 2018	A1	Korea Investors Service, Inc. (A1 ~ D)
	May 2018	A1	NICE Information Service Co., Ltd. (A1 ~ D)
	November 2018	Cancelled ⁽²⁾	Korea Investors Service, Inc. (A1 ~ D)
	November 2018	Cancelled ⁽²⁾	NICE Information Service Co., Ltd. (A1 ~ D)

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

Subject instrument	Credit rating	Definition
Commercial paper	A1	Timely repayment capability is at the highest level with extremely low investment risk and is stable such that it will not be influenced by any reasonably foreseeable changes in external factors.
	A2	Strong capacity for timely repayment with very low investment risk. This capacity may, nevertheless, be slightly inferior than is the case for the highest rating category.
	A3	Capacity for timely repayment is adequate with low investment risk. This capacity may, nevertheless, be somewhat influenced by sudden changes in external factors.
	B	Capacity for timely repayment is acknowledged, but there are some speculative characteristics.
	C	Capacity for timely repayment is questionable.
	D	Insolvency.

+ or - modifier can be attached to ratings A2 through B to differentiate ratings within broader rating categories.

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- (2) Ratings have been cancelled due to repayment of our outstanding commercial paper on October 22, 2018 upon maturity.

C. Capitalization

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

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

- (2) Convertible bonds

Not applicable.

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

(Unit: share)

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

- (1) Authorized: 500,000,000 shares

E. Dividends

Dividends for the three most recent fiscal years

Description (unit)	2018	2017	2016
Par value (Won)	5,000	5,000	5,000
Profit (loss) for the year (million Won) ⁽¹⁾	(207,239)	1,802,756	906,713
Earnings (loss) per share (Won) ⁽²⁾	(579)	5,038	2,534
Total cash dividend amount for the period (million Won)		178,908	178,908
Total stock dividend amount for the period (million Won)			
Cash dividend payout ratio (%) ⁽³⁾		9.92%	19.73%
Cash dividend yield (%) ⁽⁴⁾	Common shares	1.69%	1.58%
	Preferred shares		
Stock dividend yield (%)	Common shares		
	Preferred shares		
Cash dividend per share (Won)	Common shares	500	500
	Preferred shares		
Stock dividend per share (share)	Common shares		
	Preferred shares		

(1) Based on profit for the year attributable to the owners of the controlling company.

(2) Earnings per share is based on par value of ₩5,000 per share and is calculated by dividing net income by weighted average number of common shares.

(3) Cash dividend payout ratio is the percentage that is derived by dividing total cash dividend by profit for the year attributable to the owners of the controlling company.

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- (4) Cash dividend yield is the percentage that is derived by dividing cash dividend by the arithmetic average of the daily closing prices of our common shares during the one-week period ending two trading days prior to the closing of the register of shareholders for the purpose of determining the shareholders entitled to receive annual dividends.

2. Business**A. Business overview**

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

As of December 31, 2018, in order to support our business activities, we operated TFT-LCD and OLED production and research facilities in Paju and Gumi in Korea, and we have also established subsidiaries in the Americas, Europe and Asia.

As of December 31, 2018, our business consisted of the manufacture and sale of display and display related products utilizing TFT-LCD, OLED and other technologies under a single reporting business segment.

Consolidated operating results highlights

(Unit: In billions of Won)

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

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

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

The entry barriers to manufacture display panels are relatively high due to the technology and capital intensive nature of the mass manufacturing process that is required to achieve economies of scale, among other factors.

While growth in the market for displays used in notebook computer, monitor and other traditional IT products has stagnated or declined, the market for small- and medium-sized displays (including those used in smartphones) in the rapidly evolving IT environment has shown gradual growth. The display market for televisions has also shown steady growth mainly due to growing demand from developing countries as well as from consumers in general for larger sized display panels. As for displays used in industrial, automobile and other value added products, we expect to see growth in these markets.

(2) Growth Potential

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

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(3) Cyclicalities

The display panel business is highly cyclical and sensitive to fluctuations in the general economy. The industry experiences recurring volatility caused by imbalances between supply and demand due to capacity expansion and changing production utilization rates within the industry.

Macroeconomic factors and other causes of business cycles can affect the rate of growth in demand for display panels. Accordingly, if supply exceeds demand, average selling prices of display panels may decrease. Conversely, if growth in demand outpaces growth in supply, average selling prices may increase.

(4) Market conditions

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

- a. Korea: LG Display, Samsung Display, etc.
- b. Taiwan: AU Optronics, Innolux, CPT, HannStar, etc.
- c. Japan: Japan Display, Sharp, Panasonic LCD, etc.
- d. China: BOE, CSOT, CEC Panda, HKC, etc.

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

	2018	2017	2016
Panels for Televisions ⁽¹⁾⁽²⁾	28.3%	28.1%	28.2%
Panels for Monitors ⁽¹⁾	30.7%	36.3%	36.6%
Panels for Notebook Computers ⁽¹⁾	23.7%	21.3%	27.8%
Panels for Tablet Computers ⁽¹⁾	31.0%	29.1%	24.1%
Total ⁽¹⁾	28.8%	29.2%	29.4%

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

(2) Includes panels for public displays.

(5) Competitiveness and competitive advantages

Our ability to compete successfully depends on factors both within and outside our control, including product pricing, our relationship with customers, timely investments, adaptable production capabilities, development of new and premium products through technological advances, competitive production costs, success in marketing to our end-brand customers, component and raw material supply costs, foreign exchange rates and general economic and industry conditions.

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In order to compete effectively, it is critical to be cost competitive and maintain stable and long-term relationships with customers which will enable us to be profitable even in a buyer's market.

A substantial portion of our sales is attributable to a limited number of end-brand customers and their designated system integrators. The loss of these end-brand customers, as a result of customers entering into strategic supplier arrangements with our competitors or otherwise, would result in reduced sales.

Developing new products and technologies that can be differentiated from those of our competitors is critical to the success of our business. It is important that we take active measures to protect our intellectual property internationally by obtaining patents and undertaking monitoring activities in our major markets. It is also necessary to recruit and retain experienced key managerial personnel and skilled line operators.

As a leading technology innovator in the display industry, we continue to focus on delivering differentiated value to our customers by developing various technologies and products, including display panels with OLED, IPS, in-TOUCH and other technologies. With respect to OLED panels, following our supply of the world's first 55-inch OLED 3D panels for televisions in January 2013, we have supplied ultra-high definition (Ultra HD or UHD) OLED panels as well as Wallpaper and Crystal Sound OLED panels for televisions, flexible plastic OLED panels for smartphones, round OLED panels for wearable devices among others and have shown that we are technologically a step ahead of the competition. With respect to TFT-LCD panels, we are leading the market with our differentiated products with IPS technology, such as our ultra-large and high definition UHD television panels, large sized/borderless monitors, high-resolution/oxide notebooks and automotive and commercial products, and have prepared our production facilities to produce products with in-TOUCH technology.

Moreover, we entered into long-term sales contracts with major global firms to secure customers and expand partnerships for technology development.

C. New businesses

For our continued growth, we are actively exploring and preparing for new business opportunities that may arise in the changing market environment. As such, we are continually reviewing and looking at opportunities in the display and promising new industries.

3. Major Products and Raw Materials

A. Major products

We manufacture TFT-LCD and OLED panels, of which a significant majority is sold overseas.

(Unit: In billions of Won, except percentages)

2018

Business

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

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

While average selling prices of LCD panels exhibited varying trends according to demand by product category, the average selling price of LCD panels per square meter of net display area shipped in the fourth quarter of 2018 increased by approximately 12% compared to the third quarter of 2018 as a result of the increase in our shipments of IT and small- and medium-sized panels, which have relatively higher selling prices per square meter of net display area, in our product mix. There is no assurance that the average selling prices of LCD panels will not fluctuate in the future due to changes in market conditions.

Period	Average Selling Price ⁽¹⁾⁽²⁾ (in US\$ / m ²)
2018 Q4	559
2018 Q3	500
2018 Q2	501
2018 Q1	522
2017 Q4	589
2017 Q3	600
2017 Q2	574
2017 Q1	608
2016 Q4	642
2016 Q3	555
2016 Q2	504
2016 Q1	525

(1) Quarterly average selling price per square meter of net display area shipped.

(2) Excludes semi-finished products in the cell process.

C. Major raw materials

Prices of major raw materials depend on fluctuations in supply and demand in the market as well as on change in size and quantity of raw materials due to the increased production of large-sized panels.

(Unit: In billions of Won, except percentages)

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

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

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

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

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

4. Production and Equipment

A. Production capacity and output

(1) Production capacity

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

(Unit: 1,000 glass sheets)

Business area	Items	Location of facilities	2018 ⁽¹⁾	2017 ⁽¹⁾	2016 ⁽¹⁾
Display	Display panel	Gumi, Paju, Guangzhou	10,161	10,538	9,906

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

(2) Production output

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

(Unit: 1,000 glass sheets)

Business area	Items	Location of facilities	2018	2017	2016
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Display	Display panel	Gumi, Paju, Guangzhou	9,428	9,262	8,996
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- Based on glass input substrate size for 8th generation glass sheets.

B. Production performance and utilization ratio

(Unit: Hours, except percentages)

Production facilities	Available working hours in 2018	Actual working hours in 2018	Average utilization ratio
Gumi	8,760 ⁽¹⁾	8,760 ⁽¹⁾	100.0%
Paju	8,760 ⁽¹⁾	8,760 ⁽¹⁾	100.0%
Guangzhou	8,760 ⁽¹⁾	8,760 ⁽¹⁾	100.0%

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

C. Investment plan

In 2018, our total capital expenditures on a cash out basis was ₩7.9 trillion. In 2019, we plan to continue capital expenditures to invest in new OLED and oxide technologies and respond to increases in demand for large-sized panels.

Table of Contents**5. Sales****A. Sales performance**

(Unit: In billions of Won)

Business area	Sales types	Items (Market)	2018	2017	2016
Display	Products	Display panel			
		Overseas ⁽¹⁾	22,722	25,763	24,648
		Korea ⁽¹⁾	1,572	1,982	1,815
		Total	24,294	27,745	26,464
	Royalty	LCD, OLED technology patent			
		Overseas ⁽¹⁾	18	20	17
		Korea ⁽¹⁾			
		Total	18	20	17
	Others	Raw materials, components, etc.			
		Overseas ⁽¹⁾	8	11	14
		Korea ⁽¹⁾	17	14	10
		Total	25	25	23
	Total	Overseas ⁽¹⁾	22,747	25,794	24,679
		Korea ⁽¹⁾	1,590	1,996	1,825
		Total	24,337	27,790	26,504

(1) Based on ship-to-party.

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

B. Sales organization and sales route

As of December 31, 2018, each of our television, IT, mobile and OLED businesses had individual sales and customer support functions.

Sales subsidiaries in the United States, Germany, Japan, Taiwan, China and Singapore perform sales activities and provide local technical support to customers.

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

LG Display Headquarters and overseas manufacturing subsidiaries g Overseas sales subsidiaries
(USA/Germany/Japan/Taiwan/China/Singapore), etc. g System integrators and end-brand customers g End users

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

Sales performance by sales route

Sales performance	Sales route	Ratio
Overseas	Overseas subsidiaries	94.0%
	Headquarters	6.0%
Overseas sales portion (overseas sales / total sales)		93.5%
Korea	Overseas subsidiaries	2.5%
	Headquarters	97.5%
Korea sales portion (Korea sales / total sales)		6.5%

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(1) Sales methods and sales terms

Direct sales and sales through overseas subsidiaries, etc. Sales terms are subject to change depending on the fluctuation in the supply and demand of LCD panels.

(2) Sales strategy

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

In the smartphone, commercial products (including interactive whiteboards and video wall displays), industrial products (including aviation and medical equipment) and automobile displays segment, we have continued to build a strong and diversified business portfolio by expanding our business with customers with a global reach on the strength of our differentiated products applying IPS, plastic OLED, high-resolution, high-reliability, Super Narrow bezel, in-TOUCH and other technologies.

(3) Major customers

Customers A and B each accounted for more than 10% of our sales revenue in 2017 and 2018, and our sales revenue derived from our top ten customers comprised 77% of our total sales revenue.

(4) Purchase orders

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

6. Market Risks and Risk Management

A. Market risks

The display industry continues to experience continued declines in the average selling prices of TFT-LCD and OLED panels irrespective of cyclical fluctuations in the industry, and our margins would be adversely impacted if prices decrease faster than we are able to reduce our costs.

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

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

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

B. Risk management

As the average selling prices of TFT-LCD and OLED panels can continue to decline over time irrespective of industry-wide cyclical fluctuations, we may find it hard to manage risks associated with certain factors that are outside our control. However, we counteract such declines in average selling prices by increasing the proportion of high value added panels in our product mix while also implementing various cost reduction measures. In addition, in order to manage our risk against foreign currency fluctuations, we eliminate such risk by matching foreign currency inflow and outflow by currency. We also continually monitor our currency position and risk, and when needed, we may from time to time enter into cross-currency interest rate swap contracts and foreign currency forward contracts.

7. Derivative Contracts

A. Currency risks

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

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

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

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

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

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

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Our exposure to interest rate risks relates primarily to our floating rate long term loan obligations. We have established and are managing interest rate risk policies to minimize uncertainty and costs associated with interest rate fluctuations by monitoring cyclical interest rate fluctuations and enacting countermeasures.

8. Major contracts

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

Type of agreement	Name of party	Term	Content
Technology licensing agreement	Semiconductor Energy Laboratory	October 2005 ~	Patent licensing of LCD and OLED related technology
	Hewlett-Packard	January 2011 ~	Patent licensing of semi-conductor device technology
	Ignis Innovation, Inc.	July 2016 ~	Patent licensing of OLED related technology
Technology licensing/supply agreement	HannStar Display Corporation	December 2013 ~	Patent cross-licensing of LCD technology
	AU Optonics Corporation	August 2011~	Patent cross-licensing of LCD technology
	Innolux Corporation	July 2012 ~	Patent cross-licensing of LCD technology
	Universal Display Corporation	January 2015 ~ December 2022	Patent cross-licensing of OLED related technology

9. Research & Development**A. Summary of R&D-related expenditures**

(Unit: In millions of Won, except percentages)

Items ⁽¹⁾	2018	2017	2016
Material Cost	656,011	646,622	677,423
Labor Cost	667,837	668,429	479,650
Depreciation Expense	426,264	298,383	136,826
Others	314,007	298,256	129,348
Total R&D-Related Expenditures	2,064,119	1,911,690	1,423,247
	Selling &		
	918,512	917,645	880,794

Administrative

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

- (1) Calculated based on the total R&D-related expenditures before subtracting government subsidies (state subsidies).
- (2) For accounting treatment purposes, selling & administrative expenses are presented as research and development expenses in our statements of comprehensive income, net of amortization of capitalized intangible asset development costs.

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B. R&D achievements
Achievements in 2016

- (1) Developed the world's narrowest, at the time, bezel videowall product (55-inch/49-inch FHD, bezel to bezel 1.8mm)

Delivered 0.9mm even bezel, four-sided borderless product (bezel to bezel 1.8mm)

- (2) Developed the world's first ultra-stretch format display product (86-inch, 58:9 screen aspect ratio)

Developed new display panel size and screen aspect ratio (86-inch, 58:9 screen aspect ratio)

Applied next-generation stain (per pixel) offset technology

- (3) Developed the world's first ultra-large display product utilizing data single bank and GIP technology (86-inch Ultra HD)

Achieved cost-competitiveness by developing world's first ultra-large display product utilizing data single bank and GIP technology

- (4) Developed the world's first in-TOUCH monitor product (23-inch)

Improved touch functionality and strengthened cost-competitiveness by applying the world's first in-TOUCH technology to monitor display products

Simplified customer software configuration management by providing touch total solution

- (5) Developed ultra-slim OLED television display product applying high dynamic range (65-inch, 800 nit luminance, 2.52 mm module thickness)

Applied high dynamic range (HDR) technology to achieve 800 nit peak luminance and improved display quality

Achieved module thickness of 2.52mm (without back cover) and 5.92mm (with back cover)

- (6) Developed combined 5.3-inch QHD in-TOUCH + 3D cover glass product for LG Electronics

Developed world class smartphone product (G5) through collaboration with other LG Group companies

Strengthened competitiveness of design by achieving processability and productivity for 0.4t 3D cover glass

Improved power consumption of AoD Mode from Self Font Generation technology and operation optimization

- (7) Developed the world's first large-scale outdoor high luminance 3000 nit product (75-inch Ultra HD)

Developed the world's first large-scale outdoor 75-inch Ultra HD, high luminance 3000 nit product

Achieved cost competitiveness and power consumption reduction through utilization of high transmittance M+ panel

- (8) Developed the world's first FHD/Ultra HD multi-input Interactive Whiteboard product (75-inch Ultra HD)

Strengthened product competitiveness through delivery of customer FHD/Ultra HD selective input functionality

- (9) Developed 4.9mm depth Art Slim2 Ultra HD television (55-inch/65-inch Ultra HD)

Strengthened design competitiveness through delivery of ultra-slim product with application of Glass Light Guide Plate

- (10) Developed the world's largest 21:9 screen aspect ratio curved monitor (37.5-inch UltraWide Quad HD (WQHD+))

Continued pioneering of the market with the world's largest 21:9 screen aspect ratio IPS curved monitor lineup (37.5-inch, 2300R curvature radius, 44mm curvature depth)

Established flagship line through application of new high definition technology (WQHD+, 3840 x 1600 resolution)

Improved panel transmittance and backlight bleeding through our first-time application of a Super-IPS COT panel structure to monitor models

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- (11) Developed the world's first in-TOUCH GIP/DRD notebook product (15.6-inch FHD)

Strengthened competitiveness through application of GIP/DRD technology to FHD-quality notebook in-TOUCH products

- (12) Developed a transparent 32-inch FHD product

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

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

Developed differentiated wide color gamut solution

- (14) Developed the world's first UHD DRD product (50-inch UHD)

Utilized UHD RGBW(M+) pixel structure-based DRD technology to strengthen product competitiveness and optimize picture quality (high definition, high luminance, low energy consumption and HDR)

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

Developed a flexible display smartphone product through collaboration with other LG Group companies

Reduced the lower bezel size by 0.59mm and improved power consumption by applying VESA Display Stream Compression 1.1

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

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

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

Achievements in 2017

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Guaranteed the first 1000hr reliability in the automotive industry

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

Strengthened competitiveness through application of smart (digital) stepper

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

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

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

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

Achievements in 2018

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

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

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

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

Developed our first Ultra HD mobile product

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

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

Our first product applying camera notch concept technology

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

10. Intellectual Property

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

11. Environmental and Safety Matters

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

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

In connection with the greenhouse gas emission and energy reduction target system, we submitted a statement of our domestic emissions and energy usage for 2018 to the Korean government in March 2019 after it was certified by BSI Korea, a government-designated certification agency. The table below sets forth yearly levels of our greenhouse gases emissions and energy usage in the statement submitted to the Korean government:

(Unit: thousand tonnes of CO₂ equivalent; Tetra Joules)

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

The increase in greenhouse gas emission in 2018 is due to the inclusion of certain other greenhouse gas emissions (N₂O used in deposition facilities and CO₂ in cleaning facilities) during the second planning period (2018 to 2020) that were not included during the first planning period (2015 to 2017) in the overall amount of greenhouse gas emissions in accordance with guidelines issued by the Korean government.

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

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In addition, in August 2014, GP1, our newest 8th generation panel fabrication facility located in Guangzhou, China, was the first electronics plant in China to receive the Green Plant designation under China's Green China Policy, in addition to receiving ISO 14001, ISO 50001, OHSAS 18001, ISO 9001, PAS 2050 and ISO 14064-1 certifications. Furthermore, with respect to our production facilities in Gumi, we were first certified by the Ministry of Environment as a Green Company for P1 in 1997, and such certification has since been renewed on a timely basis, most recently in May 2018. In recognition of our efforts to reduce greenhouse gas emissions, we were awarded a commendation from the Minister of Environment in the efforts against climate change category in the 2013 Green Management Awards, which was jointly hosted by the Ministry of Environment and the Ministry of Trade, Industry & Energy. In addition, in recognition of our efforts to improve recycling and reduce waste, we received a citation in 2014 for being a leading recycling company from the Prime Minister of Korea and, in recognition of our continued water conservation activities (reuse system investments, etc.) and greenhouse gas emission reduction activities (process gas and energy reduction, etc.), we attained the highest level, Leadership A, and received the grand prize award at the CDP Water Korea Best Awards in 2016 from the Carbon Disclosure Project, which was presided over by the Carbon Disclosure Project Korea Committee. We also attained a Leadership A in the climate change information technology sector and received a carbon management honors award. Our continued efforts to reduce greenhouse gas emissions was recognized again in 2017 by becoming the only domestic information technology company to attain the Leadership A level and again receiving carbon management honors by ranking in the top five among all eligible companies. In May 2017, we were awarded a commendation from the Minister of Environment for having scored the highest grade among companies in the low- and medium-volume pollutant emitters category that had entered into voluntary agreements with the Metropolitan Air Quality Management Office, in recognition of having successfully met our voluntary targets for reduction of air pollutants as well as our overall efforts to enhance our relevant facilities and operational systems. In addition, in recognition of efficient control, management and operating systems implemented in our manufacturing facilities, we received the top-level certification, Level 1, in 2017 under the Factory Energy Management System evaluation presided by the Korea Energy Agency. Furthermore, in November 2017, we received the highest commendation, the Presidential Award, in the Korean Energy Efficiency Awards presided by the Ministry of Industry, Trade and Energy in recognition of our energy management practices and energy saving measures. In May 2018, we received the CEM Insight Award, presented at the Clean Energy Ministerial Meetings, and also received certification for our energy business management (Energy Champion) presided by the Ministry of Trade, Industry and Technology and the Korea Energy Agency in November 2018.

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

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In October 2005, we became the first display panel company to receive accreditation as an International Accredited Testing Laboratory by the Korea Laboratory Accreditation Scheme, which is operated by the Korean Ministry of Trade, Industry & Energy. In September 2006, we received international accreditation from TUV SUD, EU's German accreditation agency, as a RoHS testing laboratory. Our efforts to keep pace with the increasingly stringent accreditation standards and to receive and maintain such accreditations are part of our on-going efforts to systematically monitor environmentally controlled substances in our component parts inventory. Moreover, we participated in reforming IEC 62321, an international testing standard published by the International Electrotechnical Commission and used by RoHS, and the commission adopted our halogen-free combustion ion chromatography method in as IEC 62321-3-2, which was published in June 2013. In 2017, in a joint effort with the global product testing/accreditation agency SGS, we became the first display panel company to develop Eco Label, an environmentally friendly accreditation program for television display modules, and received the SGS Eco Label accreditation for our OLED and LCD television models in 2017 and 2018. For the IPS Nano Color for LCD, we received the Quality & Performance Mark from Intertek, a global product testing/accreditation agency, by applying a technology to eliminate cadmium (Cd) and indium phosphide (InP). In 2018, we became the first display panel company to receive the Green Technology Certification from the Korean Ministry of Science and ICT for improving the light efficiency technology of OLED to promote energy use reduction.

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

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

In June 2017, we were audited by the Ministry of Employment and Labor in connection with the occurrence of a safety accident and found to be in violation of certain provisions of the Industrial Safety and Health Act relating to supervisory obligations. As a result, we were issued a corrective order and assessed a fine of ₩2.4 million. In addition, the trial court assessed a fine of ₩0.5 million on each of us and our chief production officer on the basis of certain other applicable provisions of the Industrial Safety and Health Act. In relation to the same matter, in May 2018, the Prosecutor's Office sought a fine of ₩3.0 million on each of us and our chief production officer on the basis of certain other applicable provisions of the Industrial Safety and Health Act. The trial court (Goyang Branch of Uijeongbu District Court) issued a summary order confirming the same fine of ₩3.0 million on November 22, 2018. We and our chief production officer appealed the trial court's decision, and the case is currently pending appeal at the Uijeongbu District Court. In order to prevent such accidents from occurring again, we are strengthening our safety management standards and training for our employees.

In January 2018, we were audited by the Ministry of Employment and Labor in connection with the occurrence of another safety accident and found to be in violation of certain provisions of the Industrial Safety and Health Act relating to supervisory obligations. As a result, we were issued a corrective order and assessed a fine of ₩14.4 million. In relation to this matter, in January 2019, the trial court (Goyang Branch of Uijeongbu District Court) assessed a fine of ₩1 million as a summary order on each of us and our chief production officer pursuant to certain other provisions of the Industrial Safety and Health Act. In addition, in January 2019, the trial court sought a fine of ₩4 million and ₩2 million on us and the employee in charge of on-site safety management, respectively, on the basis of certain other provisions of the Industrial Safety and Health Act. Relevant authorities are currently conducting further investigations. In order to prevent such accidents from occurring again, we are strengthening our safety management standards and training for our employees.

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

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

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

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

12. Financial Information

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

Description	As of December 31, 2018	As of December 31, 2017	As of December 31, 2016
Current assets	8,800,127	10,473,703	10,484,186
Quick assets	6,108,924	8,123,619	8,196,401
Inventories	2,691,203	2,350,084	2,287,785
Non-current assets	24,375,583	18,685,984	14,400,150
Investments in equity accounted investees	113,989	122,507	172,683
Property, plant and equipment, net	21,600,130	16,201,960	12,031,449
Intangible assets	987,642	912,821	894,937
Other non-current assets	1,673,822	1,448,696	1,301,081
Total assets	33,175,710	29,159,687	24,884,336
Current liabilities	9,954,483	8,978,682	7,058,219
Non-current liabilities	8,334,981	5,199,495	4,363,729
Total liabilities	18,289,464	14,178,177	11,421,948
Share capital	1,789,079	1,789,079	1,789,079
Share premium	2,251,113	2,251,113	2,251,113
Retained earnings	10,239,965	10,621,571	9,004,283
Other equity	(300,968)	(288,280)	(88,478)
Non-controlling interest	907,057	608,027	506,391
Total equity	14,886,246	14,981,510	13,462,388

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

Description	For the year ended December 31, 2018	For the year ended December 31, 2017	For the year ended December 31, 2016
Revenue	24,336,571	27,790,216	26,504,074
Operating profit (loss)	92,891	2,461,618	1,311,416
Operating profit (loss) from continuing operations	(179,443)	1,937,052	931,508
Profit (loss) for the period	(179,443)	1,937,052	931,508
Profit (loss) attributable to:			
Owners of the Company	(207,239)	1,802,756	906,713
Non-controlling interest	27,796	134,296	24,795
Basic earnings (loss) per share	(579)	5,038	2,534
Diluted earnings (loss) per share	(579)	5,038	2,534
Number of consolidated entities	22	20	19

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

Description	As of December 31, 2018	As of December 31, 2017	As of December 31, 2016
Current assets	6,378,339	8,381,074	8,712,575
Quick assets	4,427,184	6,698,829	7,005,592
Inventories	1,951,155	1,682,245	1,706,983
Non-current assets	20,683,767	17,028,341	13,100,175
Investments	3,602,214	2,683,941	2,656,026
Property, plant and equipment, net	14,984,564	12,487,001	8,757,973
Intangible assets	816,808	731,373	673,966
Other non-current assets	1,280,181	1,126,026	1,012,210
Total assets	27,062,106	25,409,415	21,812,750
Current liabilities	7,416,630	7,394,605	6,176,344
Non-current liabilities	6,432,895	4,185,551	3,400,959
Total liabilities	13,849,525	11,580,156	9,577,303
Share capital	1,789,079	1,789,079	1,789,079
Share premium	2,251,113	2,251,113	2,251,113
Retained earnings	9,172,389	9,789,067	8,195,255
Other equity	0	0	0
Total equity	13,212,581	13,829,259	12,235,447

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

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

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C. Consolidated subsidiaries (as of December 31, 2018)

Company Interest	Primary Business	Location	Equity
LG Display America, Inc.	Sales	U.S.A.	100%
LG Display Japan Co., Ltd.	Sales	Japan	100%
LG Display Germany GmbH	Sales	Germany	100%
LG Display Taiwan Co., Ltd.	Sales	Taiwan	100%
LG Display Nanjing Co., Ltd.	Manufacturing	China	100%
LG Display Shanghai Co., Ltd.	Sales	China	100%
LG Display Poland Sp. zo.o.	Manufacturing	Poland	100%
LG Display Guangzhou Co., Ltd.	Manufacturing	China	100%
LG Display Shenzhen Co., Ltd.	Sales	China	100%
LG Display Singapore Pte. Ltd.	Sales	Singapore	100%
L&T Display Technology (Fujian) Limited	Manufacturing and sales	China	51%
LG Display Yantai Co., Ltd.	Manufacturing	China	100%
LG Display (China) Co., Ltd.	Manufacturing and sales	China	70%
Nanumnuri Co., Ltd.	Workplace services	Korea	100%
Unified Innovative Technology, LLC	Managing intellectual property	U.S.A.	100%
Global OLED Technology LLC	Managing intellectual property	U.S.A.	100%
LG Display Guangzhou Trading Co., Ltd.	Sales	China	100%
LG Display Vietnam Haiphong Co., Ltd.	Manufacturing	Vietnam	100%
Suzhou Lehui Display Co., Ltd.	Manufacturing and sales	China	100%
LG Display Fund I LLC	Investing in new emerging companies	U.S.A	100%
LG Display High-Tech (China) Co., Ltd. ⁽³⁾	Manufacturing	China	69%
MMT (Money Market Trust)	Money market trust	Korea	100%

D. Status of equity investments (as of December 31, 2018)

(1) Consolidated subsidiaries

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

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LG Display Shenzhen Co., Ltd.	CNY	4	August 28, 2007	100%
LG Display Singapore Pte. Ltd.	US\$	1.1	January 12, 2009	100%
L&T Display Technology (Fujian) Limited	CNY	116	January 5, 2010	51%
LG Display Yantai Co., Ltd.	CNY	1,008	April 19, 2010	100%
Nanumnuri Co., Ltd.	₩	800	March 19, 2012	100%
LG Display (China) Co., Ltd.	CNY	8,232	December 27, 2012	70%
Unified Innovative Technology, LLC	US\$	9	March 21, 2014	100%
LG Display Guangzhou Trading Co., Ltd.	CNY	1.2	May 27, 2015	100%
Global OLED Technology LLC	US\$	138	May 7, 2015	100%
LG Display Vietnam Haiphong Co., Ltd. ⁽¹⁾	US\$	300	May 13, 2016	100%
Suzhou Lehui Display Co., Ltd.	CNY	637	July 1, 2016	100%
LG Display Fund I LLC ⁽²⁾	USD\$	2	May 1, 2018	100%
LG Display High-Tech (China) Co., Ltd. ⁽³⁾	CNY	6,517	July 11, 2018	69%
MMT (Money Market Trust) ⁽⁴⁾	₩	24,501	March 31, 2017	100%

Changes since December 31, 2017:

- (1) During the reporting period, we invested an additional ₩212,600 million in LG Display Vietnam Haiphong Co., Ltd.

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- (2) During the reporting period, we established LG Display Fund I LLC in Wilmington, North Carolina, U.S.A. for the purpose of investing in new emerging companies and our percentage ownership interest in LG Display Fund I LLC is 100%.
- (3) During the reporting period, we established LG Display High-Tech (China) Co., Ltd. in Guangzhou, China for the purpose of manufacturing display products, and our percentage ownership interest in LG Display High-Tech (China) Co., Ltd is 69%.
- (4) As a result of our money market trust acquisition and disposal transactions conducted during the reporting period, the amount outstanding in our money market trust accounts as of December 31, 2018 is ₩24,501 million.

(2) Equity accounted investees

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

Changes since December 31, 2017:

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

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

13. Audit Information

A. Audit service

(Unit: In millions of Won, hours)

Description	2018	2017	2016
Auditor	KPMG Samjong	KPMG Samjong	KPMG Samjong
Activity	Audit by independent auditor	Audit by independent auditor	Audit by independent auditor
Compensation ⁽¹⁾	1,170 (450) ⁽²⁾	1,040 (450) ⁽²⁾	1,020 (440) ⁽²⁾
Time required	17,269	17,909	18,291

(1) Compensation amount is the contracted amount for the full fiscal year.

(2) Compensation amount in () is for Form 20-F filing and SOX 404 audit.

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B. Non-audit service
None.

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

A. Risk relating to forward-looking statements

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

B. Overview

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

With respect to each of our business areas:

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

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

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

C. Financial condition and results of operations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

social and labor unrest;

decreases in the market prices of Korean real estate;

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

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

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

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

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

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

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

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

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

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

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

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

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

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(2) Results of operations

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

By business area:

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

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

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

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

(Unit: In millions of Won)

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

(a) Revenue and cost of sales

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

(Unit: In millions of Won, except percentages)

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

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(b) Sales by category

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

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

(c) Production capacity

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

(3) Financial condition

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

(Unit: In millions of Won)

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

Total liabilities and equity	33,175,710	29,159,687	4,016,023	13.8%
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Due in part to increases in the proportion of high value added panels in our product mix, our inventory increased by ~~₩~~341 billion from the end of the previous year to ~~₩~~2,691 billion as of December 31, 2018.

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

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

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

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

(4) Dependence on Key Customers

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

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

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

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

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

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

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

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(5) Changes in Manufacturing Costs and Difficulties in Securing Supply of Raw Material

If we cannot maintain high capacity utilization rates, our profitability will be adversely affected.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(7) Sensitivity to Exchange Rates and Inflation

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

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

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

D. Liquidity and capital resources

(1) Liquidity

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

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

(Unit: in millions of won)

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

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

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

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

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

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(Unit: in millions of won)

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

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

(2) Financial liabilities and capital resources

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

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

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

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

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

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

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

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

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Our financial liabilities and capital resources are as follows:

(a) Financial liabilities

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

(Unit: in millions of won)

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

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

(b) Capital resources

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

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

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

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

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

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

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

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

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

(3) Cash usage

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

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

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

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

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

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

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

(Unit: In millions of Won)

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

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

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

(As of December 31, 2018)

Name	Position	Primary responsibility
Sang Beom Han ⁽¹⁾	Representative Director (non-outside), Chief Executive Officer and Vice Chairman	Chairman of the board of directors
Sang Don Kim ⁽²⁾	Director (non-outside), Chief Financial Officer and Senior Vice President	Overall head of finances
Hyun-Hwoi Ha ⁽³⁾	Director (non-standing)	Related to the overall management
Joon Park ⁽⁴⁾	Outside Director	Related to the overall management
Sung-Sik Hwang ⁽⁵⁾	Outside Director	Related to the overall management
Kun Tai Han ⁽⁶⁾	Outside Director	Related to the overall management
Byoung Ho Lee ⁽⁷⁾	Outside Director	Related to the overall management

- (1) Sang Beom Han was reappointed for another term as a non-outside director at the annual general meeting of shareholders held on March 15, 2018.
- (2) Sang Don Kim retired as his term expired at the annual general meeting of shareholders held on March 15, 2019.
- (3) Hyun-Hwoi Ha resigned from his position as a non-standing director on March 14, 2019.
- (4) Joon Park retired as his term expired at the general meeting of shareholders on March 15, 2019.
- (5) Sung-Sik Hwang was reappointed for another term as an outside director at the annual general meeting of shareholders held on March 15, 2018. Mr. Hwang is also an outside director of Kyobo Life Insurance Co., Ltd.
- (6) Kun Tai Han is also the chief executive officer of Hans Consulting.

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

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

(As of the date of this report)

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

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

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

Table of Contents**B. Committees of the board of directors**

We have the following committees that serve under our board of directors: Audit Committee, Outside Director Nomination Committee and Management Committee. The Management Committee consists of two non-outside directors, Sang Beom Han and Sang Don Kim. As of December 31, 2018, the composition of the Audit Committee and the Outside Director Nomination Committee was as follows.

(As of December 31, 2018)

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

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

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

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

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

(As of March 15, 2019)

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

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

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

(As of the date of this report)

Committee	Composition	Member
Audit Committee	3 outside directors	Sung-Sik Hwang ⁽¹⁾ , Kun Tai Han, Chang-Yang Lee ⁽²⁾

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

(2)

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

C. Independence of directors

Directors are appointed in accordance with the procedures of the Commercial Act and other relevant laws and regulations. Our board of directors is independent as four out of the seven directors that comprise the board are outside directors. Outside directors candidates are nominated for appointment at a shareholders meeting after undergoing rigorous review by the Outside Director Nomination Committee.

All of our current outside directors were nominated by the Outside Director Nomination Committee, and all of our current non-outside directors were nominated by the board of directors.

Table of Contents**16. Information Regarding Shares****A. Total number of shares**

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

B. Shareholder list

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

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

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

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

17. Directors and Employees**A. Directors**

- (1) Remuneration for directors in 2018

(Unit: person, in millions of Won)

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

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

(2) Amount paid is calculated on the basis of amount of cash actually paid.

(3) Per capita average remuneration paid is calculated by dividing total amount paid by the average number of directors for the year ended December 31, 2018.

(4) As Jin Jang resigned from his position as an outside director on March 14, 2018 and Byoung Ho Lee was newly appointed as an outside director at the annual general meeting of shareholders held on March 15, 2018, the total amount paid includes remuneration paid to both Mr. Jang and Mr. Lee.

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(2) Remuneration for individual directors and audit committee members

Individual amount of remuneration paid in 2018

(Unit: in millions of Won)

Name	Position	Total remuneration ⁽¹⁾	Payment not included in total remuneration
Sang Beom Han	Representative Director	2,812	
Sang Don Kim ⁽²⁾	Director	663	

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

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

Method of calculation

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

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

Salary

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

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

Bonus

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

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

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

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

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

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Sang Don Kim

Total remuneration

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

Salary

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

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

Bonus

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

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

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

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

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

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

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

Individual remuneration amount

(Unit: in millions of Won)

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

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Method of calculation

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

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

Salary

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

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

Bonus

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

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

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

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

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

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Yong Kee Hwang⁽¹⁾ Total remuneration

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

Salary

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

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

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

Bonus

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

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

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

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

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

In Byeong Kang

Total remuneration

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

Salary

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

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

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

Bonus

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

Bonus in the range of 0 to 150% of annual salary may be awarded by evaluating the previous year's performance through certain financial indicators, such as revenue and operating profit,

and non-financial indicators, such as meeting our medium- to long-term expectations, leadership and other contributions.

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

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

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

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Sang Deok Yeo⁽²⁾

Total remuneration

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

Salary

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

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

Bonus

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

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

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

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

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

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

Retirement pay

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

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Byung Chul Ahn⁽²⁾ Total remuneration

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

Salary

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

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

Bonus

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

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

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

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

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

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

Retirement pay

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

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

(4) Stock options
Not applicable.

B. Employees

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

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

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

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- (1) Includes part-time employees hired for temporary needs or to serve as temporary replacements for employees on parental leave.
- (2) Welfare benefits and retirement expenses have been excluded. Total welfare benefit provided to our employees for the year ended 2018 was ₩374,002 million and the per capita welfare benefit provided was ₩11.6 million.
- (3) Based on income tax statements, which are submitted to the Korean tax authority in accordance with Article 20 of the Income Tax Act.
- (4) Includes incentive payments to employees who have transferred from our affiliated companies.
- (5) Calculated using the average number of employees (male: 24,610, female: 7,652) for the year ended December 31, 2018.

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

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

18. Other Matters

A. Legal proceedings

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

B. Material Events Subsequent to the Reporting Period

(1) Public issuance of corporate bonds

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

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

C Non-current assets held for sale

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

Impairment loss of a disposal group

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

Assets of a disposal group

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

(in millions of Won)

	As of December 31, 2018
Tangible assets	70,161

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

Consolidated Financial Statements

For the Years Ended December 31, 2018 and 2017

(With Independent Auditors' Report Thereon)

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Independent Auditors' Report

Based on a report originally issued in Korean

To the Board of Directors and Shareholders

LG Display Co., Ltd.:

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

(i) Assessment of impairment of non-current assets

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

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

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

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

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

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

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

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

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

(ii) Assessment of recoverability of deferred tax assets

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

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

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

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

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

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

Other matter

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

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

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

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

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

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Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

for our audit opinion.

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

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

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

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

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KPMG Samjong Accounting Corp.

Seoul, Korea

February 25, 2019

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

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Financial Position

As of December 31, 2018 and 2017

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

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

See accompanying notes to the consolidated financial statements.

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LG DISPLAY CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income (Loss)

For the years ended December 31, 2018 and 2017

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

Non-controlling interests	27,796	134,296
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