LG Display Co., Ltd.
Form 6-K
March 30, 2011
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

REPORT OF FOREIGN PRIVATE ISSUER

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

THE SECURITIES EXCHANGE ACT OF 1934

For the month of March 2011

LG Display Co., Ltd.

(Translation of Registrant s name into English)

65-228 Hangangno 3-ga, Yongsan-gu, Seoul 140-716, 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

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ANNUAL REPORT

(From January 1, 2010 to December 31, 2010)

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.

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

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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 65-228 Hangangno 3-ga, Yongsan-gu, Seoul 140-716, Republic of Korea, and our telephone number is +82-2-3777-1114. Our website address is http://www.lgdisplay.com.

B. Domestic credit rating

Subject	Month of rating	Credit rating	Rating agency (Rating range)
Commercial Paper	January 2006 June 2006 December 2006 June 2007 December 2007 September 2008 December 2008	A1	National Information & Credit Evaluation, Inc. (A1 ~ D)
	June 2006 January 2007 June 2007 December 2007 September 2008	A1	Korea Investors Service, Inc. (A1 ~ D)
Corporate Debenture	June 2006 December 2006	AA-	National Information & Credit Evaluation, Inc. (AAA ~ D)
	June 2007 September 2008	A+	
	July 2009	AA-	
	October 2009 February 2010 May 2010 December 2010	AA-	
	June 2006	AA-	Korea Investors Service, Inc. (AAA ~ D)
	January 2007 June 2007	A+	
	September 2008 July 2009 December 2009 February 2010 May 2010 August 2010	AA-	
	October 2009 December 2009 August 2010 December 2010	AA-	Korea Ratings, Inc. (AAA ~ D)

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C. Capitalization

(1) Change in capital stock (as of December 31, 2010)

(Unit: Won, Share)

Date	Description	Change in number of common shares	Face amount per share
July 23, 2004	Offering*	33,600,000	5,000
September 8, 2004	Follow-on offering**	1,715,700	5,000
July 27, 2005	Follow-on offering***	32,500,000	5,000

* ADSs offering: 24,960,000 shares (US$30 per share, US$15 per ADS)
Initial public offering in Korea: 8,640,000 shares ((Won)34,500 per share)

** ADSs offering: 1,715,700 shares ((Won)34,500 per share) pursuant to the exercise of greenshoe option by the underwriters

*** ADSs offering: 32,500,000 shares (US$42.64 per share, US$21.32 per ADS)

(2) Convertible bonds (as of December 31, 2010)

(Unit: In millions of Won, Share)

Item		Content
Issue date		April 18, 2007
Maturity		April 18, 2012
Face amount		513,480*
Conversion shares		Registered common shares
Conversion period		Convertible into shares of common stock during the period from April 19, 2008 to April 3, 2012
Conversion price		(Won)48,075 per share**
Outstanding	Face Amount	61,618
	Number of convertible shares	1,281,697 shares if all are converted**
Remarks		Registered form Listed on Singapore Exchange

* Face amount translated from US$550 million at the noon buying rate of the Federal Reserve Bank of New York in effect on April 10, 2007 (which was the date the convertible bond purchase agreement was entered into), which was (Won)933.6 = US$1.00.

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** Conversion price was adjusted from (Won)49,070 to (Won)48,760 and the number of convertible shares was adjusted from 10,464,234 to 10,530,762 following the approval by the shareholders of a cash dividend of (Won)750 per share at the annual general meeting of shareholders on February 29, 2008. Conversion price was further adjusted from (Won)48,760 to (Won)48,251 and the number of shares issuable upon conversion was adjusted from 10,530,762 to 10,641,851 following the approval by the shareholders of a cash dividend of (Won)500 per share at the annual general meeting of shareholders on March 13, 2009. Conversion price was further adjusted from (Won)48,251 to (Won)48,075 and the number of shares issuable upon conversion was adjusted from 10,641,851 to 10,680,811 following the approval by the shareholders of a cash dividend of (Won)500 per share at the annual general meeting of shareholders on March 12, 2010. In April 2010, certain holders of our US$550 million convertible bonds due 2012 exercised their put option for an aggregate principal amount of US$484 million and were repaid at 109.75% of their principal amount. The remaining US$66 million matures in 2012 at 116.77% of their principal amount. Accordingly, the number of shares issuable upon conversion changed from 10,680,811 to 1,281,697. Conversion price was further adjusted from (Won)48,075 to (Won)47,892 and the number of shares issuable upon conversion was adjusted from 1,281,697 to 1,286,594 following the approval by the shareholders of a cash dividend of (Won)500 per share at the annual general meeting of shareholders on March 11, 2011.

D. Voting rights (as of December 31, 2010)

(Unit: share)

Description	Number of shares
1. Shares with voting rights [A-B]	357,815,700
A. Total shares issued	357,815,700
B. Shares without voting rights	
2. Shares with restricted voting rights	
Total number of shares with voting rights [1-2]	357,815,700

E. Dividends

At the annual general meeting of shareholders on March 11, 2011, our shareholders approved a cash dividend of (Won)500 per share of common stock and payment of the dividends is expected to be made in April 2011.

Dividends during the recent three fiscal years

Description	2010	2009	2008
Par value (Won)	5,000	5,000	5,000
Profit for the Period/Net income (Million Won)	1,002,648**	1,067,947***	1,086,896***
Earnings per share (Won)	2,802	2,985	3,038
Total cash dividend amount (Million Won)	178,908	178,908	178,908
Total stock dividend amount (Million Won)			
Cash dividend payout ratio (%)	17.8	16.8	16.5
Cash dividend yield (%)	1.3	1.3	2.2
Stock dividend yield (%)			
Cash dividend per share (Won)	500	500	500
Stock dividend per share (Share)			

* Earnings per share is calculated based on par value of (Won)5,000 per share.

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* Earnings per share is calculated by dividing net income by weighted average number of common stock.
* Cash dividend yield is the percentage that is derived by dividing cash dividend by the arithmetic average of the daily closing prices of our common stock during the one-week period ending two trading days prior to the closing of the register of shareholders for the purpose of determining the shareholders entitled to receive annual dividends.
** Profit for the period based on separate K-IFRS.
*** Net income based on non-consolidated Korean GAAP.

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, LTPS-LCD and OLED.

As of December 31, 2010, we operated fabrication facilities and module facilities in Paju and Gumi, Korea, an OLED facility in Paju and Gumi, Korea and a LCD research center in Paju, Korea. We have also established sales subsidiaries in the United States, Europe and Asia.

As of December 31, 2010, our business consisted of (i) the manufacture and sale of LCD panels, (ii) the manufacture and sale of OLED panels and (iii) the manufacture and sale of television sets and monitors that utilize our LCD panels. Because our OLED, television set and monitor businesses represent an extremely small portion of our assets and revenues, only our LCD business has been categorized as a reporting business segment.

Financial highlights by business (based on K-IFRS)

(Unit: In billions of Won)

2010	LCD business
Sales Revenue	25,512
Gross Profit	3,731
Operating Profit	1,310

B. Industry

(1) Industry characteristics and growth potential

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

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The demand for LCD panels for notebook computers and desktop monitors has grown, to a degree, in tandem with the growth in the information technology industry. The demand for LCD panels for television sets has been growing as digital broadcasting is becoming more common and as LCD television has come to play an important role in the digital display market. In addition, markets for small- to medium-sized LCD panels, such as those used in mobile phones, P-A/V, medical applications, automobile navigation systems and e-books, among others, have shown continued growth.

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

(2) Cyclicality

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

Intense competition and expectations of demand growth may lead panel manufacturers to invest in manufacturing capacity on similar schedules, resulting in a surge in capacity when production is ramped up at new fabrication facilities.

During such surges in production capacity, the average selling prices of display panels may decline. Conversely, demand surges and inability of supply to meet such demand may lead to price increases.

(3) Market conditions

The TFT-LCD industry is highly competitive due largely to additional capacity expansion driven by TFT-LCD panel makers.

Most TFT-LCD panel makers are located in Asia.

a. Korea: LG Display, Samsung Electronics (including a joint venture between Samsung Electronics and Sony Corporation), Samsung Mobile Display, Hydis Technologies

b. Taiwan: AU Optronics, Chi Mei Innolux, CPT, Hannstar, etc.

c. Japan: Sharp, IPS-Alpha, etc.

d. China: SVA-NEC, BOE-OT, etc.

(4) Market shares

Our worldwide market share for large-sized TFT-LCD panels based on revenue is as follows:

	2010**	2009***	2008***
Panels for Notebook Computers****	33.2%	30.3%	29.6%
Panels for Monitors	26.5%	23.9%	17.7%
Panels for Televisions	23.4%	24.4%	19.4%
Total	25.4%	25.2%	20.6%

* Source: Q4 2010 Large-Area TFT LCD Shipment Report (advanced version with LED backlight tracking) published by DisplaySearch.

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** Based on TFT-LCD panels that are 9 inches or larger.
*** Based on TFT-LCD panels that are 10 inches or larger.
**** Includes panels for netbooks.
(5) Competitiveness

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

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 developing new technologies and products, including in the categories of 3D, touch screens and next generation displays. With respect to 3D technology, we reduced the degree of crosstalk, or the degree of 3D image overlapping, to less than 1% (which is less than what the human eye can perceive). Our 3D technology was internationally recognized when our 47-inch full HD 3D television utilizing polarized glasses was awarded the 2010 Display of the Year Gold Award by the Society for Information Display. In addition, we have shown that we are technologically a step ahead of the competition by developing products such as 21.5-inch full HD glossy touch screen monitors, 13.3-inch on-cell touch screen LCDs, 3-inch OLEDs, 10.1-inch flexible LCDs and 2.6mm thin televisions. By the end of 2010, we are also expecting to commence mass-production of 19-inch flexible e-papers and 9.7-inch color e-papers.

Moreover, we entered into long-term sales contracts with major global firms such as Dell, Hewlett Packard and Kodak of the United States and Japan s Toshiba, among others, to secure customers and expand partnerships for technology development. In 2009 and 2010, we entered into separate long-term supply agreements with Apple Inc. to supply display panels for five years.

C. New businesses

In order to increase our production capacity to meet the rising market demand for TFT-LCD products, we expanded P8, our eighth-generation panel fabrication facility in Paju, Korea, by constructing P82, which commenced mass production in May 2010. In addition, in order to meet the rising market demand, we decided in March 2010 to further expand P8 by investing in P83. In April 2010, we also decided to invest in a new production building.

We also plan to strengthen our market position in future display technologies by strengthening our OLED business, accelerating the development of flexible display technologies and maintaining our leadership position in the LED backlight LCD market.

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We are making an effort to increase our competitiveness by forming cooperative relationships with suppliers and purchasers of our products. As part of this effort, in June 2008, we purchased 2,037,204 shares of AVACO Co., Ltd., which produces sputters, a core equipment for LCD production, at a purchase price of (Won)6.2 billion. In May 2008, we purchased 1,008,875 shares of TLI Inc., which produces core LCD panel components such as timing controllers and driver integrated circuits, at a purchase price of (Won)14.1 billion. In July 2008, we purchased 6,850,000 shares of common stock of New Optics Ltd. at a purchase price of (Won)9.7 billion, and in February 2010, we purchased an additional 1,000,000 shares of common stock of New Optics at a purchase price of (Won)2.5 billion. In addition, in February 2009, we purchased 3,000,000 shares of common stock of LIG ADP Co., Ltd. (formerly ADP Engineering Co., Ltd.) at a purchase price of (Won)6.3 billion. In May 2009, we purchased 6,800,000 shares of common stock of Wooree LED Co., Ltd. at a purchase price of (Won)11.9 billion. In November 2009, we purchased 34,125,061 shares of common stock of RPO Inc. at a purchase price of US$12.3 million. In November 2009, we purchased TWD212.5 million in convertible bonds from Everlight Electronics Co., Ltd. In December 2009, we purchased 420,000 global depositary shares representing 420,000 shares of Prime View International Co., Ltd s common stock at a purchase price of US$9.9 million. In addition, in January 2010, we purchased 10.8 million shares of Can Yang Investment Limited at a purchase price of CNY74 million.

In July 2008, Skyworth-RGB Electronics Co., Ltd. and we founded a research and development joint venture corporation with a registered capital of CNY 50 million in China.

In October 2008, we established a joint venture company with AmTRAN Technology Co., Ltd., a Taiwan corporation. The joint venture company will supply both parties with TFT-LCD modules and TFT-LCD televisions. Through the establishment of this joint venture, we are able to further expand our customer base by securing a stable long-term panel dealer. It also allows us to produce LCD modules and LCD television sets in a single factory, which enables us to provide our customers with products that are more competitive both in terms of technology and price.

As part of our strategy to expand our production capacity overseas, we signed an investment agreement and a joint venture agreement in November 2009 with the City of Guangzhou, China, to build an eighth-generation panel fabrication facility in China.

In December 2009, certain LG affiliates and we entered into a joint venture investment agreement and established a joint venture company, Global OLED Technology LLC, for purposes of managing the patent assets relating to OLED technology that we acquired from Eastman Kodak Company in December 2009. As of December 31, 2009, we had invested (Won)72.3 billion in return for a 49% equity interest in the joint venture company. In June 2010, we sold (Won)19.0 billion worth of our equity interest in the joint venture company. After such sale, our equity interest was reduced to 32.73%.

In December 2009, we invested (Won)1.8 billion and acquired a 30.6% limited partnership interest in LB Gemini New Growth Fund No.16. Under the limited partnership agreement, we have agreed to invest a total amount of (Won)30 billion in the fund. By becoming a limited partner of this fund, our aim is to seek direct investment opportunities as well as to receive benefits from the investment. In May 2010, we invested an additional (Won)6.5 billion in the fund which increased our total investment amount to (Won)8.3 billion. The additional investment did not change our limited partnership interest in the fund, which remained at 30.6%.

In order to establish a production base for LCD modules, LCD television sets and LCD monitors, we entered into a joint investment agreement with Top Victory Investment Ltd. in January 2010 and established L&T Display Technology (Xiamen) Ltd. and L&T Display Technology (Fujian) Ltd. in Xiamen and Fujian, China, respectively. We invested (i) (Won)7.1 billion and acquired a 51% equity interest in L&T Display Technology (Xiamen) Ltd. and (ii) (Won)10.1 billion and acquired a 51% equity interest in L&T Display Technology (Fujian) Ltd.

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In May 2010, we completed the acquisition of the LCD module division of LG Innotek Co., Ltd. Through this acquisition, we expect to improve our module manufacturing process and simplify our supply chain which will increase our efficiency and competitiveness.

In August 2010, in order to strengthen our competitiveness in the LED backlight LCD market, we entered into a joint venture with Everlight Electronics Co., Ltd. and AmTRAN Technology Co., Ltd. and established Eralite Optoelectronics (Jiangsu) Co., Ltd., a company that specializes in LED packaging and manufacturing, in Suzhou, China. We invested US$4 million and acquired a 20% equity interest in Eralite Optoelectronics (Jiangsu) Co., Ltd.

In September 2010, in order to strengthen our OLED business, we acquired a 20% equity interest in YAS Co., Ltd., which develops and manufactures OLED deposition equipment components, at a purchase price of (Won)10 billion.

In November 2010, in order to strengthen our e-book business, we acquired a 100% equity interest in Image & Materials, Inc., a company that develops and manufactures e-book deposition equipment components, at a purchase price of (Won)35 billion.

In October 2010, in order to strengthen our competitiveness in the e-book market, we entered into a joint venture with Iriver Ltd. and established L&I Electronics Technology (Dongguan) Limited, a company that specializes in e-book manufacturing, in Dongguan, China. We invested U.S. $2.6 million and acquired a 51% equity interest in L&I Electronics Technology (Dongguan) Limited.

In November 2010, in order to build Backlight-Module-System (BMS) lines that would help differentiate our technical skills from those of our competitors and increase our cost competitiveness, we entered into a joint venture with Compal Electronics, Inc., a Taiwanese company, and established LUCOM Display Technology (Kunshan) Ltd. in Kunshan, China. We invested U.S.$2.3 million and acquired a 51% equity interest in LUCOM Display Technology (Kunshan) Ltd.

3. Major Products and Raw Materials

A. Major products in 2010

We manufacture TFT-LCD panels, of which a significant majority is exported overseas.

(Unit: In billions of Won)

Business Area	Sales types	Items (Market)	Specific use	Major trademark	Sales (%)
TFT-LCD	Product/ Service/ Other Sales			LG Display	23,806 (93.3%)
		TFT-LCD (Overseas)	Panels for Notebook Computer, Monitor, Television, etc		
		TFT-LCD (Korea*)	Panels for Notebook Computer, Monitor, Television, etc	LG Display	1,706 (6.7%)
Total					25,512 (100%)

* Based on ship-to-party.

** Period: January 1, 2010 ~ December 31, 2010.

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B. Average selling price trend of major products

The average selling prices of LCD panels substantially decreased during the fourth quarter of 2010 compared to the third quarter of 2010 and may continue to fluctuate due to imbalances in supply and demand.

(Unit: US$ / m^2)

Description	2010 Q4	2010 Q3	2010 Q2	2010 Q1
TFT-LCD panel	695	778	863	838

* Semi-finished products in the cell process have been excluded.
** Quarterly average selling price per square meter of net display area shipped.

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)

Business area	Purchase types	Items	Specific use	Purchase price	Ratio (%)	Suppliers
TFT-LCD	Raw Materials	Glass	LCD panel manufacturing	4,128	25.03%	Samsung Corning Precision Glass Co., Ltd., Nippon Electric Glass Co., Ltd., etc.
		Backlight		4,979	30.19%	Heesung Electronics Ltd., etc.
		Polarizer		2,345	14.22%	LG Chem, etc.
		Others		5,039	30.56%	
Total				16,491	100%	

* Period: January 1, 2010 ~ December 31, 2010.
** Based on consolidated K-IFRS.

4. Production and Equipment

A. Production capacity and calculation

(1) Calculation method of production capacity

Year: Maximum monthly input capacity during the year multiplied by the number of months (12 months).

(2) Production capacity

(Unit: 1,000 Glass sheets)

Business area	Items	Business place	2010	2009	2008
TFT- LCD	TFT-LCD	Gumi, Paju	7,509	6,219	3,941

* Based on glass input substrate size for eighth generation glass sheets.

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B. Production performance and utilization ratio

(1) Production performance

(Unit: 1,000 Glass sheets)

Business area	Items	Business place	2010	2009	2008
TFT-LCD	TFT-LCD	Gumi, Paju	6,490	5,231	3,514

* Based on glass input substrate size for eighth generation glass sheets.

(2) Utilization ratio

(Unit: Hours)

Business place (area)	Available working hours of 2010	Actual working hours of 2010	Average utilization ratio
Gumi (TFT-LCD)	8,760 (24 hours x 365 days)	8,760 (24 hours x 365 days)	100.0%
Paju (TFT-LCD)	8,760 (24 hours x 365 days)	8,760 (24 hours x 365 days)	100.0%

C. Investment plan

In connection with our strategy to expand our TFT-LCD production capacity, we incurred capital expenditures of approximately (Won)4.9 trillion in 2010 and estimate that we will incur capital expenditures of approximately (Won)5.0 trillion in 2011. Such amount is subject to change depending on business conditions and market environment.

5. Sales

A. Sales performance

(Unit: In billions of Won)

Business area	Sales types	Items (Market)		2010*	2009*	2008**
TFT-LCD	Products, etc.	TFT-LCD	Overseas	23,806	18,833	15,200
			Korea***	1,706	1,205	1,064
			Total	25,512	20,038	16,264

* Based on K-IFRS.

** Based on Korean GAAP.

*** Based on ship-to-party.

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B. Sales route and sales method

(1) Sales organization

As of December 31, 2010, each of our IT Business Unit, Television Business Unit and Mobile/OLED Business Unit 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.

(2) Sales route

One of the following:

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

(3) 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.

(4) Sales strategy

To secure stable sales to major personal computer makers and leading consumer electronics makers globally. To increase sales of premium notebook computer products (including smartbooks), to strengthen sales of the high-end monitor segment (such as LED, IPS and slim monitors) and to lead the large and wide LCD television market including in the categories of LED and 3D televisions.

To diversify our market in the mobile business segment, including products such as mobile phone (including smart phone), smartbook, car navigation, e-book, industrial, aviation and medical equipment, etc.

(5) Purchase orders

Customers generally place purchase orders with us one month prior to delivery. Our customary practice for procuring orders from our customers and delivering our products to such customers is as follows:

Receive order from customer (overseas sales subsidiaries, etc.) g Headquarter is notified g Manufacture product g Ship product (overseas sales subsidiaries, etc.) g Sell product (overseas sales subsidiaries, etc.)

6. Market Risks and Risk Management

A. Market risks

Our industry continues to experience continued 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 TFT-LCD 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 makers in Korea, Taiwan, China and Japan. Our main competitors in the industry include Samsung Electronics (including its joint venture with Sony), Samsung Mobile Display, Infovision, Hydis Technologies, AU Optronics, Chi Mei Innolux, Chunghwa Picture Tubes, HannStar, SVA-NEC,
BOE-OT, Sharp, Hitachi, TMDisplay, Mitsubishi and IPS-Alpha.

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Our ability to compete successfully depends on factors both within and outside our control, including product pricing, performance and reliability, 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 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 purchases of raw materials are denominated mainly in U.S. dollars and Japanese Yen. Our risk management policy regarding foreign currency risk is to minimize the impact of foreign currency fluctuations on our foreign currency denominated assets and liabilities.

B. Risk management

The average selling prices of display panels have declined in general and could continue to decline with time irrespective of industry-wide cyclical fluctuations. Certain contributing factors for this decline will be beyond our ability to control and manage. However, in anticipation of such price decline we have continued to develop new technologies and have implemented various cost reduction measures. In addition, in order to manage our risk against foreign currency fluctuations, we have entered 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 Euro and the Japanese Yen.

We generally use forward exchange contracts with a maturity of less than one year to hedge against currency risks.

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 Japanese Yen.

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 addition, we also adjust the factoring volumes of foreign currency denominated receivables and utilize usances as means of settling accounts payables relating to capital expenditures for our facilities, in response to currency fluctuations.

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B. Interest rate risks

Our exposure to interest rate risks relates primarily to our long term debt obligations.

To the extent necessary, we hedge our interest rate risks by entering into interest swap contracts. As of December 31, 2010, we had no interest swap contracts outstanding. The net fair value of our interest rate swaps as of December 31, 2009 is as follows:

(Unit: In millions of Won)

Type		As of December 31, 2009
Net loss on valuation of interest rate swap	(Won)	3,698
Net financial liabilities		3,698

8. Major contracts

In 2009 and 2010, we entered into separate long-term supply agreements with Apple Inc. to supply LCD panels for 5 years. We have received long-term advances from Apple Inc. in the amount of US$830 million (Won 945 billion) in connection with these agreements, which will be offset as consideration for products supplied to Apple Inc. Furthermore, the Industrial Bank of Korea provided us with a payment guarantee in the amount of US$200 million (Won 228 billion) relating to the long-term advances received from Apple Inc.

9. Research & Development

A. Summary of R&D expenses

(Unit: In millions of Won)

Account		2010*	2009*	2008**
Accounting Treatment	Material Cost	616,072	400,467	302,445
	Labor Cost	285,212	191,507	128,041
	Depreciation Expense	93,365	89,459	21,679
	Others	122,619	92,905	49,027
	Total R&D Expense	1,117,268	774,338	501,192
	Selling & Administrative Expenses	264,073	168,081	148,037
	Manufacturing Cost	717,848	505,585	353,155
	Development Cost (Intangible Assets)	135,347	100,672	
R&D Expense / Sales Ratio [Total R&D Expense÷Sales for the period×100]		4.4%	3.8%	3.2%

* Based on consolidated K-IFRS.

** Based on non-consolidated Korean GAAP.

B. R&D achievements

[Achievements in 2008]

1) 42FHD Ultra-Slim LCD television development

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

2) 37FHD COF adoption LCD television development

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

3) CCFL scanning backlight technology development

Achieve 6ms MPRT from 8ms

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4) 24WUXGA monitor model development applying RGB LED backlight

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

5) 13.3-inch notebook computer model development applying LED backlight

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

6) IPS GIP technology development

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

Comparative advantage in cost & transmittance over VA

7) Notebook computer model development applying RGB LED backlight

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

8) Free form LCD development (Elliptical, Circle)

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

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

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

9) 42HD power consumption saving technology development

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

10) New liquid crystal development

CR: Up 5% compared with the MP level

Material cost is similar to the MP material

11) New AG Polarizer development

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

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

12) PSM (Potential Sharing Method) technology development (Improves the Yogore mura characteristics by applying a different electric circuit driving method)

The time for Yogore mura occurrence delayed by more than 50% : Black line 1level base, 552Hrs, 720Hrs g 1,392Hrs, 2,064Hrsh

13) LED backlight 47FHD television model in development

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

14) 24WUXGA monitor model development applying RGB LED backlight

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

Our first display port interface type monitor

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

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

Supports HD or FHD that are compatible with television applications

Development of our first 27W size model

16) Power consumption saving monitor model development

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

17) Notebook model development applying VIC (Viewing Image Control) technology

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

18) Notebook model development applying 0.3t glass

Thin & Light model development applying 0.3t glass

19) 8.9-inch small-sized notebook (netbook) model development

Development of minimum size notebook model for improved portability

20) New aspect ratio 16:9 notebook model development

Existing aspect ratios: 16:10, 4:3

New aspect ratio 16:9, 15.6-inch notebook model development

21) Development of highest resolution for mobile application that uses the a-Si method.

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

22) 42FHD super narrow bezel LCD television development

Development of narrow bezel (10.0mm in metal bezel) 42-inch television panel

23) 47FHD slim depth & narrow bezel LCD television development

Development of slim (20.8mm in thickness) & narrow bezel (14.0mm in metal bezel) 47-inch television panel

24) Display port development

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

25) LCM rotation circuit development

Increases the design flexibility of television sets by using a 180° screen rotation function

26) Small- to medium-sized television model development

To meet increased demand for secondary television sets

19/22/26 inch model development

27) 55FHD television model development

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

28) Development of television model applying GIP+TRD technology

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

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29) One PCB structure development

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

30) 42FHD Gate Single Bank technology development

Reduction in gate driver integrated circuits by applying 42FHD Gate Single Bank technology: 8ea g 4ea

31) 22-inch WSXGA+ model development for Economy IPS Monitor

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

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

32) 21.5-inch TN FHD model development applying 960ch source driver integrated circuits chip

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

Increased cost competitiveness by applying 960ch source driver integrated circuits chip, which reduces the number of integrated circuits: 8ea g 6ea

33) 27-inch TN FHD model development applying BDI (Black Data Insertion) technology

Development of LG Display s first 27-inch wide-format TN FHD model that applies BDI technology, which removes motion picture afterimages

Applying CCA (Color Compensation Algorism) technology that enables the display of superior color tone

Achieving 16:9 aspect ratio, more than 2.07 million pixel and FHD Resolution

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

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

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

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

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

Development of the world s largest AMOLED television (15-inch HD) [Achievements in 2009]

36) Developments of 15.6-inch, 18.5-inch HD monitors for emerging market

Achieving cost reduction by focusing on basic functions and by applying GIP and DRD

37) Development of 22-inch WSXGA+ monitor applying White LED backlight