LG Display Co., Ltd.
Form 6-K
March 04, 2009
Table of Contents

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

REPORT OF FOREIGN PRIVATE ISSUER

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

THE SECURITIES EXCHANGE ACT OF 1934

For the month of March 2009

LG Display Co., Ltd.

(Translation of Registrant s name into English)

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

(Address of principal executive offices)

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

Form 20-F __X__ Form 40-F ______

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

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

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

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

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

Yes ______ No __X__

Table of Contents

Submission of Audit Report

1. Name of external auditor : Samjong Accounting Corporation

2. Date of receiving external audit report : March 3, 2009

3. Auditor s opinion

	FY 2008	FY 2007
Audit Report on Consolidated Financial Statements	Unqualified	Unqualified
Audit Report on Non-consolidated Financial Statements	Unqualified	Unqualified

4. Financial Highlights of Consolidated Financial Statements

(Unit: KRW M, Korean GAAP, Consolidated)

Items	FY 2008	FY 2007
Total Assets	17,388,366	13,779,835
Total Liabilities	8,099,743	5,490,376
Total Shareholders Equity	9,288,623	8,289,459
Capital Stock	1,789,079	1,789,079
Revenues	16,263,635	14,351,966
Operating Income	1,735,441	1,504,007
Ordinary Income	1,311,499	1,542,959
Net Income	1,086,778	1,344,027
Total Shareholders Equity / Capital Stock	519.2%	463.3%

5. Financial Highlights of Non-consolidated Financial Statements

(Unit: KRW, Korean GAAP, Non-consolidated)

Items	FY 2008	FY 2007
Total Assets	16,501,987	13,394,435
Total Liabilities	7,225,965	5,105,062
Total Shareholders Equity	9,276,022	8,289,373
Capital Stock	1,789,079	1,789,079
Revenues	15,865,240	14,163,131
Operating Income	1,536,306	1,491,135
Ordinary Income	1,293,480	1,545,562

Net Income	1,086,896	1,344,027
Total Shareholders Equity / Capital Stock	518.5%	463.3%

Table of Contents

LG DISPLAY CO., LTD.

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

AND SUBSIDIARIES

Consolidated Financial Statements

December 31, 2008

(With Independent Auditors   Report Thereon)

Table of Contents

Table of Contents

Table of Contents

Independent Auditors Report

Based on a report originally issued in Korean

To the Stockholders and Board of Directors

LG Display Co., Ltd.:

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

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

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

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

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

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

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

/s/ KPMG Samjong Accounting Corp.

Seoul, Korea

February 16, 2009

Table of Contents

This report is effective as of February 16, 2009, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

Table of Contents

LG DISPLAY CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

As of December 31, 2008 and 2007

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

See accompanying notes to consolidated financial statements.

3

Table of Contents

LG DISPLAY CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets (continued)

As of December 31, 2008 and 2007

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

See accompanying notes to consolidated financial statements.

4

Table of Contents

LG DISPLAY CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Income

For the years ended December 31, 2008 and 2007

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

Net income (loss) of minority interest		(Won)	(118)	
Earnings per share	29			
Basic earnings per share		(Won)	3,038	3,756
Diluted earnings per share		(Won)	3,003	3,716

See accompanying notes to consolidated financial statements.

Table of Contents

LG DISPLAY CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders Equity

For the years ended December 31, 2008 and 2007

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

See accompanying notes to consolidated financial statements.

LG DISPLAY CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2008 and 2007

(In millions of Won)	Note	2008	2007
Cash flows from operating activities:			
Net income		(Won) 1,086,778	1,344,027
Adjustments for:			
Depreciation		2,485,977	2,775,549
Amortization of intangible assets		55,044	54,468
Provision for severance benefits		68,992	62,828
Provision for warranty reserve	19	90,063	77,852
Loss (gain) on foreign currency translation, net		218,959	(16,682)
Equity income on investments, net		(7,588)	(6,860)
Loss on sale of Investment in equity securities, net		100	
Loss (gain) on disposal of property, plant and equipment, net		(330)	2,656
Gain on disposal of intangible assets, net		(1,633)	
Impairment loss on property, plant and equipment		83	44,398
Interest expense		2,483	
Loss (gain) on redemption of debentures, net		(1,139)	17,632
Amortization of discount on debentures, net		30,838	45,323
(Reversal of) compensation expenses associated with stock option	31	(560)	560
Other expenses		458,017	
		3,399,306	3,057,724
Changes in operating assets and liabilities:			
Decrease (increase) in trade accounts receivable and notes receivable		187,879	(1,446,420)
Decrease (increase) in other accounts receivable		53,562	15,645
Decrease (increase) in accrued income		(73,897)	(13,098)
Decrease (increase) in advance payments		2,375	4,266
Decrease (increase) in prepaid expenses		26,751	16,939
Decrease (increase) in prepaid value added tax		(70,455)	(10,506)
Decrease (increase) in other current assets		2,154	13,135
Decrease (increase) in inventories		(312,749)	228,781
Decrease (increase) in long-term other receivables		(4,915)	(20,141)
Decrease (increase) in long-term prepaid expenses		(24,554)	(46,622)
Decrease (increase) in deferred income tax assets		(100,916)	112,630
Decrease (increase) in other non-current assets		2,535	
Increase (decrease) in trade accounts and notes payable		83,812	36,778
Increase (decrease) in other accounts payable		170,689	(19,852)
Increase (decrease) in advances received		(64,946)	36,267
Increase (decrease) in unearned income			8,193
Increase (decrease) in withholdings		8,516	(18,215)
Increase (decrease) in accrued expenses		103,182	43,421
Increase (decrease) in income tax payable		216,361	73,476
Increase (decrease) in warranty reserve		(81,253)	(59,818)
Increase (decrease) in other current liabilities		(20,536)	(6,699)
Increase (decrease) in long-term accrued expenses		979	2,892
Increase (decrease) in long-term other accounts payable		1,106	
Increase (decrease) in long-term unearned income		3,191	
Increase (decrease) in deferred income tax liabilities		2	(19)
Accrued severance benefits transferred from affiliated company, net		3,339	2,117
Payment of severance benefits		(23,853)	(48,202)
Decrease (increase) in severance insurance deposits		(31,792)	(45,242)
Decrease (increase) in contribution to the National Pension Fund		51	110
Increase (decrease) in other non-current liabilities		11	
Increase (decrease) in cumulative translation adjustments, net		58,368	44,940

	114,997	(1,095,244)
Net cash provided by operating activities	(Won) 4,601,081	3,306,507

See accompanying notes to consolidated financial statements.

7

Table of Contents

LG DISPLAY CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows (continued)

For the years ended December 31, 2008 and 2007

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

See accompanying notes to consolidated financial statements.

8

Table of Contents

LG DISPLAY CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2008 and 2007

1 Organization and Description of Business

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

(a) Description of the Controlling Company

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

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

(b) Consolidated Subsidiaries

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

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

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

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

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

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

Table of Contents

LG DISPLAY CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2008 and 2007

1 Organization and Description of Business, Continued

(b) Consolidated Subsidiaries, Continued

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(xi) Suzhou Raken Technology Ltd.

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

Table of Contents

LG DISPLAY CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2008 and 2007

1 Organization and Description of Business, Continued

(c) Equity Method Investment

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

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

(ii) TLI Inc. (TLI)

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

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

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

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

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

(v) NEW OPTICS Ltd.

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

LG DISPLAY CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2008 and 2007

2 Summary of Consolidated Subsidiaries

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

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

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

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

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

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

Table of Contents

LG DISPLAY CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2008 and 2007

2 Summary of Consolidated Subsidiaries, Continued

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

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

13

Table of Contents

LG DISPLAY CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2008 and 2007

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

(a) Significant Accounting Policies

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

(b) Basis of Presenting Financial Statements

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

(c) Revenue Recognition

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

(d) Cash and Cash Equivalents

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

(e) Allowance for Doubtful Accounts

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

Table of Contents

LG DISPLAY CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2008 and 2007

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

(f) Inventories

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

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

(g) Investments in Securities

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

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

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

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

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

Table of Contents

LG DISPLAY CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2008 and 2007

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

(g) Investments in Securities, Continued

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

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

(h) Equity Method Investment

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

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

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

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

Table of Contents

LG DISPLAY CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2008 and 2007

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

(i) Interest in Joint Ventures

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

(j) Property, Plant and Equipment

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

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

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

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

Table of Contents

LG DISPLAY CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2008 and 2007

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

(k) Intangible Assets

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

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

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

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

(l) Grants Received

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

(m) Impairment of Assets

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

Table of Contents

LG DISPLAY CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2008 and 2007

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

(n) Convertible Bonds

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

(o) Stock and Bond Issue Costs

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

(p) Discount (Premium) on Debentures

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

(q) Retirement and Severance Benefits

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

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

Table of Contents

LG DISPLAY CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2008 and 2007

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

(r) Foreign Currency Translation

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

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

(s) Derivatives

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

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

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

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

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

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

LG DISPLAY CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2008 and 2007

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

(s) Derivatives, Continued

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

(t) Provisions and Contingent Liabilities

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

(u) Income Taxes

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

(v) Sale or Discount of Accounts Receivable

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

(w) Earnings Per Share

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

21

Table of Contents

LG DISPLAY CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2008 and 2007

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

(x) Use of Estimates

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

(y) Principles of Consolidation

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

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

4 Cash and Cash Equivalents and Short-term Financial Instruments

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

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

22

Table of Contents

LG DISPLAY CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2008 and 2007

5 Receivables

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

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

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

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

Table of Contents

LG DISPLAY CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2008 and 2007

6 Inventories

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

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

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

Table of Contents

LG DISPLAY CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2008 and 2007

7 Available-for-Sale Securities

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

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

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

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

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

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

Table of Contents

LG DISPLAY CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2008 and 2007

7 Available-for-Sale Securities, Continued

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

8 Equity Method Investments

(a) 2008

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

(In millions of Won)

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

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

Dealers Automated Quotation. As of December 31, 2008, the stocks of TLI Inc. and AVACO Co., Ltd. are traded for (Won)5,670 and (Won)2,400 per share, respectively.

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

Table of Contents

LG DISPLAY CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2008 and 2007

8 Equity Method Investments, Continued

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

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

(In millions of Won)

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

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

(In millions of Won)

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

27

Table of Contents

LG DISPLAY CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2008 and 2007

8 Equity Method Investments, Continued

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

(In millions of Won)

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

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

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

Table of Contents

LG DISPLAY CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2008 and 2007

8 Equity Method Investments, Continued

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

(In millions of Won)

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

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

(In millions of Won)

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

(b) 2007

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

(In millions of Won)

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

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

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

(In millions of Won) **Company**	**Inventories**
Paju Electric Glass Co., Ltd.	(Won) (726)

LG DISPLAY CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2008 and 2007

8 Equity Method Investments, Continued

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

(In millions of Won)

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

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

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

(In millions of Won)

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

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

(In millions of Won)

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

Table of Contents

LG DISPLAY CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2008 and 2007

9 Transactions and Balances with Related Parties

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

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

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

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

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

Table of Contents

LG DISPLAY CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2008 and 2007

9 Transactions and Balances with Related Parties, Continued

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

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

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

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

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

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

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

Table of Contents

LG DISPLAY CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2008 and 2007

10 Significant Transactions and Balances with Consolidated Subsidiaries

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

(i) 2008

(In millions of Won)

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

(*) These amounts include the Controlling Company s sale of property, plant and equipment to the Controlling Company s subsidiaries amounting to (Won)8,833 million.

(ii) 2007

(In millions of Won)

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

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

(*) These amounts include the Controlling Company s sale of property, plant and equipment to the Controlling Company s subsidiaries amounting to (Won)35,608 million.

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

(In millions of Won)	**2008**	**2007**
Transactions	(Won) 113,076	54,619
Account balances	24,584	4,007

Table of Contents

LG DISPLAY CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2008 and 2007

11 Property, Plant and Equipment

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

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

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

(*1) Other amounts include transfer of construction-in-progress to other property, plant and equipment and changes in cumulative translation adjustment.

(*2) The decrease of accumulated impairment loss is due to the disposal of machinery and equipment with impairment loss.

Table of Contents

LG DISPLAY CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2008 and 2007

11 Property, Plant and Equipment, Continued

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

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

	2007				
(In millions of Won)	**Vehicles**	**Machinery-in-transit**	**Construction-in-progress**	**Others**	**Total**
Book value as of January 1, 2007	(Won) 7,060	118,373	985,355	8,460	9,428,046
Acquisitions	16	175,507	709,782	427	962,397
Depreciation	(3,212)				(2,776,845)
Impairment loss(*)			(28,259)		(44,398)
Disposals	(56)		(122)		(8,202)
Other	1,772	(274,837)	(921,150)		(32,322)
Subsidy (increase) decrease					(153)
Book value as of December 31, 2007	(Won) 5,580	19,043	745,606	8,887	7,528,523
Acquisition Cost	(Won) 14,463	19,043	745,606	8,887	19,048,682
Accumulated depreciation	(Won) 8,883				11,504,020
Accumulated Impairment loss	(Won)				16,139

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

Table of Contents

LG DISPLAY CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2008 and 2007

11 Property, Plant and Equipment, Continued

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

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

12 Capitalization of Financial Expenses

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

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

(i) Balance sheet

	Capitalized		Expensed as incurred		Difference	
(In millions of Won)	**Acquisition cost**	**Accumulated depreciation**	**Acquisition cost**	**Accumulated depreciation**	**Acquisition cost**	**Accumulated depreciation**
Property, plant and equipment	(Won) 23,295,311	14,025,042	23,110,056	13,963,557	185,255	61,485
Deferred tax assets(non-current)	443,877					