

Edgar Filing: STURM RUGER & CO INC - Form DEF 14A

STURM RUGER & CO INC

Form DEF 14A

March 27, 2014

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant ☒ [X]

Filed by a Party other than the Registrant ☐ []

Check the appropriate box:

- | | | | |
|---|---|------------------------------|---------------------------------------|
| <input type="checkbox"/> [] | Preliminary Proxy Statement | <input type="checkbox"/> [] | Soliciting Material Under Rule 14a-12 |
| <input type="checkbox"/> [] | Confidential, For Use of the
Commission Only (as permitted
by Rule 14a-6(e)(2)) | | |
| <input checked="" type="checkbox"/> [X] | Definitive Proxy Statement | | |
| <input type="checkbox"/> [] | Definitive Additional Materials | | |

Sturm, Ruger & Company, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

☒ [X] No fee required.

☐ [] Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to
Exchange Act Rule 0-11 (set forth the amount on which the filing fee is
calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

☐ [] Fee paid previously with preliminary materials:

☐ [] Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which
the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or
schedule and the date of its filing.

1) Amount previously paid:

2) Form, Schedule or Registration Statement No.:

Edgar Filing: STURM RUGER & CO INC - Form DEF 14A

3) Filing Party:

4) Date Filed:

Edgar Filing: STURM RUGER & CO INC - Form DEF 14A

March 27, 2014

Dear Fellow Stockholders:

You are cordially invited to attend the 2014 Annual Meeting of Stockholders of Sturm, Ruger & Company, Inc. to be held at 9:00 a.m. Eastern Daylight Time on May 6, 2014 at The Trumbull Marriott, 180 Hawley Lane, Trumbull, CT 06611. Details of the business to be conducted at the meeting are given in the attached Notice of Annual Meeting and Proxy Statement.

The Board of Directors looks forward to joining you at the 2014 Annual Meeting.

STURM, RUGER & COMPANY, INC.

Michael O. Fifer
Chief Executive Officer

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

MAY 6, 2014

NOTICE IS HEREBY GIVEN THAT the Annual Meeting of Stockholders of **STURM, RUGER & COMPANY, INC.** (the Company) will be held at The Trumbull Marriott, 180 Hawley Lane, Trumbull, CT 06611 on the 6th day of May, 2014 at 9:00 a.m. Eastern Daylight Time to consider and act upon the following:

1. A proposal to elect six (6) Directors to serve on the Board of Directors for the ensuing year;
2. A proposal to ratify the appointment of McGladrey LLP as the Company s independent auditors for the 2014 fiscal year;
3. An advisory vote on the compensation of the Company s Named Executive Officers; and
4. Any other business as may properly come before the Annual Meeting or any adjournment or postponement thereof.

Only holders of record of Common Stock at the close of business on March 17, 2014 will be entitled to notice of and to vote at the Annual Meeting or any adjournment or postponement thereof. The complete list of stockholders entitled to vote at the Annual Meeting shall be open to the examination of any stockholder, for any purpose germane to the Annual Meeting, during ordinary business hours, for a period of 10 days prior to the Annual Meeting, at the Company s offices located at One Lacey Place, Southport, CT 06890.

The Company s Proxy Statement is attached hereto.

By Order of the Board of Directors
Leslie M. Gasper
Corporate Secretary

Southport, Connecticut
March 27, 2014

ALL STOCKHOLDERS ARE CORDIALLY INVITED TO ATTEND THE ANNUAL MEETING. YOUR VOTE IS IMPORTANT. TO ENSURE THAT YOUR VOTE IS RECORDED PROMPTLY, PLEASE VOTE YOUR PROXY AS SOON AS POSSIBLE, EVEN IF YOU PLAN TO ATTEND THE ANNUAL MEETING. MOST SHAREHOLDERS HAVE THREE OPTIONS FOR SUBMITTING THEIR VOTES PRIOR TO THE ANNUAL MEETING: (1) VIA THE INTERNET, (2) BY TELEPHONE OR (3) BY REQUESTING AND RETURNING A PAPER PROXY USING THE POSTAGE-PAID ENVELOPE PROVIDED. REGISTERED STOCKHOLDERS MAY VIEW OR REQUEST THE PROXY MATERIALS AT WWW.ENVISIONREPORTS.COM/RGR OR BY CALLING 1-866-641-4276, AND MAY VOTE THEIR PROXY AT WWW.ENVISIONREPORTS.COM/RGR OR BY CALLING 1-800-652-8683. STOCKHOLDERS WHO HOLD THEIR SHARES THROUGH A BROKERAGE ACCOUNT MAY VIEW OR REQUEST THE PROXY MATERIALS AT WWW.PROXYVOTE.COM OR BY CALLING 1-800-579-1639, AND MAY VOTE THEIR PROXY AT WWW.PROXYVOTE.COM OR BY CALLING 1-800-454-8683. PLEASE REVIEW THE PROXY MATERIALS BEFORE VOTING YOUR SHARES.

Table of Contents

	Page
Proxy Solicitation And Voting Information	1
List Of Proposals And Recommendations Of The Board Of Directors	2
Proposal No. 1 Election Of Directors	2
Proposal No. 2 - Ratification Of Independent Auditors	2
Proposal No. 3 Say On Pay	2
Proposal No. 1 Election Of Directors	3
Director Nominees	3
The Board Of Directors And Its Committees	6
Corporate Governance Guidelines And Code Of Business Conducts And Ethics	6
The Board's Role In Risk Oversight	6
Independent, Non-Management Directors	6
Board Leadership Structure	6
Director Resignation Policy	7
Membership And Meetings Of The Board And Its Committees	7
Membership And Meetings Of The Board And Its Committees Table For Year 2013	7
Committees Of The Board	8
Audit Committee	8
Report Of The Audit Committee	9
Compensation Committee	10
Report Of The Compensation Committee	10
Nominating And Corporate Governance Committee	11
Risk Oversight Committee	12
Director Compensation	13
Directors' Fees And Other Compensation	13
Directors' Compensation Table For Year 2013	14
Beneficial Ownership Of Directors And Management Table	15
Section 16(A) Beneficial Ownership Reporting Compliance	16
Certain Relationships And Related-Party Transactions	16
Principal Stockholders	16
Proposal No. 2 - Ratification Of Independent Auditors	17
Principal Accountants' Fees And Services	17
Proposal No. 3 Advisory Vote On Compensation Of Named Executive Officers	18
Compensation Discussion And Analysis	19
How Did The Company Perform In 2013 And How Did We Compensate Our Executives?	19
What Is The Company's Philosophy And Objectives Regarding Compensation?	20
What Are The Elements Of The Company's Executive Remuneration And The Objectives Of Each?	21

Table of Contents

(continued)

	Page
How Does The Company Determine The Amount/Formula For Each Element?	21
How Are Salaries Determined?	22
How Are Profit Sharing And Bonuses Determined?	23
How Are Equity Compensation Awards Determined?	24
What Are The Company's Health, Welfare And Retirement Benefits?	25
Does The Company Provide Perquisites?	25
How Is The Chief Executive Officer's Performance Evaluated And Compensation Determined?	25
What Are The Company's Governance Practices Regarding Compensation?	27
What Are The Company's Governance Practices Regarding Stock Awards?	27
How Does The Compensation Committee Utilize Independent Consultants?	27
How Does The Company Evaluate Its Compensation Program Risks?	28
Executive Compensation	29
Target Compensation Table	29
2013 Summary Compensation Table	30
Summary All Other Compensation Table	31
Grants Of Plan Based Awards Table	32
Outstanding Equity Awards At Fiscal Year End 2013 Table	33
Option Exercises And Stock Vested In 2013 Table	34
Potential Payments Upon Termination Or Change In Control	35
Payments On Change In Control	35
Covered Terminations And Severance Payments Pursuant To Change In Control Agreements	35
Change In Control Events And Severance Benefits Not Covered By The Severance Agreements	35
Change In Control Definition	35
Termination By Death Or Disability	36
Termination By Retirement	36
Voluntary And Involuntary Termination	36
Retention And Transition Agreements	36
Potential And Actual Payments Under Severance Agreements Table	37
Pension Plans	38
2013 Pension Benefits Table	39
Stockholder Proposals And Director Nominations For 2015	40
Stockholder And Interested Party Communications With The Board Of Directors	40
Other Matters	41

March 27, 2014

PROXY STATEMENT

Annual Meeting of Stockholders of the Company to be held on May 6, 2014

PROXY SOLICITATION AND VOTING INFORMATION

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors (the "Board") of Sturm, Ruger & Company, Inc. (the "Company") for use at the 2014 Annual Meeting of Stockholders (the "Meeting") of the Company to be held at 9:00 a.m. Eastern Daylight Time on May 6, 2014 at The Trumbull Marriott, 180 Hawley Lane, Trumbull, CT 06611 or at any adjournment or postponement thereof for the purposes set forth in the accompanying Notice of Annual Meeting of Stockholders. This Proxy Statement has been posted and is available on the Securities and Exchange Commission (the "SEC") website at www.sec.gov and the Company's website at www.ruger.com. In addition, registered stockholders may view or request the proxy materials at www.envisionreports.com/RGR or by calling 1-866-641-4276, and may vote their proxy at www.envisionreports.com/RGR or by calling 1-800-652-8683. Stockholders who hold their shares through a brokerage account may view or request the proxy materials at www.proxyvote.com or by calling 1-800-579-1639, and may vote their proxy at www.proxyvote.com or by calling 1-800-454-8683. Please review the proxy materials before voting your shares.

The mailing address of the principal executive office of the Company is One Lacey Place, Southport, Connecticut 06890.

In accordance with rules established by the SEC that allow companies to furnish their proxy materials over the Internet, on March 27, 2014, we are mailing a Notice of Internet Availability of Proxy Materials instead of a paper copy of our Proxy Statement and Annual Report on Form 10-K to our stockholders who have not specified that they wish to receive paper copies of our proxy materials. The Notice of Availability of Proxy Materials also contains instructions on how to request a paper copy of our proxy materials, including our Proxy Statement, Annual Report on Form 10-K and a form of proxy card. We believe this process will allow us to provide our stockholders with the information they need in a more timely, environmentally friendly and cost-effective manner. All expenses in connection with the solicitation of these proxies, which are estimated to be \$60,000, will be borne by the Company. We encourage our stockholders to contact the Company's transfer agent, Computershare Investor Services, LLC, or their stockbroker to sign up for electronic delivery of proxy materials in order to reduce printing, mailing and environmental costs.

If your proxy is signed and returned, it will be voted in accordance with its terms. However, a stockholder of record may revoke his or her proxy before it is exercised by: (i) giving written notice to the Company's Secretary at the Company's address indicated above, (ii) duly executing a subsequent proxy relating to the same shares and delivering it to the Company's Secretary at or before the Meeting or (iii) attending the Meeting and voting in person (although attendance at the Meeting will not, in and of itself, constitute revocation of a proxy).

The Company's Annual Report on Form 10-K for the year ended December 31, 2013, including financial statements, is enclosed herewith and has been posted and is available on the SEC website at www.sec.gov and the Company's website at www.ruger.com.

Only holders of Common Stock, \$1.00 par value, of the Company (the "Common Stock") of record at the close of business on March 17, 2014 will be entitled to vote at the Meeting. Each holder of record of the issued and outstanding shares of voting Common Stock is entitled to one vote per share. As of March 17, 2014, 19,398,753 shares of Common Stock were issued and outstanding and there were no outstanding shares of any other class of stock. The stockholders holding a majority of the issued and outstanding Common Stock, either present in person or represented by proxy, will constitute a quorum for the transaction of business at the Meeting.

In accordance with the Company's By-Laws and applicable law, with respect to Proposal 1, the election of Directors will be determined by a plurality of the votes cast by the holders of shares present in person or by proxy and entitled to vote. Consequently, the six nominees who receive the greatest number of votes cast for election as Directors will be elected. Shares present, which are properly withheld as to voting with respect to any one or more nominees, and shares present with respect to which a broker indicates that it does not have authority to vote (broker non-votes), will be counted as being present at the Meeting only with respect to Proposal No. 2. These shares will not be counted as voting on the election of Directors, with the result that such abstentions and broker non-votes will have no effect as votes on the election of Directors. With respect to Proposals 2 and 3, the affirmative vote of shares representing a majority of the shares present and entitled to vote is required to ratify the appointment of McGladrey LLP as the Company's independent auditors for the 2014 fiscal year, and to approve the advisory vote on executive compensation. This also applies to any other matters properly presented at the Meeting, whereby stockholder voting will indicate the relative preference among the choices presented on an advisory basis. Shares which are voted to abstain on these matters and broker non-votes will be considered present at the Meeting but will not be counted as voting for these matters, with the result that abstention and broker non-votes will have the same effect as votes against the proposal.

LIST OF PROPOSALS AND RECOMMENDATIONS OF THE BOARD OF DIRECTORS

PROPOSAL NO. 1 ELECTION OF DIRECTORS

Six Directors will be elected at the Meeting, each to hold office until the next Annual Meeting of Stockholders or until his successor is elected and has qualified.

Board of Directors Recommendation

The Board of Directors recommends a vote **FOR** each of the named nominees.

PROPOSAL NO. 2 RATIFICATION OF INDEPENDENT AUDITORS

McGladrey LLP (formerly McGladrey & Pullen, LLP) has served as the Company's independent auditors since 2005. Subject to the ratification of the Company's stockholders, the Board of Directors has reappointed McGladrey LLP as the Company's independent auditors for the 2014 fiscal year.

Board of Directors Recommendation

The Board of Directors recommends a vote **FOR** the ratification of McGladrey LLP as the Company's independent auditors.

PROPOSAL NO. 3 SAY ON PAY

The Company shall seek an advisory vote on executive compensation.

Board of Directors Recommendation

The Board of Directors recommends a vote **FOR** approval of the pay-for-performance compensation policies and practices employed by the Compensation Committee, as described in the Compensation Discussion and Analysis and the tabular disclosure regarding Named Executive Officer compensation in this Proxy Statement.

PROPOSAL NO. 1 ELECTION OF DIRECTORS

Six Directors will be elected at the Meeting, each to hold office until the next Annual Meeting of Stockholders or until his successor is elected and has qualified.

Board of Directors Recommendation

The Board of Directors recommends a vote **FOR** each of the nominees named below.

DIRECTOR NOMINEES

The following table lists each nominee for Director and sets forth certain information concerning each nominee's age, business experience, other directorships and committee memberships in publicly-held corporations, current Board committee assignments, and qualifications to serve on the Company's Board as of the date of this Proxy Statement. In addition to the information presented below regarding each nominee's specific experience, qualifications, attributes and skills which led the Board to conclude that he should serve as a Director, the Board also believes that all of our Director nominees have established reputations of integrity, honesty and adherence to high ethical standards, and have demonstrated a commitment of service to the Company, an appreciation of its products and the Constitutional rights of American citizens to keep and bear arms. Each nominee has effectively demonstrated business acumen and the ability to exercise sound judgment in their individual careers and service on other public boards and board committees, as applicable.

All of the six nominees for Director listed below were elected at last year's Annual Meeting. Should any of the said nominees for Director not remain a candidate at the time of the Meeting (a condition which is not now anticipated), proxies solicited hereunder will be voted in favor of those nominees for Director selected by the Board of Directors of the Company.

Name,
Age,
First Became A
Director
C. Michael
Jacobi
Age 72
Director since
June, 2006

Business Experience
During the Past Five Years,
Other Directorships, Current Committee Memberships and Board Qualifications

Mr. Jacobi has been the non-executive Chairman of the Board of Directors since 2010. Mr. Jacobi has been the President of Stable House 1, LLC, a private real estate development company, since 1999. Mr. Jacobi has been a member of the Board of Directors and Chairman of the Audit Committee of the Corrections Corporation of America since 2000. He has been a member of the Board of Directors of Webster Financial Corporation since 1993, served as a member of its Audit Committee from 1993 (including as Audit Committee chair from 1996 to 2011), and became a member of its Compensation Committee in 2011. He has been a member of the Board of Directors and Audit Committee of KCAP Financial Corporation since 2006. Mr. Jacobi became a member of the Board of Directors of Bauer Performance Sports and its Audit, Compensation and Corporate Governance committees in 2012. He is the former President, CEO and Board member of Katy Industries, Inc. and the former President, CEO and Board member of Timex Corporation. Mr. Jacobi is a Certified Public Accountant. Mr. Jacobi is currently the Chairman of the Board and a member of the Compensation Committee. The Board believes that Mr. Jacobi's extensive business, investment management, board experience and financial expertise qualify him to serve on the Board of Directors.

Name,
Age,
First Became A
Director
John A.
Cosentino, Jr.
Age 64
Director since
August, 2005

Business Experience

During the Past Five Years,

Other Directorships, Current Committee Memberships and Board Qualifications

Mr. Cosentino has been a partner of Ironwood Manufacturing Fund, LP since 2002, a Director of Simonds Industries, Inc. since 2003, a Director of the Bilco Company since 2010, and a Director of Whitcraft LLC since 2011 and Chairman of the Board of Habco Industries LLC since 2012. He was the Chairman of North American Specialty Glass, LLC from 2005 to 2012, the Vice Chairman of Primary Steel, LLC from 2005 to 2007, a partner of Capital Resource Partners, LP from 2000 to 2001, and a Director in the following Capital Resource Partners, LP portfolio companies: Spirit Brands from 1998 to 2006, Pro Group, Inc. from 1999 to 2002, WPT, Inc. from 1998 to 2001, and Todd Combustion, Inc. from 1997 to 1999. Mr. Cosentino is the former Vice President-Operations of the Stanley Works, former President of PCI Group, Inc., Rau Fastener, LLC, and Otis Elevator-North America division of United Technologies, former Group Executive of the Danaher Corporation, and former Director of Integrated Electrical Services, Olympic Manufacturing Company, and the Wiremold Company. Mr. Cosentino is currently the Vice Chairman of the Board, Chairman of the Company's Compensation Committee and a member of the Company's Audit Committee. The Board believes that Mr. Cosentino's extensive executive management, investment management and board experience qualify him to serve on the Board of Directors.

Amir P.
Rosenthal
Age 52
Director since
January, 2010

Mr. Rosenthal has been the Chief Financial Officer and Executive Vice President of Finance and Administration of Bauer Performance Sports Ltd. since 2012. From 2008 to 2011, he served as its Chief Financial Officer. From 2001 to 2008, he served in a variety of positions at Katy Industries, Inc., including Vice President, Chief Financial Officer, General Counsel and Secretary. From 1989 to 2001, Mr. Rosenthal served in a variety of positions at Timex Corporation, including Treasurer, Counsel and Senior Counsel, as well as Director and Chairman of Timex Watches Ltd. Mr. Rosenthal is currently Chairman of the Company's Risk Oversight Committee and a member of the Company's Audit Committee and Nominating and Corporate Governance Committee. The Board believes that Mr. Rosenthal's comprehensive business, legal and financial expertise qualifies him to serve on the Board of Directors.

Ronald C.
Whitaker
Age 66
Director since
June, 2006

Mr. Whitaker served as the President and CEO of Hyco International from 2003 and as a member of its Board from 2001 until his retirement in July, 2011. In April of 2013, he joined the Board of Payne & Dolan, a family owned road construction business based in Wisconsin, and serves as a member of the Compensation Committee and is the Chairman of the Special Litigation Committee. Mr. Whitaker has been a Board member of Global Brass and Copper Company, Inc. since 2011, and serves as the chair of its Nominating Committee and as a member of its Audit Committee. Mr. Whitaker has been a Board member of Panghorn Corporation since 2006 and serves as the chair of its Compensation Committee. He was a member of the Board and executive committee of Strategic Distribution, Inc., and was its President and CEO from 2000 to 2003. Mr. Whitaker was the President and CEO of Johnson Outdoors from 1996 to 2000, and CEO, President and Chairman of the Board of Colt's Manufacturing Co., Inc. from 1992 to 1995. He is a former Board member of Firearms Training Systems, Group Decco, Michigan Seamless Tube, Precision Navigation, Inc., Weirton Steel Corporation and Code Alarm, and a former Trustee of the College of Wooster. Mr. Whitaker is currently the Chairman of the Nominating and Corporate Governance Committee and a member of the Company's Audit Committee and Risk Oversight Committee. The Board believes that Mr. Whitaker's significant executive, board and firearms industry experience, and his knowledge of the Company's products qualify him to serve on the Board of Directors.

Name,
Age,
First Became A
Director
Phillip C.
Widman
Age 59
Director since
January, 2010

Business Experience

During the Past Five Years,

Other Directorships, Current Committee Memberships and Board Qualifications

Mr. Widman was the Senior Vice President and Chief Financial Officer of Terex Corporation from 2002 until his retirement in March 2013. He served as a Board and Nominating and Governance Committee member, and as Audit Committee chair, of Lubrizol Corp from November 2008 until September 2011. Mr. Widman was the Executive Vice President and Chief Financial Officer of Philip Services Corporation from 1998 to 2001. Mr. Widman is currently Chairman of the Company's Audit Committee and a member of the Risk Oversight Committee. The Board believes that Mr. Widman's extensive business management, board and audit committee experience, financial expertise and knowledge of shooting sports qualify him to serve on the Board of Directors.

Michael O. Fifer
Age 56
Director since
October, 2006

Mr. Fifer has been Chief Executive Officer of the Company since September 25, 2006, and additionally served as President of the Company from April 23, 2008 to January 1, 2014. He was the Executive Vice President and President of Engineered Products of Mueller Industries, Inc. from 2003 to 2006, President of North American Operations of Watts Industries, Inc. from 1998 to 2002, and a member of the Board of Directors and Audit, Compensation and Special Committees of Conbraco Industries from 2003 to 2006. Mr. Fifer is a member of the Board of Governors of the National Shooting Sports Foundation. The Board believes that Mr. Fifer's executive leadership and management experience and skills, including his service as the CEO and President of the Company, and his deep understanding of the Company and its products and the firearms industry qualify him to serve on the Board of Directors.

Board of Directors Recommendation

The Board of Directors recommends a vote **FOR** each of the nominees named above.

THE BOARD OF DIRECTORS AND ITS COMMITTEES

The Board of Directors is committed to good business practice, transparency in financial reporting and the highest level of corporate governance. To that end, the Board of Directors and its Committees continually review the Company's governance policies and practices as they relate to the practices of other public companies, specialists in corporate governance, the rules and regulations of the SEC, Delaware law (the state in which the Company is incorporated) and the listing standards of the NYSE.

Corporate Board Governance Guidelines and Code of Business Conduct and Ethics

The Company's corporate governance practices are embodied in the Corporate Board Governance Guidelines. In addition, the Company has adopted a Code of Business Conduct and Ethics which governs the obligation of all employees, executive officers and Directors of the Company to conform their business conduct to be in compliance with all applicable laws and regulations, among other things. Copies of the Corporate Board Governance Guidelines and Code of Business Conduct and Ethics are posted on the Company's website at www.ruger.com and are available in print to any stockholder who requests it by contacting the Corporate Secretary as set forth in STOCKHOLDER COMMUNICATIONS below.

Political Contributions Policy

In February 2014, the Board of Directors established a Political Contributions Policy providing for the disclosure of political contributions, if any, as defined in the Political Contributions Policy, in excess of \$50,000 in the aggregate. A copy of the Political Contributions Policy is posted on the Company's website at www.ruger.com.

The Board's Role in Risk Oversight

The Board's role in the oversight of risk management includes receiving regular reports from the Risk Oversight Committee and senior management in areas of material risk to the Company, including operational, financial, legal and regulatory, strategic, reputational and industry-related risks. The Risk Oversight Committee and the full Board review and discuss these reports with the goal of overseeing the identification, management and mitigation strategies for these risks.

Independent, Non-Management Directors

More than a majority of the current Directors, including each member that serves on any committee of the Board, are independent under the rules of the New York Stock Exchange, Inc. (NYSE). The Board has affirmatively determined that none of Messrs. Cosentino, Jacobi, Rosenthal, Service, Whitaker and Widman has or had a material relationship with the Company or any affiliate of the Company, either directly or indirectly, as a partner, shareholder or officer of an organization (including a charitable organization) that has a relationship with the Company, and are therefore independent for such purposes under the rules of the NYSE, including Rule 303A thereof.

The independent, non-management members of the Board meet regularly in executive sessions and each such meeting is led by the independent, non-executive Chairman of the Board, or in his absence, the independent, non-management Vice-Chairman and Lead Director. C. Michael Jacobi has served as the non-executive Chairman of the Board since April 28, 2010, and John A. Cosentino, Jr. has served as the Vice Chairman since April 28, 2010 and as the Lead Director since April 24, 2007.

Board Leadership Structure

On April 24, 2007, the By-Laws were amended to require the Chairman of the Board to be an independent, non-management Director who would preside at all meetings of the Board, including meetings of the independent, non-management Directors in executive session, which would generally occur as part of each regularly scheduled Board meeting. The separation of Chairman and Chief Executive Officer duties recognizes the difference in the two roles: the Chairman of the Board leads the Board of Directors as they provide guidance to and oversight of the CEO, while the CEO is responsible for setting the strategic direction for the Company and the day-to-day leadership and performance of the Company. The April 24, 2007 By-Laws amendment also provided that an independent, non-management Lead Director would be named to preside at stockholder, Board and executive session meetings and to act as an intermediary between the non-management Directors and management of the Company when special circumstances exist or communication out of the ordinary course is necessary, such as the absence or disability of the non-executive Chairman of the Board. On April 28, 2010, the Board amended the By-Laws to create the position of Vice-Chairman, who assumes the duties of Lead Director as outlined above.

Director Mandatory Retirement

In February 2014, the Board of Directors established a policy whereby members of the Board are subject to mandatory retirement upon the later of their 75th birthday or February 11, 2019, if age 70 or older on the date the policy was adopted.

Director Resignation Policy

In 2008 the Board of Directors established a policy whereby any Director who experiences a change in employment must submit his or her resignation to the Board for its consideration.

Membership and Meetings of the Board and Its Committees

In 2013, the members of the Board were C. Michael Jacobi, John A. Cosentino, Jr., James E. Service, Amir P. Rosenthal, Ronald C. Whitaker, Phillip C. Widman and Michael O. Fifer. James E. Service, a Company Director since 1992, has announced his intention to retire and will not stand for reelection at the 2014 Annual Meeting of Stockholders.

The Board of Directors held six meetings during 2013. Each Director attended at least 75% of the meetings of the Board and of the Committees on which they served during their 2013 tenure. In addition, all members of the Company's Board attended the 2013 Annual Meeting of Stockholders. John A. Cosentino, Jr. and James E. Service attended the Annual Meeting telephonically with the prior permission of the Chairman. It is the policy of the Company that attendance at all meetings of the Board, all Committee meetings, and the Annual Meeting of Stockholders is expected, unless the Director has previously been excused by the Chairman of the Board for good cause. Committee memberships and the number of meetings of the full Board and its Committees held during the fiscal year 2013 are set forth in the table below. When feasible and appropriate, it is the practice of the Board to hold its regular Committee meetings in conjunction with the regular meetings of the Board of Directors.

Each Committee is governed by a written charter that has been adopted by the Board. A copy of each Committee's charter is posted on the Company's website at www.ruger.com, and is available in print to any stockholder who requests it by contacting the Corporate Secretary as set forth in STOCKHOLDER COMMUNICATIONS below.

**MEMBERSHIP AND MEETINGS OF THE BOARD AND ITS COMMITTEES TABLE
FOR YEAR 2013**

				Nominating and	
				Corporate	
Name	Board of Directors	Audit Committee	Compensation Committee	Governance Committee	Risk Oversight Committee
C. Michael Jacobi	Chairman		Member		
John A. Cosentino, Jr.	Vice Chairman	Member	Chair		
James E. Service	Chairman Emeritus		Member	Member	
Amir P. Rosenthal	Member	Member		Member	Chair
Ronald C. Whitaker	Member	Member		Chair	Member
Phillip C. Widman	Member	Chair			Member
Michael O. Fifer	Member				
Total Number of Meetings	6	4	6	2	4

COMMITTEES OF THE BOARD

Audit Committee

In 2013, the members of the Audit Committee of the Board were Phillip C. Widman, John A. Cosentino, Jr., Amir P. Rosenthal and Ronald C. Whitaker. Mr. Widman serves as Chairman of the Audit Committee. All members of the Audit Committee are considered independent for purposes of service on the Audit Committee under the rules of the NYSE, including Rule 303A thereof, and Rule 10A-3 of the Securities and Exchange Act of 1934, as amended (the Exchange Act). All members of the Audit Committee are financially literate and have a working familiarity with basic finance and accounting practices. In addition, the Company has determined that each of Messrs. Cosentino, Rosenthal, Whitaker and Widman are audit committee financial experts as defined by the SEC rules and regulations.

The purpose of the Audit Committee is to provide assistance to the Board in fulfilling its responsibility with respect to its oversight of: (i) the quality and integrity of the Company's financial statements; (ii) the Company's compliance with legal and regulatory requirements; (iii) the independent auditor's qualifications and independence; and (iv) the performance of the Company's internal audit function and independent auditors. In addition, the Audit Committee prepares the report required by the SEC rules included in this Proxy Statement.

The Audit Committee held four meetings during 2013. All members of the Audit Committee attended all meetings of the committee during their 2013 tenure. The Annual Report of the Audit Committee is included in this Proxy Statement.

Report of the Audit Committee*

Management has the primary responsibility for the financial statements and the reporting process including the systems of internal controls. In fulfilling its oversight responsibilities, the Audit Committee reviewed and discussed the audited financial statements in the Annual Report with management, including a discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments, and the clarity of disclosures in the financial statements.

McGladrey LLP (formerly known as McGladrey & Pullen, LLP) is the independent registered public accounting firm appointed by the Company, and ratified by the Company's stockholders on April 30, 2013, to serve as the Company's independent auditors for the 2013 fiscal year. The Audit Committee reviewed with the independent auditors, who are responsible for expressing an opinion on the conformity of those audited financial statements with accounting principles generally accepted in the United States, their judgments as to the quality, not just the acceptability, of the Company's accounting principles and such other matters as are required to be discussed with the committee by PCAOB Auditing Standard 16 (Communication with Audit Committees). In addition, the Committee has discussed with the independent auditors the auditors' independence from management and the Company, and has received the written disclosures and the letter from the independent auditors as required by PCAOB Ethics and Independence Rule 3526, *Communication with Audit Committees Concerning Independence* and McGladrey LLP's letter regarding their internal controls as required by NYSE Rule 303A.07. The Audit Committee also has considered whether McGladrey LLP's provision of non-audit services to the Company is compatible with the independent public accounting firm's independence.

The Committee discussed with the independent auditors the overall scope and plans for their audit. The committee met with the independent auditors, with and without management present, to discuss the results of their examinations, their evaluations of the Company's internal controls, and the overall quality of the Company's financial reporting. The Committee held four meetings during fiscal year 2013.

In reliance on the reviews and discussions referred to above, the Committee recommended to the Board of Directors that the audited financial statements be included in the Annual Report on Form 10-K for the year ended December 31, 2013 for filing with the Securities and Exchange Commission.

The Audit Committee's responsibility is to monitor and oversee the audit and financial reporting processes. However, the members of the Audit Committee are not practicing certified public accountants or professional auditors and rely, without independent verification, on the information provided to them and on the representations made by management, and the report issued by the independent registered public accounting firm.

AUDIT COMMITTEE

Phillip C. Widman, Chairman
John A. Cosentino, Jr.
Amir P. Rosenthal
Ronald C. Whitaker

February 21, 2014

Edgar Filing: STURM RUGER & CO INC - Form DEF 14A

The report of the Audit Committee shall not be deemed incorporated by reference by any general statement incorporating by reference this Proxy Statement into any filing under either the Securities Act of 1933, as amended, or the Exchange Act (together, the Acts), except to the extent that the Company specifically incorporates such report by reference; and further, such report shall not otherwise be deemed to be soliciting material or filed under the Acts.

Compensation Committee

In 2013, the members of the Compensation Committee of the Board were John A. Cosentino, Jr., C. Michael Jacobi, and James E. Service. Mr. Cosentino serves as Chairman of the Compensation Committee. All members of the Compensation Committee are considered independent for purposes of service on the Compensation Committee under the rules of the NYSE, including Rule 303A thereof.

The purposes of the Compensation Committee are: (i) discharging the responsibilities of the Board with respect to the compensation of the Chief Executive Officer of the Company, the other executive officers of the Company and members of the Board; (ii) establishing and administering the Company's cash-based and equity-based incentive programs; and (iii) producing an annual report on executive compensation to be included in the Company's annual Proxy Statement, in accordance with the rules and regulations of the NYSE and the SEC, and any other applicable rules or regulations. The Compensation Committee has the authority to form and delegate authority to one or more subcommittees, made up of one or more of its members, as it deems appropriate from time to time.

On February 11, 2013, the Board of Directors amended the Compensation Committee charter to incorporate recent SEC and NYSE standards requiring the Committee's review of the independence of any outside compensation consultants and advisors retained by the Committee using the specific criteria set under the guidelines.

The Compensation Committee held six meetings during 2013. All members of the Compensation Committee attended at least 75% of all meetings of the committee during their tenure. The annual Compensation Committee Report on Executive Compensation is included in this Proxy Statement.

Compensation Committee Interlocks and Insider Participation

During the 2013 fiscal year, none of the Company's executive officers served on the board of directors of any entities whose directors or officers serve on the Company's Compensation Committee. No current or past executive officers of the Company serve on the Compensation Committee.

Compensation Committee Consultant Independence

In accordance with the requirements of the SEC and NYSE, the Compensation Committee has reviewed the independence of Towers Watson, an outside consultant retained during 2013 to evaluate the compensation of the Company's Named Executive Officers, and has determined that Towers Watson meets the independence criteria established under Item 407(e)(3)(iv) of Regulation S-K. See How Does the Compensation Committee Utilize Independent Consultants below.

Compensation Committee Report on Executive Compensation*

The Committee has reviewed and discussed with management the Compensation Discussion and Analysis. In reliance on the reviews and discussions referred to above, the Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

COMPENSATION COMMITTEE

John A. Cosentino, Jr., Chairman
C. Michael Jacobi
James E. Service

March 21, 2014

* The report of the Compensation Committee shall not be deemed incorporated by reference by any general statement incorporating by reference this Proxy Statement into any filing of the Acts, except to the extent that the Company specifically incorporates such report by reference; and further, such report shall not otherwise be deemed to be soliciting material or filed under the Acts.

Nominating and Corporate Governance Committee

In 2013, the members of the Nominating and Corporate Governance Committee of the Board were Ronald C. Whitaker, Amir P. Rosenthal and James E. Service. Mr. Whitaker serves as Chairman of the Nominating and Corporate Governance Committee.

The Nominating and Corporate Governance Committee is responsible to the Board for identifying, vetting and nominating potential Directors and establishing, maintaining and supervising the corporate governance program. Some of these responsibilities are discussed in more detail below.

The Nominating and Corporate Governance Committee held two meetings during 2013. All members of the Committee attended all meetings of that committee during their 2013 tenure.

As required under its charter, the Nominating and Corporate Governance Committee has adopted criteria for the selection of new Directors, including, among other things, career specialization, technical skills, strength of character, independent thought, practical wisdom, mature judgment and cultural, gender and ethnic diversity. The Committee considers it important for Directors to have experience serving as a chief executive or financial officer (or another, similar position) in finance, audit, manufacturing, advertising, military or government, and to have knowledge and familiarity of firearms and the firearms industry. The Committee will also consider any such qualifications as required by law or applicable rule or regulation, and will consider questions of independence and conflicts of interest. In addition, the following characteristics and abilities, as excerpted from the Company's Corporate Board Governance Guidelines, will be important considerations of the Nominating and Corporate Governance Committee:

- Personal and professional ethics, strength of character, integrity and values;
- Success in dealing with complex problems or having excelled in a position of leadership;
- Sufficient education, experience, intelligence, independence, fairness, ability to reason, practicality, wisdom and vision to exercise sound and mature judgment;
- Stature and capability to represent the Company before the public and the stockholders;
- The personality, confidence and independence to undertake full and frank discussion of the Company's business assumptions;
- Willingness to learn the business of the Company, to understand all Company policies and to make themselves aware of the Company's finances;
- Willingness at all times to execute their independent business judgment in the conduct of all Company matters;
- Diversity of skills, attributes and experience which augment the composition of the Board in execution of its oversight responsibilities to the benefit to the Company; and
- Cultural, gender and ethnic diversity.

The charter also grants the Nominating and Corporate Governance Committee the responsibility to identify and meet individuals believed to be qualified to serve on the Board and recommend that the Board select candidates for directorships. The Nominating and Corporate Governance Committee's process for identifying and evaluating nominees for Director, as set forth in the charter, includes inquiries into the backgrounds and qualifications of candidates. These inquiries include studies by the Nominating and Corporate Governance Committee and may also include the retention of a professional search firm to be used to assist it in identifying or evaluating candidates. The Nominating and Corporate Governance Committee currently has retained Industrial Search Partners LLC and has previously retained the firms Boardbench Companies, LLC and Korn/Ferry International to assist in the search for qualified Directors.

The Nominating and Corporate Governance Committee has a written policy which states that it will consider Director candidates recommended by stockholders. There is no difference in the manner in which the Nominating and Corporate Governance Committee will evaluate nominees recommended by stockholders and the manner in which it evaluates candidates recommended by other sources. Shareholder recommendations for the nomination of directors should set forth (a) as to each proposed nominee, (i) their name, age, business address and, if known, residence address, (ii) their principal occupation or employment, (iii) the number of shares of stock of the Company which are beneficially owned by each such nominee and (iv) any other information concerning the nominee that must be disclosed as to nominees in proxy solicitations pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (including such person's written consent to be named as a nominee and to serve as a Director of the Company if elected); (b) as to the shareholder giving the notice, (i) their name and address, as they appear on the Company's books, (ii) the number of shares of the Company which are beneficially owned by such shareholder and (iii) a representation that such shareholder is a holder of record of stock of the Company entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such nomination; and (c) as to the beneficial owner, if any, on whose behalf the nomination is made, (i) the name and address of such person and (ii) the class and number of shares of the Company which are beneficially owned by such person. The Company may require any proposed nominee to furnish such other information as it may reasonably need to determine the eligibility of a proposed nominee to serve as a Director of the Company, including a statement of the qualifications of the candidate and at least three business references. All recommendations for nomination of Directors should be sent to the Corporate Secretary, Sturm, Ruger & Company, Inc., 1 Lacey Place, Southport, CT 06890. The Corporate Secretary will accept such recommendations and forward them to the Chairman of the Nominating and Corporate Governance Committee. In order to be considered for inclusion by the Nominating and Corporate Governance Committee as a candidate at the Company's next Annual Meeting of Stockholders, stockholder recommendations for Director candidates must be received by the Company in writing delivered or mailed by first class United States mail, postage prepaid, no earlier than January 6, 2015 (120 days prior to the first anniversary of this year's Annual Meeting of Stockholders) and no later than February 5, 2015 (90 days prior to the first anniversary of this year's Annual Meeting of Stockholders).

The Company has not rejected any Director candidates put forward by a stockholder or group of stockholders who beneficially owned more than 5% of the Company's Common Stock for at least one year prior to the date of the recommendation.

Risk Oversight Committee

In 2013, the members of the Risk Oversight Committee were Amir P. Rosenthal, Ronald C. Whitaker and Phillip C. Widman. Amir P. Rosenthal serves as Chairman of the Risk Oversight Committee.

The Board established the Risk Oversight Committee in 2010 to collaborate with the Company's executive team in assisting the Board in fulfilling its responsibility with respect to the Company's enterprise risk management oversight. The Risk Oversight Committee's responsibilities and roles are as follows:

- To monitor all enterprise risk. In doing so, the Committee recognizes the responsibilities delegated to other committees of the Board, and understands that the other committees of the Board may emphasize specific risk monitoring through their respective activities.
- To receive, review and discuss regular reports from senior management in areas of material risk to the Company, including operational, financial, legal and regulatory, strategic, reputational and industry-related risks.
- To discuss with management the Company's major risk exposures and the steps management has taken to monitor and control such exposures, including the Company's risk assessments and risk management policies.
- To study or investigate any matter of interest or concern that the Committee deems appropriate.

The Risk Oversight Committee held four meetings during 2013. All members of the Committee attended all of the meetings of the Committee during their 2013 tenure.

DIRECTOR COMPENSATION

The Board believes that compensation for the Company's independent Directors should be a combination of cash and equity-based compensation. The Directors and the Compensation Committee annually review Director compensation utilizing published compensation studies. Any recommendations for changes are made to the full Board by the Compensation Committee. In 2010, as a result of these reviews, the Directors' fee structure was changed as described below.

Directors' Fees and Other Compensation

As of April 28, 2010, the Board approved a fee schedule whereby non-management independent Directors receive annual retainer compensation as follows: Chairman of the Board \$140,000; Vice Chairman of the Board \$130,000; all others \$100,000. The retainer compensation is paid as 2/3 in cash and 1/3 in one-year restricted stock. In addition to the annual retainer fees, all non-management independent Directors annually receive long-term equity compensation of \$50,000 paid in the form of three-year-restricted stock units at a one-third discount to market.

The Company's Chief Executive Officer and non-independent Director Michael O. Fifer does not receive compensation for his service as a member of Company's Board of Directors.

On April 30, 2013, the annual restricted shares awarded on May 2, 2012 vested and the related shares were issued to the independent Directors. On May 3, 2013, the long-term restricted stock awarded on May 3, 2010 vested and the related shares were issued to the independent Directors. In addition, on May 3, 2013, four business days after the April 30, 2013 Annual Meeting, the independent Directors were granted their 2013 annual and long-term awards of restricted stock.

Under the Company's 2007 Stock Incentive Plan, options to purchase 20,000 shares of the Company's Common Stock were granted to Directors upon joining the Board at an exercise price equal to the closing price on the date of award. These options vest and become exercisable in four equal annual installments of 25% of the total number of options awarded, beginning on the date of grant and on each of the next succeeding three anniversaries thereafter. Until the April 24, 2007 ratification of the 2007 Stock Incentive Plan, these options were previously granted under the Company's 2001 Stock Option Plan for Non-Employee Directors. On April 28, 2010, the Board of Directors eliminated such awards altogether for future new Directors. Following the issuance of the Company's \$4.50 special cash dividend on December 21, 2012, additional stock options were awarded to certain Directors as provided under the terms of the 2007 Stock Incentive Plan to maintain the intrinsic value of any then-outstanding option awards, with such options subject to the terms of the original awards.

Directors are covered under the Company's business travel accident insurance policy for \$1,000,000 while traveling on Company business, and are covered under the Company's director and officer liability insurance policies for claims alleged in connection with their service as Directors.

All Directors were reimbursed for reasonable out-of-pocket expenses related to attendance at Board, Committee and stockholder meetings.

DIRECTORS' COMPENSATION TABLE FOR YEAR 2013

The following table reflects the compensation received during the 2013 fiscal year by each independent Director.

		<u>Number of</u>			
		<u>Shares</u>			
	<u>Fees</u>	<u>Underlying</u>			
	<u>Earned or</u>	<u>Stock</u>		<u>Other</u>	<u>Total Director</u>
	<u>Paid in</u>	<u>Awards</u>	<u>Stock</u>	<u>Compensation</u>	<u>Compensation</u>
	<u>Cash (1)</u>	<u>(2)</u>	<u>Awards</u>	<u>(3)</u>	<u>(4)</u>
<u>Name</u>	<u>(\$)</u>	<u>(#)</u>	<u>(\$)</u>	<u>\$</u>	<u>(\$)</u>
C. Michael Jacobi	\$93,333	1,918	\$96,667	\$25,612	\$215,613
John A. Cosentino, Jr.	\$86,668	1,852	\$93,333	\$25,205	\$205,206
James E. Service	\$66,668	1,653	\$83,333	\$23,990	\$173,991
Amir P. Rosenthal	\$66,668	1,653	\$83,333	\$23,990	\$173,991
Ronald C. Whitaker	\$66,668	1,653	\$83,333	\$23,990	\$173,991
Phillip C. Widman	\$66,668	1,653	\$83,333	\$23,990	\$173,991

Notes to Directors' Compensation Table

- (1) See DIRECTORS' FEES AND OTHER COMPENSATION above.
- (2) Represents aggregate grant date fair value of non-qualified equity awards made to each non-management independent director on May 3, 2013 under the 2007 Stock Incentive Plan in accordance with the Director annual fee schedule approved in 2010. The amounts shown represent the full grant date fair value of the awards calculated in accordance with the provisions of FASB ASC 718, and are shown at the maximum unit value expected upon achievement of the time-based goals of the awards.
- (3) Consists of accrued dividends paid upon the April 30, 2013 and May 3, 2013 vesting and conversion of restricted stock units awarded to each Director as described above.
- (4) The Company's non-management Directors do not receive non-equity incentive plan compensation, pension or medical plan benefits or non-qualified deferred compensation.

Directors and Executive Officers Beneficial Equity Ownership

In 2006 the Board set a minimum equity ownership requirement for independent, non-management Directors of five times their annual base cash retainer to be achieved within five years of the later of the date of adoption or the date of a Director's election. As Directors are expected to hold a meaningful ownership position in the Company, a significant portion of overall Director compensation is intended to be in the form of Company equity. This has been partially achieved through options granted to each independent Director under the 2001 Stock Option Plan for Non-Employee Directors or 2007 Stock Incentive Plan and through the annual deferred equity awards under the 2007 Stock Incentive Plan. In 2007, the Board also set a minimum equity ownership requirement for the Company's Chief Executive Officer of three times his base salary, and for the Company's other Named Executive Officers of two times their base salary, to be achieved within five years of their appointment. The current amounts of Common Stock beneficially owned by each Director and Named Executive Officer may be found in the BENEFICIAL OWNERSHIP TABLE below.

BENEFICIAL OWNERSHIP OF DIRECTORS AND MANAGEMENT TABLE

The following table sets forth certain information as of March 17, 2014 as to the number of shares of the Company's Common Stock beneficially owned by each Director, Named Executive Officer and all Directors and Executive Officers of the Company as a group.

Name	Beneficially Owned Shares of Common Stock	Stock Options Currently Exercisable or to Become Exercisable within 60 days after March 17, 2014	Total Shares	Percent of Class
Independent Directors:				
C. Michael Jacobi	12,454	0	12,454	*
John A. Cosentino, Jr.	20,103	0	20,103	*
James E. Service	17,471	0	17,471	*
Amir P. Rosenthal	12,309	5,472	17,781	*
Ronald C. Whitaker	38,346	0	38,346	*
Phillip C. Widman	21,309	21,889	43,198	*
Michael O. Fifer (also a Director)	36,558	0	36,558	*
Thomas A. Dineen	18,308	0	18,308	*
Christopher J. Killoy	22,319	0	22,319	*
Mark T. Lang	11,633	0	11,633	*
Thomas P. Sullivan	24,732	0	24,732	*
Directors and executive officers as a group: (6 independent Directors, 1 Director who is also an executive officer and 7 other executive officers)	281,275	27,361	308,636	1.6%

Notes to Beneficial Ownership Table

* Beneficial owner of less than 1% of the outstanding Common Stock of the Company.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires the Company's officers and Directors, and persons who own more than ten percent of a registered class of the Company's equity securities, to file reports of ownership and changes in ownership with the SEC and NYSE. Officers, Directors and greater-than-10% stockholders are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file.

To the Company's knowledge, based solely on a review of the copies of the Section 16(a) report forms furnished to the Company and written representations that no other reports were required, that with respect to the period from January 1, 2013 through December 31, 2013, all such forms were filed in a timely manner by the Company's officers, Directors and greater-than-10% beneficial owners, except for one Form 4 for John A Cosentino, Jr. which was filed one day late.

CERTAIN RELATIONSHIPS AND RELATED-PARTY TRANSACTIONS

The Company's Board has a policy of monitoring and reviewing issues involving potential conflicts of interest, and reviewing and approving all related party transactions. There were no related-party transactions in 2013.

PRINCIPAL STOCKHOLDERS

The following table sets forth as of March 17, 2014 the ownership of the Company's Common Stock by each person of record or known by the Company to beneficially own more than 5% of such stock.

		<u>Amount and Nature of</u>	
		<u>Beneficial Ownership (1)</u>	<u>Percent of</u>
<u>Title of Class</u>	<u>Name and Address of Beneficial Owner</u>	<u>(#)</u>	<u>Class</u>
			<u>(%)</u>
Common Stock	The London Company 1801 Bayberry Court, Suite 301 Richmond, VA 23226	2,654,410	13.7%
Common Stock	Black Rock Inc. 40 East 52 nd Street New York, NY 10022	1,755,145	9.0%
Common Stock	The Vanguard Group, Inc. 100 Vanguard Boulevard Malvern, PA 19355	1,653,283	8.5%
Common Stock	Allianz Global Investors U.S. Holdings LLC 680 Newport Center Drive, Suite 250 Newport Beach, CA 92660	1,177,561	6.1%
	NJF Investment Group LLC 2100 Ross Avenue, Suite 700 Dallas, TX 75201		

Notes to Principal Stockholder Table

(1)

Edgar Filing: STURM RUGER & CO INC - Form DEF 14A

Such information is as of December 31, 2013 and is derived exclusively from Schedules 13G or Schedules 13G/A filed by the named beneficial owners on or before February 15, 2014.

PROPOSAL NO. 2 RATIFICATION OF INDEPENDENT AUDITORS**PRINCIPAL ACCOUNTANTS FEES AND SERVICES**

The following table summarizes the fees incurred by the Company for professional services rendered by McGladrey LLP (formerly known as McGladrey & Pullen, LLP) during fiscal years 2013 and 2012.

	Principal Accountants Fees	
	2013	2012
Audit Fees	\$598,000	\$582,000
Audit-Related Fees	\$48,000	\$47,000
Tax Fees	\$0	\$13,850
All Other Fees	\$875	\$0
Total Fees	\$646,875	\$642,850

Audit Fees

Consist of fees billed for professional services rendered for the audit of the Company's consolidated financial statements, the audit of internal controls over financial reporting per Section 404 of the Sarbanes-Oxley Act and the review of interim consolidated financial statements included in quarterly reports.

Audit - Related Fees

Consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements and are not reported under Audit Fees. These services include audits of the Company's employee benefit and compensation plans.

Tax Fees

Consist of fees billed for professional services for tax assistance, including pre-filing reviews of original and amended tax returns for the Company and tax audit assistance.

All Other Fees

Consist of fees billed for services rendered by McGladrey LLP related to miscellaneous matters including financial due diligence and internal audit assistance.

Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditors

It is the policy of the Audit Committee to meet and review and approve in advance, on a case-by-case basis, all engagements by the Company of permissible non-audit services or audit, review or attest services for the Company to be provided by the independent auditors, with exceptions provided for de minimis amounts under certain circumstances as prescribed by the Exchange Act. The Audit Committee may, at some later date, establish a more detailed pre-approval policy pursuant to which such engagements may be pre-approved without a meeting of the Audit Committee. Any request to perform any such services must be submitted to the Audit Committee by the independent auditor and management of the Company and must include their views on the consistency of such request with the SEC's rules on auditor independence.

All of the services of McGladrey LLP which consisted of Audit Fees, Audit-Related Fees, Tax Fees and All Other Fees described above were approved by the Audit Committee in accordance with its policy on permissible non-audit services or audit, review or attest services for the Company to be provided by its independent auditors, and no such approval was given through a waiver of such policy for de minimis amounts or under any of the other circumstances as prescribed by the Exchange Act.

Representatives of McGladrey LLP will be present at the Meeting, will have the opportunity to make a statement if they so desire, and will be available to respond to appropriate questions.

Board of Directors Recommendation

The Board of Directors recommends a vote **FOR** the ratification of McGladrey LLP as the Company's independent auditors.

PROPOSAL NO. 3 ADVISORY VOTE ON COMPENSATION OF NAMED EXECUTIVE OFFICERS

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, or the Dodd-Frank Act, enables stockholders to vote to approve, on an advisory (nonbinding) basis, the compensation of the Company's executive officers as disclosed in this Proxy Statement in accordance with applicable SEC rules. This vote, commonly known as a "say-on-pay" vote, provides stockholders with the opportunity to express their views on our executive officers' compensation. The vote is not intended to address any specific item of our executive compensation, but rather the overall compensation of the Company's executive officers and the philosophy, policies and practices described in this Proxy Statement.

As described in the section of this Proxy Statement entitled "Compensation Discussion and Analysis", our executive compensation program is designed to attract, retain, and motivate talented individuals with the executive experience and leadership skills necessary for us to increase stockholder value by driving long-term growth in revenue and profitability. We seek to provide executive compensation that is competitive with companies that are similar to the Company. We also seek to provide near-term and long-term financial incentives that reward well-performing executives when strategic corporate objectives designed to increase long-term stockholder value are achieved. We believe that executive compensation should include base salary, cash incentives and equity awards. We also believe that our executive officers' base salaries should be set at competitive levels relative to comparable companies, and cash and equity incentives should generally be set at levels that give executives the opportunity to achieve above-average total compensation reflecting above-average Company performance. In particular, our executive compensation philosophy is to promote long-term value creation for our shareholders by rewarding improvement in selected financial metrics, and by using equity incentives. Please see our "Compensation Discussion and Analysis" and related compensation tables for detailed information about our executive compensation programs, including information about the fiscal 2013 compensation of our Named Executive Officers.

Text of Resolution:

RESOLVED, that the Company's stockholders approve, on an advisory basis, the compensation of the Named Executive Officers, as disclosed in the Company's Proxy Statement for the 2014 Annual Meeting of Stockholders pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the 2013 Summary Compensation Table and the other related tables and disclosure.

The say-on-pay vote is advisory, and therefore not binding on the Company, our Board of Directors, or the Compensation Committee of the Board of Directors. Our Board of Directors and Compensation Committee value the opinions of our stockholders and to the extent there is any significant vote against the executive officer compensation as disclosed in this Proxy Statement, we will consider our stockholders' concerns and the Compensation Committee will evaluate whether any actions are necessary to address those concerns. The Company held a say-on-pay vote in connection with the 2013 Annual Meeting of Stockholders and currently intends to hold a say-on-pay vote on an annual basis hereafter.

Board of Directors Recommendation

The Board of Directors recommends a vote **FOR** approval of the pay-for-performance compensation policies and practices employed by the Compensation Committee, as described in the Compensation Discussion and Analysis and the tabular disclosure regarding Named Executive Officer compensation in this Proxy Statement.

COMPENSATION DISCUSSION AND ANALYSIS

How Did the Company Perform in 2013 and How Did We Compensate our Executives?

Sturm, Ruger is focused on sales growth, profitability, and delivering superior returns to its shareholders and our executive compensation programs are strongly linked to our financial performance. To that end, 2013 was another year of continued outstanding financial and market performance. Our executive compensation programs reflected that performance, as illustrated in the table below, which shows the Company's Return on Equity (ROE), Sales Growth and Earnings per Share (EPS) Growth as compared to the Russell 2000 Index companies with less than \$1 billion in revenues and the Standard and Poors 500 Indices for 2013*.

2013 PERFORMANCE INDICATORS

	ROE	Sales Growth	EPS Growth
Sturm, Ruger	81.2%	39.9%	55.0%
Russell 2000 (<\$1B Rev)			
(n = 1,515)	Index Median: 7.5%	6.7%	8.3%
S&P 500	Ruger Percentile: 99th	89th	79th
	Index Median: 14.5%	3.7%	9.7%
	Ruger Percentile: 98th	97th	88th

* Russell 2000 and S&P 500 results are calculated with data available on March 10, 2014, as published by Bloomberg L.P.

In addition to our strong operating performance, our indexed returns to shareholders over the past five years have significantly outpaced multiple indices and the indexed returns of our closest publicly-reported competitor, Smith & Wesson Holding Corporation, as illustrated graphically below.

Sturm, Ruger & Company, Inc., Standard & Poors 500 Index, Value Line Recreation Index and Smith & Wesson Holding Corporation

(Performance Results from December 31, 2008 through December 31, 2013)*

* Assumes \$100 invested at the close of trading December 31, 2008 in Sturm, Ruger & Company, Inc. Common Stock (NYSE:RGR), Standard & Poors 500, Value Line Recreation Index and Smith & Wesson Holding Corporation, and assumes reinvestment of dividends. Source: Value Line Publishing LLC. Factual material is obtained from sources believed to be reliable, but the publisher is not responsible for any errors or omissions contained herein.

Based on the above performance, the Compensation Committee made the following compensation determinations with respect to the 2013 compensation for our Named Executive Officers:

- Authorized the achievement of our performance-based non-equity incentive at 242% of target;
- Authorized a Company-wide profit-sharing pool equal to 15% of the adjusted operating profit after full accrual of the profit sharing; and
- Authorized satisfaction of the performance trigger criteria for the 2013 annual performance-based equity awards; these awards will complete the time-vesting trigger on March 5, 2016.

Based on our assessment of competitive market pay and our operating performance in the top decile of the relevant indices, our Committee believes our pay and performance for 2013 are well aligned. In light of the Company's financial accomplishments and our pay-for-performance philosophy, the Compensation Committee recommends that our shareholders vote **FOR** this year's resolution to approve the Named Executive Officer (NEO) compensation as described in this Proxy Statement.

What is the Company's Philosophy and Objectives Regarding Compensation?

The Company's executive compensation program is designed to align and reward both corporate and individual performance in an environment that reflects commitment, responsibility and adherence to the highest standards of ethics and integrity. Recognition of both individual contributions as well as overall business results permits an ongoing evaluation of the relationship between the size and scope of the Company's operations, its performance and its executive compensation.

As a result of the Company's equity and non-equity incentive plan awards, approximately 76% of the Chief Executive Officer's target compensation for 2014 and 70% of the other Named Executive Officers' target compensation for 2014 is considered at risk and linked directly to corporate performance as illustrated in the graphs below.

2014 TARGET COMPENSATION ALLOCATION

What Are the Elements of the Company's Executive Remuneration and the Objectives of Each?

Remuneration Element	Description	Primary Objectives
Base Salary	Reflects fixed compensation.	<ul style="list-style-type: none"> ● Attract and retain employees over time ● Provide a base level of total compensation to reflect an individual's role and responsibilities
Annual Incentive	Comprised of a performance-based annual bonus and a profit-sharing program.	<ul style="list-style-type: none"> ● Focus executives and employees on important short-term Company-wide performance goals ● Recognize and reward overall annual business results and individual / team contributions
Equity Compensation	<p>Comprised of annual performance-based restricted stock units with performance-based and time-based vesting criteria (double-trigger for vesting).</p> <p>For 2011 and 2012, certain executives received a special retention award of restricted stock units with time-based vesting.</p> <p>Beginning in 2014, certain executives will receive annual awards of restricted stock units in lieu of renewing time-based retention awards. These awards have double triggers requiring both achievement of performance goals and the passage of time.</p>	<ul style="list-style-type: none"> ● Focus executives and employees on important long-term Company-wide performance goals ● Align our executives with the interests of shareholders and deliver a superior rate of return ● Retain executives and employees over time ● Focus executives and employees on the long-term success of the Company, as reflected in increases to the Company's stock prices over a period of several years, growth in its earnings per share and other measurements of corporate performance
Health, Welfare and Retirement Benefits	Generally reflect those benefits provided to our broad employee population.	<ul style="list-style-type: none"> ● Attract and retain employees over time ● Provide for the safety, security and wellness of employees
Severance Arrangements	Specific severance agreements for Officers that provide benefits when employment terminates as a result of a change in control or by the Company without cause.	<ul style="list-style-type: none"> ● Facilitate the Company's ability to attract and retain talented executives ● Encourage executives and employees to remain focused on the Company's business during times of corporate change

How Does the Company Determine the Amount/Formula for Each Element?

Generally, each element of compensation, including base salaries and performance-based bonus and equity incentive opportunities, is evaluated independently and as a whole to determine whether it is competitive and reasonable within the market, as further described below. Each component of the target compensation for each of the Named Executive Officers is recommended by the Compensation Committee to the Board after:

- Analyzing each executive's compensation utilizing benchmarking studies as described below;
- Evaluating each executive's current responsibilities and the scope and performance of the operations under their management;
- Reviewing their individual experience and performance; and
- Evaluating the balance of equity and non-equity compensation for each executive with the goal of fairly rewarding individual and group performance results.

The Compensation Committee utilizes benchmarking reports prepared by Towers Watson, an independent consulting group, to analyze the compensation of the Company's Named Executive Officers. The reports discuss how the Company's executive compensation program compares with those of peer companies on base salary, target bonus, long-term incentives and total direct compensation. The Committee looks at each individual element of total compensation as well as the overall level and mix of remuneration.

Consistent with the prior year, Towers Watson's 2013 analysis focused on a broad array of manufacturing companies included in the Towers Watson 2013 General Industry Top Management Compensation Survey Report - U.S. and the 2013 US Mercer Executive Compensation Survey with revenues between \$250 million and \$1 billion. In early 2014, Towers Watson also conducted an assessment of other publicly reporting companies in the firearms industry such as Smith and Wesson Holding Corporation, and high-performing companies within similar GICS codes and revenue size to Sturm, Ruger. The companies included in this peer group are as follows:

Arctic Cat Inc.	Coleman Cable Inc.	Lindsay Corporation	Shiloh Industries Inc.
Astronics Corporation	Dorman Products Inc.	Middleby Corp.	Smith & Wesson Holding Corp.
AZZ Incorporated	Drew Industries Incorporated	Oxford Industries, Inc.	Sparton Corp.
Blount International	Graco Inc.	Patrick Industries Inc.	Winnebago Industries, Inc.
Chart Industries Inc.	HEICO Corporation	Raven Industries Inc.	ZAGG Inc.

These analyses concluded that the target compensation paid to the Named Executive Officers in 2013 generally fell within the 50th and 75th percentile of surveyed companies with revenue between \$250 million and \$1 billion, and generally within the 25th and 50th percentile of the Company's high-performing peer group. In 2013, the Company's financial performance was superior to that of both comparison groups.

As a result of these analyses, the Compensation Committee has concluded that the total compensation of its executives falls within the parameters set by the Compensation Committee for relating executive compensation to Company performance.

How are Salaries Determined?

Salaries for executive officers are determined by considering the following factors without applying any specific formula to determine the weight of each factor:

- current responsibilities of the officer's position, the scope and performance of the operations under their management;
- the experience and performance of the individual;
- market rates for compensation of new executives being recruited to the Company and by comparing those salaries to recruiting offers made to the Company's executives by competitors; and,
- historical salaries paid by the Company to officers having certain duties and responsibilities.

The Compensation Committee has historically followed a policy of using performance-based incentive bonus awards rather than base salary to reward outstanding performance, and base salaries are not typically adjusted each year.

NAMED EXECUTIVE OFFICERS BASE SALARIES

Name	2013 Base Salary	Effective Date	2014 Base Salary	Effective Date
Michael O. Fifer	\$500,000	March 1, 2011	\$550,000	February 16, 2014
Thomas A. Dineen	\$250,000	February 1, 2010	\$285,000	February 16, 2014
Christopher J. Killoy (1)	\$300,000	February 16, 2011	\$350,000	January 1, 2014
Mark T. Lang	\$275,000	February 16, 2011	\$285,000	February 16, 2014
Thomas P. Sullivan	\$250,000	February 1, 2010	\$285,000	February 16, 2014

- (1) Christopher J. Killoy's salary, nominal performance-bonus opportunity and equity compensation were increased upon his January 1, 2014 promotion to President and Chief Operating Officer from Vice President of Sales and Marketing. See the TARGET COMPENSATION TABLE below for further information.

How are Profit Sharing and Bonuses Determined?*Profit Sharing*

The Company offers profit sharing to all of its employees. The amount of profit sharing is formula-based and is determined by the operating results of the Company. All employees participate in it pro-rata based on their actual base salary or hourly wage compensation. The amount of earnings that is paid quarterly as profit-sharing is authorized by the Board of Directors, and is typically 15% of Adjusted Operating Profit (AOP) after accrual for all bonuses and profit sharing. AOP is a non-GAAP measure of operating profit adjusted to eliminate the impact of LIFO income or expense, overhead and direct labor rate changes, excess and obsolete inventory reserve changes, and other income or expenses that we believe are related to longer periods of time, such as frozen defined benefit pension plan expense or product recalls.

Based upon our 2013 AOP results of \$177.3 million, our Named Executive Officers received the following profit-sharing:

Name	2013 Profit Sharing
Michael O. Fifer	\$157,281
Thomas A. Dineen	\$78,641
Christopher J. Killoy	\$94,822
Mark T. Lang	\$86,505
Thomas P. Sullivan	\$78,641

Annual Performance-Based Non-equity Incentive (the annual Cash Bonus)

The Company offers an annual performance-based non-equity incentive award (i.e., the cash bonus) to all but its most junior grade of employees. The amounts of the performance-based incentive award are based on a target compensation value for each individual and are authorized by the Board of Directors.

In February 2013, the Board of Directors established target (100%) achievement of the bonus at AOP of \$114.4 million. This target was set to equal our actual 2012 AOP, which reflected a 74% year-over-year increase in earnings from 2011. The Board of Directors believed maintaining this level of AOP again in 2013 would be a challenging goal. The 2013 actual achievement percentage was adjusted up or down from 100% achievement by 1% for every \$443,600 of AOP above or below \$70 million. There is no minimum or maximum payout limit for the annual performance-based non-equity incentive.

Edgar Filing: STURM RUGER & CO INC - Form DEF 14A

Our actual AOP results in 2013 were \$177.3 million, which provided for a performance-based non-equity incentive achievement equal to 242% of target. The table below provides the 2013 target and actual performance-based incentive results for each of our Named Executive Officers.

Name	Performance-Based Non-Equity Awards			
	2013 Base Salary	2013 Target Award % of Salary	\$ Value*	2013 Actual Award
Michael O. Fifer	\$500,000	100%	\$500,000	\$1,210,000
Thomas A. Dineen	\$250,000	67%	\$166,667	\$403,333
Christopher J. Killoy	\$300,000	67%	\$200,000	\$486,580
Mark T. Lang	1)	Development of 9.7-inch AH-IPS model for Apple's i-Pad.		

Development of the world's first IPS Tablet

Achieving the following viewing angles by applying AH-IPS: top (80°) / bottom (80°) / left (80°) / right (80°)

- 2) Development of second Green PC products (13.3-inch, 14.0-inch and 15.6-inch in high-definition (HD))

Thin and light; low electricity consumption thereby increasing battery life

Development of Company-led flat product market

- 3) Development of world's first TruMotion 480Hz product (47-inch and 55-inch in full high-definition (FHD))

World's first application of 240hz driving technology and scanning technology to achieve TruMotion 480Hz.

50% reduction in source driver integrated circuits (from 16ea to 8ea) by applying 1 gate 1 drain technology

- 4) World's first FHD 47-inch three-dimensional (3D) display panels using Glass Patterned Retarder (GPR) technology

Achieving FHD for 3D display panels using GPR technology

- 5) Development of our first large-sized display panels viewable in 3D using shutter glasses (42-inch, 47-inch, 55-inch in FHD)

Achieving high aperture ratio by applying S-IPS V technology

Edgar Filing: STURM RUGER & CO INC - Form DEF 14A

Removal of gate driver integrated circuits by applying GIP technology

Reduction in the number of integrated circuits (from 8ea to 6ea) by applying 960Ch source driver integrated circuits

- 6) World's first LCD product which uses the LCD monitor's bottom cover as the back cover of a television set (32-inch, 37-inch and 42-inch in FHD)

Removal of the television set back cover by replacing it with the LCD monitor's bottom cover. Co-designed with a third party

- 7) Development of 42-inch and 47-inch FHD display panels for television to be sold in emerging markets

Focusing on basic functions and removing functions that are costly

Achieving cost reduction by applying GIP technology

Table of Contents

- 8) Development of intra interface technology for large-sized, high resolution, high frequency display panels

Improved data transmission rate (from 660Mbps to 1.6Gbps)

Developing slim PCBs by decreasing the number of transmission lines

- 9) Development of our first 21.5-inch and 26-inch FHD Edge LED products

Application of 21.5-inch, 26-inch FHD TV LED BL and mid-sized FHD model Slim TCON (176Pin @ 88Pin)

- 10) Development of our first 32 HD Edge LED product

Application of 32-inch HD TV Edge LED BL

- 11) Development of our first 37-inch FHD M240Hz product

Development of 37-inch FHD 240Hz panel. Development and mass production of MEMC 240Hz with TCON model.

- 12) Development of 240Hz panel for LG Electronics Borderless TV

Development of Narrow Bezel 240Hz panel (Bezel 14mm @ 7mm) for LG Electronics Borderless TV

- 13) Development of the world's first slim 23W FHD monitor in IPS mode

Slim design by applying slim-type LED backlight (thickness: 14.5t @ 11.5t)

Cost saving by applying low voltage liquid crystal

Removal of gate driver integrated circuits by applying GIP technology

- 14) Development of the world's first slim 185W HD monitor in TN mode

Slim design by applying slim-type LED backlight (thickness: 11.5t @ 9.7t)

Edgar Filing: STURM RUGER & CO INC - Form DEF 14A

50% reduction in source driver integrated circuits by applying DRD (Double Rate Driving) technology

Elimination of optical sheet by applying new TFT structure technology (I-VCOM)

Removal of gate driver integrated circuits by applying GIP technology

- 15) Development of 42-inch, 47-inch and 55-inch FHD monitors applying low cell gap (3.1 @ 2.8um) technology

Enhanced 3D performance (3D CrossTalk 10.x% @ 5.x%)

World's first application of this technology in 42-inch, 47 inch and 55-inch FHD products

- 16) Development of ultra slim 0.2t glass 12.1-inch notebook computer

Realization of ultra slim product by applying 0.2t glass and flat screen backlight structure

- 17) Development of world's first ultra slim 19SX TN monitor

Slim design by applying slim type LED backlight (thickness: 15.5 @ 9.9t)

50% reduction (6ea to 3ea) in the number of source driver integrated circuits by applying DRD technology

Elimination of gate driver integrated circuits by applying GIP technology

- 18) Development of 215FHD e-IPS monitor products applying LED PKG

Reduction in the number of LED and LED array cost through optimization of LED PKG's beam and size

Table of Contents

Realization of 2 sheet structure by adopting I-VCOM resulting in increased transmittance and backlight luminance

Elimination of gate driver integrated circuits by applying GIP technology

Minimization of LCM thickness by applying thin LED array structure (14.5t @ 10.2t)

19) Development and application of LED PKG in 215FHD TN monitor products

Reduction in the number of LED and LED array cost through optimization of LED PKG's beam and size

Elimination of DBEF sheet by adopting I-VCOM resulting in increased transmittance and backlight luminance

Elimination of gate driver integrated circuits by applying GIP technology

Minimization of LCM thickness by applying thin LED array structure (14.5t @ 10.2t)

67) Development of world's first slim TN monitor (185W HD, 20W HD+, 215W/23W FHD)

Developing ultra slim monitor by cooperating with set makers in the design process (SET standard: over 20t @ 12.9t)

Minimization of LCM thickness by applying thin LED array structure (11.5t @ 8.2t)

Simplification of circuit by developing T-con + Scaler 1chip

20) Development of world's first ultra slim 215W FHD TN monitor

Developing ultra slim monitor by cooperating with set makers in the design process (SET standard: 12.9t @ 7.2t)

Minimization of LCM thickness by applying thin LED array structure (8.2t @ 6t)

21) Development of the world's first 3D FPR type 42-inch, 47-inch and 55-inch FHD panels

Improved 3D performance (cross talk 1.0% i, 3D luminance 170 nit)

Edgar Filing: STURM RUGER & CO INC - Form DEF 14A

- 22) Development of our first 42-inch, 47-inch and 55-inch FHD panels with built-in 3D formatters

Development of our first products with built-in MEMC and 3D formatters

- 23) Development of the world's first real 240Hz applying GIP driving technology

First to develop real 240Hz applying GIP driving technology

Reduced the number of driver integrated circuits by applying 960ch Source Driver: 8ea @ 6 ea

- 24) Development of panels for Macbook Air

Development and mass production of 116HD, 133 WXGA+ panels

Application of Z-inversion technology for low energy consumption

- 25) Introduction of the world's first HD shutter glasses type 3D notebook product (17.3 inch FHD)

Development of 172Hz high recharging speed notebook LCD panel

Development of Timing Controller (TC) driving technology

- 26) The first all-in-one touch panel notebook from an LCD panel manufacturer (15.6 inch HD add-on touch notebook)

The world's first large size (15.6-inch) notebook panel to receive Win7 Touch certification (received on July 23, 2010)

The world's first LCD and touch panel integrated add-on touch module developed by an LCD panel manufacturer

Table of Contents

- 27) Introduction of the world's first Micro Film 3D notebook (15.6-inch FHD)

The world's first 3D FPR type notebook (developed timely to win market share in the 3D market)

- 28) Development of the world's first 240Hz 23W IPS monitor

The world's first to realize 240Hz by application of 120Hz panel driving and scanning technologies

Achievement of Motion Picture Response Time (MPRT) of 8ms

- 29) Development of the world's first add-on infrared camera type 215W IPS monitor

Realization of thin LCM (20.5t) by application of the world's first add-on infrared camera

Improved touch capabilities (dead zone free and multi-touch) and the first in the world to receive Win 7 Logo certification

Touch location auto correction by applying auto calibration

- 30) Development of 20-inch HD and 23-inch FHD e-IPS monitor products applying widescreen LED PKG

Reduction in the number of LED and LED array cost through optimization of LED PKG's beam and size

Elimination of gate driver integrated circuits by applying GIP technology

Cost reduction and lower power consumption (20% reduction for driver integrated circuits) by using low voltage driver integrated circuits

Minimization of LCM thickness by applying thin LED array structure (for 20-inch HD panels: 14.5t @ 10.2t)

- 31) Development of 20-inch HD and 23-inch FHD TN monitor products applying widescreen LED PKG

Reduction in the number of LED and LED array cost through optimization of LED PKG's beam and size

Elimination of DBEF sheet by adopting I-VCOM resulting in increased transmittance and backlight luminance (for 20-inch HD monitors)

50% reduction in the number of source driver integrated circuits by applying DRD technology (for 23-inch FHD panels)

Elimination of gate driver integrated circuits by applying GIP technology

Minimization of LCM thickness by applying thin LED array structure (11.5t @ 10.2t)

Achievements in 2011

- 1) Introduction of glass-free mobile 3D product (4.3-inch WVGA)

Development and preparation for mass production of our first glass-free 3D product (utilizing barrier cell)

- 2) Introduction of the world's first 12.5-inch AH-IPS notebook product

Development of the world's first 12.5-inch notebook utilizing AH-IPS technology

Achievement of a maximum circuit logic power of 1.0W

Development of a slim and light AH-IPS model (development of a model that utilizes IPS and flat PCB)

- 3) Introduction of an integrated 14.0-inch touch panel notebook product

Development of a 14.0-inch touch panel notebook product as part of our plan to develop and expand our integrated touch panel products portfolio

Table of Contents

- 4) Introduction of our 15.6-inch dream color IPS notebook product

Development of a notebook utilizing H-IPS technology

Realization of a 100% color reproduction rate by applying RGB LED technology

Realization of 1.073G color by applying 10-bit color depth technology

- 5) Development and mass production of 9.7-inch LCD panels for i-Pad 2

Application of AH-IPS and slim LCD technology

Decreased thickness by 20% and weight by 7% compared to LCD panel for i-Pad 1

- 6) Development of the world's first 3D FPR 23-inch FHD TN monitor product

Minimization of flicker / crosstalk by applying FPR technology

Minimization of cost increase by applying one layer 3D film

Realization of high luminance 3D images (two times the luminance compared to images from monitors utilizing shutter glass technology)

- 7) Introduction of our first 50-inch Cinema TV product

Application of 21:9 screen display ratio (2560 x 1080 resolution)

Application of 960ch + EPI source driver integrated circuits for optimal high-resolution

Application of scanning technology under the Horizontal 2Edge structure

- 8) Development of the world's first 3D FPR 23-inch IPS FHD monitor product

Minimization of flicker / crosstalk by applying FPR technology

Edgar Filing: STURM RUGER & CO INC - Form DEF 14A

Minimization of cost increase by applying one layer 3D film

Realization of high luminance 3D images (two times the luminance compared to images from monitors utilizing shutter glass technology)

- 9) Development and introduction of the world's first 15.6-inch HD FPR 3D notebook product

Realization of the world's first 15.6-inch HD FPR 3D product

Realization of high luminance 3D images (two times the luminance compared to images from notebooks utilizing shutter glass technology)

Minimization of cost increase by applying one layer 3D film

- 10) Development and introduction of the world's first 17.3-inch Dream Color AH-IPS notebook product

Development of the world's first 17.3-inch notebook computer applying AH-IPS

Realization of Dream Color (100% color reproduction rate) by applying RGB LED

Realization of 1.073G color by applying Color Depth 10-bit technology

Realization of 89 degrees viewing angle (up/down/left/right) by applying IPS technology

- 11) Development and introduction of a 15.6-inch HD product with the world's lowest (at the time) power consumption from logic circuit (0.5W).

Application of DRD Z-inversion, HVDD and low voltage process

Application of high intensity LED (2.3cd) and Vcut light guide plate

Increase in battery life due to logic circuit power consumption reduction

Table of Contents

- 12) Development of the world's smallest (at the time) Narrow Bezel Notebook Model

The first in the world to apply 4.5 mm narrow bezel

Formation of camera hole by B/M mask patterning

- 13) Development of a new 10.1-inch WX smartbook LCD

Development of the our first 10.1-inch WXGA LCD following in the footsteps of our 9.7-inch XGA model

Realization of reduced power consumption, high permeability and increased viewing angle by application of IPS technology.

- 14) Development of a 42-inch FHD product applying COT technology

Simplifying panel production process by applying COT (Color Filter on TFT) technology

Luminance increased by 10%

- 15) Development of 42-inch, 47-inch and 55-inch direct slim LCD TV

Development of the world's first direct-mounted 11.0 mm depth ultra-slim LCM model

Application of 96 block local dimming and M240Hz technology

- 16) Development of a 47-inch super narrow public display panel

Development of our first super narrow bezel (seam 6.9mm) product for application in public display panels

- 17) Introduction of the world's first 15.6-inch FHD AH-IPS notebook product

Development of the world's first 15.6-inch FHD model applying AH-IPS technology

Development of slim & light AH-IPS model (thickness: 3.4mm; weight: 330g)

Edgar Filing: STURM RUGER & CO INC - Form DEF 14A

Achieving the following viewing angles by applying IPS technology; 178° from top to bottom; 178° from left to right

- 18) Development of a 15.6-inch FHD notebook applying a new backlight arrangement

Optimization of light placement by application of New Concept LED Backlight

Reduction in the number of LED integrated circuits (78ea @ 10ea) by application of mid-power LED

Reduced energy consumption pursuant to a reduction in the number of LED integrated circuits (7.4W @ 5.9W)

- 19) Development of the world's first 215/25/27 FHD TN and 215 FHD IPS 3D monitor

Minimization of flicker/crosstalk by application of FPR technology

Minimization of cost increase by applying one-layered 3D film

Realization of high luminance 3D images (two times the luminance compared to images from monitors utilizing shutter glass technology)

- 20) Development of a 4.5-inch true HD AH-IPS display smartphone product

For 4G LTE smartphones (introduced by LG Electronics in September 2011)

Application of true HD720 resolution and AH-IPS technology

- 21) Development of the world's first 14.0-inch HD 3D FPR notebook product

Realization of the world's first 14.0-inch 3D FPR display

Realization of high luminance 3D images (two times the luminance compared to images from notebook panels utilizing shutter glass technology)

Table of Contents

- 22) Development of the world's first AH-IPS GIP / DRD column inversion technology

Development of AH-IPS GIP / DRD by application of shrink GIP technology

Realization of TN-equivalent panel size through reduced panel load

Achieved TN-equivalent logic energy consumption levels
Achievements in 2012

- 1) Introduction of the world's first 13.3-inch high definition plus (HD+) AH-IPS notebook product

Development of the world's first 13.3-inch HD+ model applying AH-IPS technology

- 2) Development and introduction of a 14.0-inch HD product with the world's lowest (at the time) rate of logic circuit energy consumption (0.4W)

Application of DRD Z-inversion, HVDD and low voltage process

Application of high intensity LED (2.3cd) and Vcut light guiding plate

Increase in battery life due to reduced logic circuit energy consumption

- 3) Introduction of a 14.0-inch HD+ notebook product with a high color reproduction rate

Development of a 14.0-inch HD+ 72% color reproduction rate model

Development of a slim model applying 0.3 mm glass etching

- 4) Introduction of a 15.6-inch FHD glasses-free 3D notebook product

Development of the first notebook product applying switchable barrier type 3D technology that does not require the use of glasses

- 5) Development of the world's first 23-inch FHD monitor product applying AH-IPS 4Mask technology

Edgar Filing: STURM RUGER & CO INC - Form DEF 14A

Increased display panel luminance by application of AH-IPS technology (20% more luminance compared to display panels applying conventional IPS technology)

Simplified panel production process by application of AH-IPS 4Mask technology

30% reduction in energy consumption resulting from increased efficiency of LED and circuit components

Increased productivity in the manufacture of circuit and mechanical components resulting from increased standardization

- 6) Development of TN monitor products (20-inch HD+, 21.5-inch FHD and 23-inch FHD) applying new LED

20% reduction in energy consumption resulting from increased efficiency of LED and circuit components (based on 23W power consumption models)

Increased productivity in the manufacture of circuit and mechanical components resulting from increased standardization

- 7) Development of products with new edge backlight (32-inch, 37-inch and 42-inch FHD)

Vertical 2Bar LED backlight unit ® Vertical 1Bar LED backlight unit

Reduced energy consumption by 25% resulting from a reduction in the number of LED integrated (based on 32-inch display panel)

- 8) Development of 42-inch FHD product with new direct backlight unit

Development of LED Lens through the improvement of LED Beam spread angle (72ea based on 42-inch display panel)

Same thickness as conventional edge LED lighting lamp (35.5 mm)

Table of Contents

- 9) Development of products with the world's narrowest bezels of 3.5 mm (47-inch and 55-inch FHD)

Narrow set design possible using 3.5 mm bezel

- 10) Development of the world's first panel products without borders on three sides (32-inch, 42-inch, 47-inch and 55-inch FHD)

Made possible by removing the forward-facing case top, resulting in zero bezel on three sides

- 11) Development of monitor products without borders on three sides (21.5-inch, 23-inch and 27-inch FHD)

Made possible by removing the forward-facing case top, resulting in zero bezel on three sides, and application of double-sided adhesive to secure the position of the panel and backlight

Used double guide panels to reduce light leakage issues in IPS panels

- 12) Development of 12.5-inch HD AH-IPS slim and light notebook display panels

Achieved thickness of 2.85t

Reduced the number of LEDs required by using high intensity LEDs (2.5cd)

- 13) The world's first GF2 Touch Tablet Product Development (10.1WXGA LCM + Touch)

Touch Concept: GF2, Touch IC In-House

Reduced cost by applying TMIC

Reduced power consumption by applying 6 in 1 (Buck version) PMIC

Reduced cost and power consumption by applying AH-IPS + DRD-Z

Reduced cost by applying Taper LGP

- 14) Development of Automotive 9.2WV product that applies wide temperature AH5-IPS technology

Edgar Filing: STURM RUGER & CO INC - Form DEF 14A

For use in Center Information Displays and Rear Seat Entertainment Displays mounted on K9 model Kia cars

Wide temperature materials/components used and AH5-IPS technology applied

- 15) Application and introduction of the world's first large multi-model on a glass (MMG) type product (60-inch FHD and 32-inch HD)

Increased glass efficiency by successfully applying large MMG technology for the first time in the industry

Developed three sided and six sided chamfers for eighth generation 60-inch FHD panels and 32-inch HD panels, respectively

10. Intellectual Property

As of June 30, 2012, our cumulative patent portfolio (including patents that have already expired) included a total of 18,301 patents, consisting of 8,218 in Korea and 10,083 in other countries.

11. Environmental Matters

We are subject to a variety of environmental regulations and we may be subject to fines or restrictions that could cause our operations to be interrupted. Our manufacturing processes generate worksite waste, including water and air pollutants, at various stages in the manufacturing process, and we are subject to a variety of laws and regulations relating to the use, storage, discharge and disposal of such chemical by-products and waste substances. We have installed various types of anti-pollution equipment, consistent with environmental standards, for the treatment of chemical waste and equipment for the recycling of treated waste water at our various facilities. However,

Table of Contents

we cannot provide assurance that environmental claims will not be brought against us or that the local or national governments will not take steps toward adopting more stringent environmental standards. Any failure on our part to comply with any present or future environmental regulations could result in the assessment of damages or imposition of fines against us, suspension of production or a cessation of operations. In addition, environmental regulations could require us to acquire costly equipment or to incur other significant compliance expenses that may materially and negatively affect our financial condition and results of operations.

We have also voluntarily agreed to reduce emission of greenhouse gases, such as trifluoride oxide and perfluoro compounds, or PFCs, including sulfur hexafluoride, or SF₆, gases, by installing abatement systems to meet voluntary emissions targets for the TFT-LCD industry for 2010. As part of our voluntary activities to reduce emission of greenhouse gases, we installed trifluoride oxide abatement systems at all of our production lines.

We also installed an SF₆ abatement system in P1 in April 2005, and have taken steps to install additional SF₆ abatement systems through the use of Clean Development Mechanism, or CDM, projects. We manage our CDM projects jointly with LG International Corp. On July 10, 2010, after becoming the first TFT-LCD company to receive the UNFCCC CDM Executive Board's approval of our CDM project, we installed an SF₆ abatement system in P6. We received a total of 343,971 tonnes of CO₂ equivalent of certified emission reduction credits, or CERs, from the UN for the reduction of greenhouse gas emissions during the period from August 1, 2010 to December 31, 2010, all of which was sold in December 2011. We also received a total of 197,984 tonnes of CO₂ equivalent of CERs for the reduction of greenhouse gas emissions during the period from January 1, 2011 to April 30, 2011. We were the first TFT-LCD manufacturer to receive CERs pursuant to an SF₆ decomposition CDM project. Currently, a third party accreditation agency is also examining the reduction of our greenhouse gas emissions since May 1, 2011 as part of our application for receiving CERs from the UN. In August 2011, we commenced the installation of an SF₆ abatement system in P7 through the implementation of CDM projects which became operational in February 2012, which further reduced our greenhouse gas emissions.

Under the Framework Act on Low Carbon, Green Growth, the Korean government has designated us as one of the companies subject to greenhouse gas emission and energy consumption targets. As a result, we may need to invest in additional equipment and there may be other costs associated with meeting the reduction target for 2012, which may have a negative effect on our profitability or production activities. In addition, if we fail to meet our reduction target and are unable to comply with the government's subsequent enforcement notice relating to such failure, we may be subject to fines.

In connection with the greenhouse gas emission reduction target system, we submitted a statement of our domestic emissions and energy usage for the years 2007 through 2010 to the Korean government (i.e., the Ministry of Environment and the Ministry of Knowledge Economy), which was certified by DNV Certification Co., Ltd., a government-designated certification agency. We are currently preparing a statement of our domestic emissions and energy usage for the year 2011, which we submitted to the Ministry of Environment and the Ministry of Knowledge Economy in March 2012 after certification by Lloyd's Register Quality Assurance, another government-designated certification agency. The table below sets forth yearly levels of our greenhouse gases emissions and energy usage in the statement submitted to the Korean government:

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

Category	2011	2010	2009
Greenhouse gases	5,926	5,576	4,755
Energy	55,234	45,850	37,075

In addition, in order to improve the efficiency and reliability of measuring our greenhouse gas emission reduction activities, we have begun implementing improvements in our electronic greenhouse gas inventory system and plan to complete such improvements sometime in 2012.

Table of Contents

Operations at our manufacturing plants are subject to regulation and periodic monitoring by the Korean Ministry of Environment and local environmental protection authorities. We believe that we have adopted adequate anti-pollution measures and have minimized our impact on the environment by improving existing and developing new technologies for the effective maintenance of environmental protection standards consistent with local industry practice. In addition, we have continually monitored, and we believe that we are in compliance in all material respects with, the applicable environmental laws and regulations in Korea. Expenditures related to such compliance may be substantial. Such expenditures are generally included in capital expenditures. As required by Korean law, we employ licensed environmental specialists for each environmental area, including air quality, water quality, toxic materials and radiation. We currently have ISO 14001 certifications with respect to the environmental record for P1 through P8, our OLED production facility in Gumi, Korea, our Gumi module production plant and our Paju module production plant, as well as our module production plants in Nanjing and Guangzhou, China.

In addition, with respect to P1 through P8 and our module production plants in Gumi and Paju, we have established and are currently operating a new green management system, which was certified by BSI Group Korea in November 2011. Furthermore, we have been certified by the Korean Ministry of Environment as a Green Company, with respect to our environmental record for P1 and our module production plant in Gumi since 1997, with respect to our operations at P2 and P3 since 2006, and with respect to our operations at P4, P5 and P6 since 2008, and received commendations from the Prime Minister and the Minister of Environment of Korea for our efforts to promote recycling.

We also have an internal monitoring system to control the use of hazardous substances in the manufacture of our products as we are committed to compliance with all applicable environmental laws and regulations, including European Union Restriction of Hazardous Substances (RoHS) Directive 2002/95/EC, which took effect in July 2006, and restricts the use of certain hazardous substances in the manufacture of electrical and electronic equipment.

In addition, as part of our commitment to purchase environment-friendly raw materials, we have implemented a green purchasing system that prevents the introduction of hazardous materials at the purchasing stage. The green purchasing system has been a key component in our efforts to comply with RoHS and other applicable environmental laws and regulation.

In October 2005, we became the first TFT-LCD company to receive accreditation as an International Accredited Testing Laboratory by the Korea Laboratory Accreditation Scheme, which is operated by the Korean Ministry of Knowledge Economy. In September 2006, we received international accreditation from TUV SUD, EU's German accreditation agency, as a RoHS testing laboratory. Our efforts to keep pace with the increasingly stringent accreditation standards and to receive and maintain such accreditations are part of our on-going efforts to systematically monitor environmentally controlled substances in our component parts inventory. Moreover, we participated in reforming IEC 62321 by 2012, a RoHS international testing standard, by including a halogen-free combustion ion chromatography method in our committee draft that we submitted in June 2010.

Table of Contents**12. Financial Information****A. Financial highlights (Based on consolidated K-IFRS)**

(Unit: In millions of Won)

Description	As of June 30, 2012	As of December 31, 2011	As of December 31, 2010	As of December 31, 2009 ⁽¹⁾
Current assets	8,407,889	7,858,065	8,840,433	8,226,142
Quick assets	5,838,927	5,540,695	6,625,216	6,558,362
Inventories	2,568,962	2,317,370	2,215,217	1,667,780
Non-current assets	17,134,708	17,304,866	15,017,225	11,477,335
Investments in equity accounted investees	411,041	385,145	325,532	282,450
Property, plant and equipment, net	14,407,926	14,696,849	12,815,401	9,596,497
Intangible assets	511,230	535,114	539,901	352,393
Other non-current assets	1,804,511	1,687,758	1,336,391	1,245,995
Total assets	25,542,597	25,162,931	23,857,658	19,703,477
Current liabilities	10,361,819	9,911,434	8,881,829	6,495,071
Non-current liabilities	5,284,848	5,120,469	3,914,862	3,168,657
Total liabilities	15,646,667	15,031,903	12,796,691	9,663,728
Share capital	1,789,079	1,789,079	1,789,079	1,789,079
Share premium	2,251,113	2,251,113	2,251,113	2,251,113
Reserves	18,635	12,181	(35,298)	(51,005)
Retained earnings	5,823,865	6,063,359	7,031,163	6,050,562
Non-controlling interest	13,238	15,296	24,910	0
Total equity	9,895,930	10,131,028	11,060,967	10,039,749

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

Description	For the six months ended June 30, 2012	For the six months ended June 30, 2011	For the six months ended June 30, 2010	For the six months ended June 30, 2009 ⁽¹⁾
Revenue	13,094,048	11,412,578	12,330,543	8,314,678
Results (loss) from operating activities	(203,708)	(287,548)	1,515,410	34,807
Income (loss) from continuing operation	(241,576)	(94,123)	1,203,413	20,316
Profit (loss) for the period	(241,576)	(94,123)	1,203,413	20,316
Profit (loss) attributable to:				
Owners of the Company	(239,639)	(90,258)	1,204,583	20,316
Non-controlling interest	(1,937)	(3,865)	(1,170)	
Basic earnings (loss) per share	(670)	(252)	3,366	57
Diluted earnings (loss) per share	(670)	(252)	3,277	57
Number of consolidated entities	19	18	16	11

- (1) Although our financial statements for the year ended December 31, 2009 were audited by our independent auditors in accordance with K-IFRS, our half-year financial statements were not reviewed by our independent auditors.

Table of Contents

B. Financial highlights (Based on separate K-IFRS)

(Unit: In millions of Won)

Description	As of June 30, 2012	As of December 31, 2011	As of December 31, 2010	As of December 31, 2009 ⁽¹⁾
Current assets	8,037,354	7,326,764	8,499,873	7,973,355
Quick assets	5,889,794	5,414,054	6,739,908	6,687,050
Inventories	2,147,560	1,912,710	1,759,965	1,286,305
Non-current assets	16,783,944	16,947,200	14,658,125	11,283,512
Investments	1,404,358	1,386,313	1,279,831	1,075,229
Property, plant and equipment, net	13,222,007	13,522,553	11,688,061	8,730,263
Intangible assets	497,473	479,510	483,260	340,885
Other non-current assets	1,660,106	1,558,824	1,206,973	1,137,135
Total assets	24,821,298	24,273,964	23,157,998	19,256,867
Current liabilities	10,105,129	9,485,333	8,453,869	6,120,663
Non-current liabilities	5,313,506	5,101,714	3,833,454	3,102,006
Total liabilities	15,418,635	14,587,047	12,287,323	9,222,669
Share capital	1,789,079	1,789,079	1,789,079	1,789,079
Share premium	2,251,113	2,251,113	2,251,113	2,251,113
Reserves	1,781	(3,944)	(7,795)	(17,366)
Retained earnings	5,360,690	5,650,669	6,838,278	6,011,372
Total equity	9,402,663	9,686,917	10,870,675	10,034,198

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

Description	For the six months ended June 30, 2012	For the six months ended June 30, 2011	For the six months ended June 30, 2010	For the six months ended June 30, 2009 ⁽¹⁾
Revenue	12,722,936	10,950,409	12,379,226	8,234,951
Results (loss) from operating activities	(271,614)	(373,131)	1,407,744	(28,653)
Income (loss) from continuing operation	(290,314)	(100,014)	1,130,351	(8,321)
Profit (loss) for the period	(290,314)	(100,014)	1,130,351	(8,321)
Basic earnings (loss) per share	(811)	(280)	3,159	(23)
Diluted earnings (loss) per share	(811)	(280)	3,072	(23)

- (1) Although our financial statements for the year ended December 31, 2009 were audited by our independent auditors in accordance with K-IFRS, our half-year financial statements were not reviewed by our independent auditors.

Table of Contents

C. Consolidated subsidiaries (as of June 30, 2012)

Company	Primary Business	Location	Equity Interest
LG Display America, Inc.	Sales	U.S.A.	100%
LG Display Germany GmbH	Sales	Germany	100%
LG Display Japan Co., Ltd.	Sales	Japan	100%
LG Display Taiwan Co., Ltd.	Sales	Taiwan	100%
LG Display Nanjing Co., Ltd.	Manufacturing and sales	China	100%
LG Display Shanghai Co., Ltd.	Sales	China	100%
LG Display Poland Sp. zo.o.	Manufacturing and sales	Poland	80%
LG Display Guangzhou Co., Ltd.	Manufacturing and sales	China	90%
LG Display Shenzhen Co., Ltd.	Sales	China	100%
LG Display Singapore Pte. Ltd.	Sales	Singapore	100%
L&T Display Technology (Xiamen) Co., Ltd.	Manufacturing and sales	China	51%
L&T Display Technology (Fujian) Co., Ltd.	Manufacturing and sales	China	51%
LG Display Yantai Co., Ltd.	Manufacturing and sales	China	100%
L&I Electronic Technology (Dongguan) Limited	Manufacturing and sales	China	51%
Image & Materials, Inc.	Manufacturing and sales	Korea	100%
LUCOM Display Technology (Kunshan) Limited	Manufacturing and sales	China	51%
LG Display U.S.A. Inc.	Manufacturing and sales	U.S.A.	100%
LG Display Reynosa S.A. de C.V.	Manufacturing	Mexico	100%
Nanumnuri Co., Ltd. ⁽¹⁾	Workplace services ⁽²⁾	Korea	100%

(1) Formed as a wholly owned subsidiary in March 2012 in order to comply with Korean legal requirement for employers with 100 or more employees to employ disabled persons. We made a capital contribution of (Won)800 million.

(2) Includes workplace services such as janitorial, car washing, gym and cafe services.

Table of Contents

D. Status of equity investment (as of June 30, 2012)

Company	Investment Amount	Initial Equity Investment Date	Equity Interest
LG Display America, Inc.	US\$260,000,000	September 24, 1999	100%
LG Display Germany GmbH	EUR960,000	November 5, 1999	100%
LG Display Japan Co., Ltd.	¥95,000,000	October 12, 1999	100%
LG Display Taiwan Co., Ltd.	NT\$115,500,000	May 19, 2000	100%
LG Display Nanjing Co., Ltd.	CNY2,834,206,315	July 15, 2002	100%
LG Display Shanghai Co., Ltd.	CNY4,138,650	January 16, 2003	100%
LG Display Poland Sp. zo.o.	PLN410,327,700	September 6, 2005	80%
LG Display Guangzhou Co., Ltd.	CNY895,904,754	August 7, 2006	90%
LG Display Shenzhen Co., Ltd.	CNY3,775,250	August 28, 2007	100%
LG Display Singapore Pte. Ltd.	SGD1,400,000	January 12, 2009	100%
L&T Display Technology (Xiamen) Co., Ltd.	CNY41,785,824	January 5, 2010	51%
L&T Display Technology (Fujian) Co., Ltd.	CNY59,197,026	January 5, 2010	51%
LG Display Yantai Co., Ltd.	CNY273,048,000	April 19, 2010	100%
L&I Electronic Technology (Dongguan) Limited	CNY17,062,560	October 25, 2010	51%
Image & Materials, Inc.	(Won)43,999,839,152	November 29, 2010	100%
LUCOM Display Technology (Kunshan) Limited	CNY50,353,677	December 27, 2010	51%
LG Display U.S.A. Inc.	US\$10,920,000	December 8, 2011	100%
LG Display Reynosa S.A. de C.V.	MXN111,998,058	December 30, 2011	100%
Nanumnuri Co., Ltd.	(Won)800,000,000	March 19, 2012	100%
Suzhou Raken Technology Co., Ltd.	CNY569,455,395	October 7, 2008	51%
Paju Electric Glass Co., Ltd.	(Won)33,648,000,000	March 25, 2005	40%
TLI Co., Ltd.	(Won)14,073,806,250	May 16, 2008	12%
AVACO Co., Ltd.	(Won)6,172,728,120	June 9, 2008	16%
Guangzhou Vision Display Technology Research and Development Limited	CNY25,000,000	July 11, 2008	50%
NEW OPTICS, Ltd.	(Won)12,199,600,000	July 30, 2008	42%
LIG ADP Co., Ltd.	(Won)6,330,000,000	February 24, 2009	13%
Wooree LED Co., Ltd.	(Won)11,900,000,000	May 22, 2009	30%
Dynamic Solar Design Co., Ltd.	(Won)6,066,658,000	June 24, 2009	40%
RPO, Inc.	US\$12,285,022	November 3, 2009	26%
Global OLED Technology LLC	US\$45,170,000	December 23, 2009	33%
LB Gemini New Growth Fund No. 16	(Won)13,418,147,109	December 7, 2009	31%
Can Yang Investment Ltd.	US\$15,300,000	January 27, 2010	9%
YAS Co., Ltd.	(Won)10,000,000,000	September 16, 2010	19%
Eralite Optoelectronics (Jiangsu) Co., Ltd.	US\$4,000,000	September 28, 2010	20%
Narae Nanotech Corporation	(Won)30,000,000,000	April 22, 2011	23%
Avatec Co., Ltd.	(Won)10,600,000,000	December 6, 2011	20%
Glonix Co., Ltd.	(Won)2,000,000,000	April 10, 2012	20%

Table of Contents**13. Audit Information****A. Audit service**

(Unit: In millions of Won, hours)

Description	2012 (H1)	2011	2010
Auditor	KPMG Samjong	KPMG Samjong	KPMG Samjong
Activity	Audit by independent auditor	Audit by independent auditor	Audit by independent auditor
Compensation ⁽¹⁾	850 (285) ⁽²⁾	850 (285) ⁽²⁾	850 (585) ⁽³⁾
Time required	5,962	16,154	16,646

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

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

(3) Compensation amount in () is for K-IFRS audit of 2009 financial statements, Form 20-F filing and SOX 404 audit.

B. Non-audit service

Not applicable.

14. Board of Directors**A. Independence of directors**

Outside director: Independent

Non-outside director: Not independent

Each of our outside directors meets the applicable independence standards set forth under the applicable laws and regulations. Each of our outside directors was nominated by the Outside Director Nomination and Corporate Governance Committee, was approved by the board of directors and was appointed at the general meeting of shareholders. None of our outside directors has or had any business transaction or any related party transactions with us. Our outside directors are comprised of four persons, three of whom are also members of our audit committee. As of June 30, 2012, our non-outside directors are the chief executive officer, the chief financial officer and a non-standing director.

B. Members of the board of directors

(as of June 30, 2012)

Name	Date of birth	Position	Business experience	First elected
Sang Beom Han	June 18, 1955	Representative		March 9, 2012

Edgar Filing: STURM RUGER & CO INC - Form DEF 14A

		Director, Chief Executive Officer and Executive Vice President	Head of LG Display TV Business Division	
James (Hoyoung) Jeong	November 2, 1961	Director and Chief Financial Officer	Executive Vice President and Chief Financial Officer of LG Electronics	February 29, 2008
Yu Sig Kang	November 3, 1948	Director	Vice Chairman, Representative Director, LG Corp.	March 11, 2011
Tae Sik Ahn	March 21, 1956	Outside Director	Professor, College of Business Administration and Graduate School of Business, Seoul National University	March 12, 2010
William Y. Kim	June 6, 1956	Outside Director	Partner, Ropes & Gray LLP	February 29, 2008
Jin Jang	November 28, 1954	Outside Director	Chair Professor, Department of Information Display, Kyung Hee University	March 11, 2011
Dong Il Kwon	February 5, 1957	Outside Director	Professor, Department of Materials Science and Engineering, Seoul National University	March 9, 2012

Table of Contents

C. Committees of the board of directors

(as of June 30, 2012)

Committee	Composition	Member
Audit Committee	3 outside directors	Tae Sik Ahn, William Y. Kim, Jin Jang
Outside Director Nomination and Corporate Governance Committee	1 non-outside director and 2 outside directors	James (Hoyoung) Jeong, Dong Il Kwon, Jin Jang
Remuneration Committee	1 non-outside director and 2 outside directors	William Y. Kim, James (Hoyoung) Jeong, Tae Sik Ahn
Management Committee	2 non-outside directors	Sang Beom Han, James (Hoyoung) Jeong

15. Information Regarding Shares

A. Total number of shares

(1) Total number of shares authorized to be issued (as of June 30, 2012): 500,000,000 shares.

(2) Total shares issued and outstanding (as of June 30, 2012): 357,815,700 shares.

B. Shareholder list

(1) Largest shareholder and related parties as of June 30, 2012:

Name	Relationship	Number of Shares of Common Stock	Equity Interest
LG Electronics	Largest Shareholder	135,625,000	37.9%
Sang Beom Han	Related Party	930	0.0%

(2) Shareholders who are known to us to own 5% or more of our shares as of June 30, 2012:

Beneficial Owner	Number of Shares of Common Stock	Equity Interest
------------------	----------------------------------	-----------------

Edgar Filing: STURM RUGER & CO INC - Form DEF 14A

LG Electronics	135,625,000	37.9%
National Pension Service	21,633,625	6.1%

Table of Contents**16. Directors and Employees****A. Directors****(1) Remuneration for directors in 2012 (H1)**

(Unit: person, in millions of Won)

Classification	No. of directors ⁽¹⁾	Amount paid ⁽²⁾	Per capita average remuneration paid ⁽⁵⁾	Remarks
Non-outside directors	3	513 ⁽³⁾⁽⁴⁾	171	
Outside directors who are not audit committee members	1	22	22	
Outside directors who are audit committee members	3	84	28	
Total	7	619		

(1) Number of directors as at June 30, 2012.

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

(3) Among the non-outside directors, Yu Sig Kang does not receive any remuneration.

(4) Includes remuneration for Young Soo Kwon whose term as president ended on March 9, 2012.

(5) Per capita average remuneration paid is calculated by dividing total amount paid by the average number of directors for the six months ended June 30, 2012.

(2) Stock option

The following table sets forth certain information regarding our stock options as of June 30, 2012.

(Unit: Won, Stock)

Executive	Grant Date	Exercise Period ⁽²⁾		Exercise Price	Number of Granted Options	Number of Exercised Options	Number of Cancelled Options ⁽¹⁾	Number of Exercisable Options ⁽¹⁾
Officers (including Former Officers)		From	To					
Ron H. Wirahadiraksa	April 7, 2005	April 8, 2008	April 7, 2012	(Won) 44,050	100,000	0	50,000	50,000
Duke M. Koo	April 7, 2005	April 8, 2008	April 7, 2012	(Won) 44,050	40,000	0	20,000	20,000
Sang Deog Yeo	April 7, 2005	April 8, 2008	April 7, 2012	(Won) 44,050	40,000	0	20,000	20,000
Jae Geol Ju	April 7, 2005	April 8, 2008	April 7, 2012	(Won) 44,050	40,000	0	20,000	20,000
Total					220,000		110,000	110,000

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

(2) On April 7, 2012, all outstanding stock options expired unexercised.

B. Employees

As of June 30, 2012, we had 34,832 employees (excluding our executive officers). The total amount of salary paid to our employees for the six months ended June 2012 based on cash payment (excluding welfare benefits and retirement expenses) was (Won)801,731 million. The following table provides details of our employees as of June 30, 2012:

Table of Contents

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

	Number of Employees	Total Salary in 2012 (H1) (1) (2) (3)	Per Capita Salary (4)	Average Service Year
Male	24,229	615,070	25	5.0
Female	10,603	186,661	18	3.1
Total	34,832	801,731	23	4.4

- (1) Welfare benefits and retirement expenses have been excluded. Total welfare benefit provided to our employees for the six months ended June 30, 2012 was (Won)148,986 million and the per capita welfare benefit provided was (Won)4.3 million.
- (2) Based on cash payments made in Korea.
- (3) Includes incentive payments to employees who have transferred from our affiliated companies.
- (4) Per Capita Salary is calculated using the average number of employees (total: 34,994, male: 24,349, female: 10,645) for the six months ended June 30, 2012.

Table of Contents

LG DISPLAY CO., LTD. AND SUBSIDIARIES

Condensed Consolidated Interim Financial Statements

(Unaudited)

June 30, 2012 and 2011

(With Independent Auditors' Review Report Thereon)

35

Table of Contents

Table of Contents

	Page
<u>Independent Auditors' Review Report</u>	37
<u>Condensed Consolidated Interim Statements of Financial Position</u>	39
<u>Condensed Consolidated Interim Statements of Comprehensive Income (Loss)</u>	40
<u>Condensed Consolidated Interim Statements of Changes in Equity</u>	41
<u>Condensed Consolidated Interim Statements of Cash Flows</u>	42
Notes to the Condensed Consolidated Interim Financial Statements	

Table of Contents

Independent Auditors' Review Report

Based on a report originally issued in Korean

To the Board of Directors and Shareholders

LG Display Co., Ltd.:

Reviewed Financial Statements

We have reviewed the accompanying condensed consolidated interim financial statements of LG Display Co., Ltd. and subsidiaries (the Group) which comprise the condensed consolidated interim statement of financial position as of June 30, 2012, the condensed consolidated statements of comprehensive income (loss) for each of the three-month and six-month periods ended June 30, 2012 and 2011, and statements of changes in equity and cash flows for the six-month periods ended June 30, 2012 and 2011, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Condensed Consolidated Interim Financial Statements

Management is responsible for the preparation and fair presentation of these condensed consolidated interim financial statements in accordance with Korean International Financial Reporting Standards No.1034, *Interim Financial Reporting*, and for such internal controls as management determines necessary to enable the preparation of condensed consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our reviews.

We conducted our reviews in accordance with the Review Standards for Quarterly and Semiannual Financial Statements established by the Security and Futures Commission of the Republic of Korea. A review of interim financial information consists principally of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of Korea and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements referred to above are not presented fairly, in all material respects, in accordance with Korean International Financial Reporting Standards No.1034, *Interim Financial Reporting*.

Emphasis of Matter

As discussed in note 17 to the condensed consolidated interim financial statements, LG Display Co., Ltd., along with its subsidiaries, has been under investigations by antitrust authorities in Brazil and other countries with respect to possible anti-competitive activities in the LCD industry and named as defendants in a number of individual lawsuits and federal class actions in the United States and Canada, respectively, in connection with the alleged antitrust violations concerning the sale of LCD panels. The Group estimated and recognized losses related to these legal proceedings. However, actual losses are subject to change in the future based on new developments in each matter, or changes in circumstances, which could be materially different from those estimated and recognized by the Group.

Table of Contents

Other Matters

The procedures and practices utilized in the Republic of Korea to review such condensed consolidated interim financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying condensed consolidated interim financial statements are for use by those knowledgeable about Korean review standards and their application in practice.

We audited the consolidated statement of financial position as of December 31, 2011 and the related consolidated statements of comprehensive loss, changes in equity and cash flows for the year then ended, which are not accompanying this review report, in accordance with auditing standards generally accepted in the Republic of Korea, and our report thereon, dated February 22, 2012, expressed an unqualified opinion. The accompanying condensed consolidated statement of financial position of the Group as of December 31, 2011, presented for comparative purposes, is not different from that audited by us in all material respects.

/s/ KPMG Samjong Accounting Corp.

Seoul, Korea

August 3, 2012

This report is effective as of August 3, 2012, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying condensed consolidated interim financial statements and notes thereto. Accordingly, the readers of the review report should understand that the above review report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

Table of Contents

LG DISPLAY CO., LTD. AND SUBSIDIARIES

Condensed Consolidated Interim Statements of Financial Position

(Unaudited)

As of June 30, 2012 and December 31, 2011

<i>(In millions of won)</i>	Note	2012	2011
Assets			
Cash and cash equivalents	9	(Won) 2,292,623	1,517,977
Deposits in banks	9	362,460	815,000
Trade accounts and notes receivable, net	9, 16, 19	2,604,725	2,740,107
Other accounts receivable, net	9, 19	180,353	212,870
Other current financial assets	9	4,046	3,297
Inventories	5	2,568,962	2,317,370
Other current assets		394,720	251,444
Total current assets		8,407,889	7,858,065
Investments in equity accounted investees	6	411,041	385,145
Other non-current financial assets	9	143,554	84,548
Deferred tax assets	21	1,495,096	1,424,005
Property, plant and equipment, net	7, 20	14,407,926	14,696,849
Intangible assets, net	8, 20	511,230	535,114
Other non-current assets		165,861	179,205
Total non-current assets		17,134,708	17,304,866
Total assets		(Won) 25,542,597	25,162,931
Liabilities			
Trade accounts and notes payable	9, 19	(Won) 4,137,098	3,782,627
Current financial liabilities	9, 10	1,467,609	894,972
Other accounts payable	9, 19	3,474,855	3,992,671
Accrued expenses		365,099	267,595
Income tax payable		40,016	58,259
Provisions		345,108	279,403
Advances received		502,564	616,351
Other current liabilities		29,470	19,556
Total current liabilities		10,361,819	9,911,434
Non-current financial liabilities	9, 10	3,290,196	3,722,364
Non-current provisions		5,429	5,400
Deferred tax liabilities	21	174	240
Employee benefits	14	189,141	146,638
Long-term advances received	16	1,361,484	668,914
Other non-current liabilities		438,424	576,913
Total non-current liabilities		5,284,848	5,120,469
Total liabilities		15,646,667	15,031,903

Edgar Filing: STURM RUGER & CO INC - Form DEF 14A

Equity			
Share capital	18	1,789,079	1,789,079
Share premium		2,251,113	2,251,113
Reserves	18	18,635	12,181
Retained earnings		5,823,865	6,063,359
Total equity attributable to equity holders of the Controlling Company		9,882,692	10,115,732
Non-controlling interests		13,238	15,296
Total equity		9,895,930	10,131,028
Total liabilities and equity		(Won) 25,542,597	25,162,931

See accompanying notes to the condensed consolidated interim financial statements.

Table of Contents

LG DISPLAY CO., LTD. AND SUBSIDIARIES

Condensed Consolidated Interim Statements of Comprehensive Income (Loss)

(Unaudited)

For the three-month and six-month periods ended June 30, 2012 and 2011

(In millions of Won, except earnings per share)	Note	For the three-month periods ended June 30		For the six-month periods ended June 30	
		2012	2011	2012	2011
Revenue	19, 20	(Won) 6,910,372	6,047,062	(Won) 13,094,048	11,412,578
Cost of sales	11	(6,140,397)	(5,595,933)	(11,995,847)	(10,728,519)
Gross profit		769,975	451,129	1,098,201	684,059
Other income	13	254,965	292,884	534,575	581,516
Selling expenses	11, 12	(228,977)	(197,163)	(436,771)	(374,479)
Administrative expenses	11, 12	(127,493)	(112,136)	(255,341)	(224,938)
Research and development expenses	11	(174,140)	(219,927)	(378,144)	(417,762)
Other expenses	13	(519,822)	(263,095)	(766,228)	(535,944)
Results from operating activities		(25,492)	(48,308)	(203,708)	(287,548)
Finance income	15	56,828	77,606	100,911	202,399
Finance costs	15	(114,350)	(77,466)	(190,829)	(159,601)
Other non-operating loss, net		(512)	(3,008)	(4,036)	(6,231)
Equity income (loss) on investments, net		5,955	265	23,071	(1,729)
Loss before income tax		(77,571)	(50,911)	(274,591)	(252,710)
Income tax expense (benefit)	21	34,772	(72,214)	(33,015)	(158,587)
Profit (loss) for the period		(112,343)	21,303	(241,576)	(94,123)
Other comprehensive income (loss)					
Net change in fair value of available-for-sale financial assets	15	9,404	3,206	7,334	1,691
Defined benefit plan actuarial gain	14	493	467	251	1,072
Cumulative translation differences		1,042	(5,031)	702	(19,734)
Gain (loss) on sale of own shares of associate accounted for using the equity method		461	(499)	125	(228)
Income taxes on other comprehensive (income) loss items		(1,960)	(896)	(1,934)	(850)
Other comprehensive income (loss) for the period, net of income tax		9,440	(2,753)	6,478	(18,049)
Total comprehensive income (loss) for the period		(Won) (102,903)	18,550	(Won) (235,098)	(112,172)
Profit (loss) attributable to:					
Owners of the Controlling Company		(111,175)	24,931	(239,639)	(90,258)
Non-controlling interests		(1,168)	(3,628)	(1,937)	(3,865)

Edgar Filing: STURM RUGER & CO INC - Form DEF 14A

Profit (loss) for the period		(Won)	(112,343)	21,303	(Won)	(241,576)	(94,123)
Total comprehensive income (loss) attributable to:							
Owners of the Controlling Company			(101,853)	22,541		(233,040)	(107,415)
Non-controlling interests			(1,050)	(3,991)		(2,058)	(4,757)
Total comprehensive income (loss) for the period		(Won)	(102,903)	18,550	(Won)	(235,098)	(112,172)
Earnings (loss) per share							
Basic earnings (loss) per share	22	(Won)	(311)	70		(670)	(252)
Diluted earnings (loss) per share	22	(Won)	(311)	67		(670)	(252)

See accompanying notes to the condensed consolidated interim financial statements.

Table of Contents

LG DISPLAY CO., LTD. AND SUBSIDIARIES

Condensed Consolidated Interim Statements of Changes in Equity

(Unaudited)

For the six-month periods ended June 30, 2012 and 2011

	Share	Share	Gain (loss) on sale of own shares of associates	Fair value reserve	Translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
<i>(In millions of won)</i>	capital	premium							
Balances at January 1, 2011	(Won) 1,789,079	2,251,113	810	(5,560)	(30,548)	7,031,163	11,036,057	24,910	11,060,967
Total comprehensive loss for the period									
Loss for the period						(90,258)	(90,258)	(3,865)	(94,123)
Other comprehensive income (loss)									
Net change in fair value of available-for-sale financial assets, net of tax				1,077			1,077		1,077
Defined benefit plan actuarial gain, net of tax						836	836		836
Cumulative translation differences					(18,842)		(18,842)	(892)	(19,734)
Gain on sale of own shares of associates accounted for using the equity method, net of tax			(228)				(228)		(228)
Total other comprehensive loss			(228)	1,077	(18,842)	836	(17,157)	(892)	(18,049)
Total comprehensive loss for the period			(228)	1,077	(18,842)	(89,422)	(107,415)	(4,757)	(112,172)
Transaction with owners, recorded directly in equity									
Dividends to equity holders						(178,908)	(178,908)		(178,908)
Changes in ownership interests in subsidiaries								5,709	5,709
Balances at June 30, 2011	(Won) 1,789,079	2,251,113	582	(4,483)	(49,390)	6,762,833	10,749,734	25,862	10,775,596
Balances at January 1, 2012	(Won) 1,789,079	2,251,113	596	(3,856)	15,441	6,063,359	10,115,732	15,296	10,131,028

Edgar Filing: STURM RUGER & CO INC - Form DEF 14A

**Total comprehensive
loss for the period**

Loss for the period				(239,639)	(239,639)	(1,937)	(241,576)
---------------------	--	--	--	-----------	-----------	---------	-----------

**Other comprehensive
income (loss)**

Net change in fair value of available-for-sale financial assets, net of tax				5,506	5,506		5,506
---	--	--	--	-------	-------	--	-------

Defined benefit plan actuarial loss, net of tax				145	145		145
---	--	--	--	-----	-----	--	-----

Cumulative translation differences				823	823	(121)	702
------------------------------------	--	--	--	-----	-----	-------	-----

Loss on sales of own shares of associates accounted for using the equity method, net of tax				125	125		125
---	--	--	--	-----	-----	--	-----

Total other comprehensive income				125	5,506	823	145	6,599	(121)	6,478
----------------------------------	--	--	--	-----	-------	-----	-----	-------	-------	-------

Total comprehensive loss for the period				125	5,506	823	(239,494)	(233,040)	(2,058)	(235,098)
---	--	--	--	-----	-------	-----	-----------	-----------	---------	-----------

**Transaction with
owners, recorded
directly in equity**

**Balances at June 30,
2012**

(Won) 1,789,079	2,251,113	721	1,650	16,264	5,823,865	9,882,692	13,238	9,895,930
-----------------	-----------	-----	-------	--------	-----------	-----------	--------	-----------

See accompanying notes to the condensed consolidated interim financial statements.

Table of Contents

LG DISPLAY CO., LTD. AND SUBSIDIARIES

Condensed Consolidated Interim Statements of Cash Flows

(Unaudited)

For the six-month periods ended June 30, 2012 and 2011

<i>(In millions of won)</i>	Note	2012	2011
Cash flows from operating activities:			
Loss for the period		(Won) 241,576	94,123
Adjustments for:			
Income tax benefit	21	(33,015)	(158,587)
Depreciation		1,927,478	1,599,474
Amortization of intangible assets		126,979	109,933
Gain on foreign currency translation		(87,238)	(105,698)
Loss on foreign currency translation		118,390	42,472
Expenses related to defined benefit plan	14	69,374	56,944
Impairment loss on intangible assets		37,683	
Gain on disposal of property, plant and equipment		(2,731)	(425)
Loss on disposal of property, plant and equipment		1,906	462
Loss on disposal of intangible assets		610	
Finance income		(22,215)	(129,347)
Finance costs		85,927	85,120
Equity loss (income) on investments, net		(23,071)	1,729
Other income		(5,816)	(18,919)
Other expenses		297,764	34,687
Other non-operating loss			7
		2,250,449	1,423,729
Change in trade accounts and notes receivable		(462,088)	717,383
Change in other accounts receivable		25,557	(97,818)
Change in other current assets		(126,359)	(81,268)
Change in inventories		(251,592)	(606,729)
Change in other non-current accounts receivable		(67)	
Change in other non-current assets		(19,480)	(25,124)
Change in trade accounts and notes payable		355,036	(61,222)
Change in other accounts payable		(124,249)	35,597
Change in accrued expenses		125,461	(34,363)
Change in other current liabilities		347,342	(7,700)
Change in long-term advances received		789,670	281,975
Change in other non-current liabilities		2,480	(3,333)
Change in provisions		(263,416)	(65,613)
Change in defined benefit obligation		(26,431)	(5,618)
Cash generated from operating activities		2,622,313	1,469,896
Income taxes paid		(53,313)	(127,281)
Interest received		22,352	43,744
Interest paid		(97,632)	(69,581)
Net cash from operating activities		(Won) 2,493,720	1,316,778

See accompanying notes to the condensed consolidated interim financial statements.

Table of Contents

LG DISPLAY CO., LTD. AND SUBSIDIARIES

Condensed Consolidated Interim Statements of Cash Flows, Continued

(Unaudited)

For the six-month periods ended June 30, 2012 and 2011

<i>(In millions of won)</i>	Note	2012	2011
Cash flows from investing activities:			
Dividends received	(Won)	204	6,130
Proceeds from withdrawal of deposits in banks		812,000	2,300,000
Increase in deposits in banks		(359,460)	(912,080)
Acquisition of investments in equity accounted investees		(2,000)	(40,610)
Proceeds from disposal of investments in equity accounted investees		1,409	2,045
Acquisition of property, plant and equipment		(2,126,347)	(1,989,295)
Proceeds from disposal of property, plant and equipment		7,830	678
Acquisition of intangible assets		(161,222)	(113,128)
Grants received		2,173	1,560
Proceeds from (payment upon) settlement of derivatives		(1,156)	26,797
Proceeds from collection of short-term loans			64
Increase in short-term loans		(24)	
Acquisition of other non-current financial assets		(53,580)	(29,533)
Proceeds from disposal of other non-current financial assets		8,169	123,286
Net cash used in investing activities		(1,872,004)	(624,086)
Cash flows from financing activities:			
Proceeds from short-term borrowings		2,686,094	937,044
Repayments of short-term borrowings		(2,670,238)	(1,193,235)
Issuance of debentures			597,453
Proceeds from long-term debt		494,000	219,014
Repayments of current portion of long-term debt		(362,105)	(472,027)
Increase in non-controlling interest			5,709
Payment of cash dividend			(178,908)
Net cash provided by (used in) financing activities		147,751	(84,950)
Net increase in cash and cash equivalents		769,467	607,742
Cash and cash equivalents at January 1		1,517,977	1,631,009
Effect of exchange rate fluctuations on cash held		5,179	9,944
Cash and cash equivalents at June 30	(Won)	2,292,623	2,248,695

See accompanying notes to the condensed consolidated interim financial statements.

Table of Contents

1. Reporting Entity

(a) Description of the Controlling Company

LG Display Co., Ltd. (the "Controlling Company") was incorporated in February 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 main business of the Controlling Company and its subsidiaries is to manufacture and sell TFT-LCD panels. The Controlling Company is a stock company (Jusikhoesa) domiciled in the Republic of Korea with its address at 128 Yeouidae-ro, Yeongdeungpo-gu, Seoul, the Republic of Korea. 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 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' 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 June 30, 2012, LG Electronics Inc. owns 37.9% (135,625,000 shares) of the Controlling Company's common shares.

As of June 30, 2012, the Controlling Company has its TFT-LCD manufacturing plants, OLED manufacturing plant and LCD Research & Development Center in Paju and TFT-LCD manufacturing plants and OLED manufacturing plant in Gumi. The Controlling Company has overseas subsidiaries located in the Americas, Europe and Asia.

The Controlling Company's common stock is listed on the Korea Exchange under the identifying code 034220. As of June 30, 2012, there are 357,815,700 shares of common stock outstanding. The Controlling Company's common stock is also listed on the New York Stock Exchange in the form of American Depositary Shares (ADSs) under the symbol LPL. One ADS represents one-half of one share of common stock. As of June 30, 2012, there are 21,272,438 ADSs outstanding.

Table of Contents1. Reporting Entity, Continued(b) Consolidated Subsidiaries as of June 30, 2012*(In millions)*

Subsidiaries	Location	Percentage of ownership	Date of incorporation	Fiscal year end	Business	Capital stocks
LG Display America, Inc. (*1)	California, U.S.A.	100%	September 24, 1999	December 31	Sell TFT-LCD products	USD260
LG Display Japan Co., Ltd.	Tokyo, Japan	100%	October 12, 1999	December 31	Sell TFT-LCD Products	JPY95
LG Display Germany GmbH	Dusseldorf, Germany	100%	November 5, 1999	December 31	Sell TFT-LCD products	EUR1
LG Display Taiwan Co., Ltd.	Taipei, Taiwan	100%	April 12, 1999	December 31	Sell TFT-LCD products	NTD116
LG Display Nanjing Co., Ltd. (*2)	Nanjing, China	100%	July 15, 2002	December 31	Manufacture and sell TFT-LCD products	CNY2,834
LG Display Shanghai Co., Ltd.	Shanghai, China	100%	January 16, 2003	December 31	Sell TFT-LCD products	CNY4
LG Display Poland Sp. zo. o.	Wroclaw, Poland	80%	September 6, 2005	December 31	Manufacture and sell TFT-LCD products	PLN511
LG Display Guangzhou Co., Ltd.	Guangzhou, China	90%	June 30, 2006	December 31	Manufacture and sell TFT-LCD products	CNY992
LG Display Shenzhen Co., Ltd.	Shenzhen, China	100%	August 28, 2007	December 31	Sell TFT-LCD products	CNY4
LG Display Singapore Pte. Ltd.	Singapore	100%	January 12, 2009	December 31	Sell TFT-LCD products	SGD1.4
L&T Display Technology (Xiamen) Limited	Xiamen, China	51%	January 5, 2010	December 31	Manufacture LCD module and TV sets	CNY82
L&T Display Technology (Fujian) Limited	Fujian, China	51%	January 5, 2010	December 31	Manufacture LCD Module and monitor sets	CNY116
LG Display Yantai Co., Ltd.	Yantai, China	100%	April 19, 2010	December 31	Manufacture and sell TFT-LCD products	CNY273
L&I Electronic Technology (Dongguan) Limited	Dongguan, China	51%	September 26, 2010	December 31	Manufacture and Sell e-Book devices	CNY33
Image & Materials, Inc.(*3)	Domestic	100%	May 17, 2006	December 31	Manufacture EPD materials	KRW1,008
LUCOM Display Technology (Kunshan) Limited	Kunshan, China	51%	December 15, 2010	December 31	Manufacture Notebook Borderless Hinge-up	CNY99
LG Display U.S.A. Inc.	Texas, U.S.A.	100%	October 26, 2011	December 31	Manufacture TFT-LCD products	USD11
LG Display Reynosa S.A. de C.V.	Reynosa, Mexico	100%	November 4, 2011	December 31	Manufacture TFT-LCD products	MXN112

Edgar Filing: STURM RUGER & CO INC - Form DEF 14A

2011						
Nanumnuri Co., Ltd.(*4)	Domestic	100%	March 21,	December 31	Cleaning, Washing,	KRW800
2012						
						Cafe

- (*1) In June 2012, the Controlling Company invested (Won) 88,380 million in cash for the capital increase of LG Display America, Inc.
 (LGDUS.) There were no changes in the Controlling Company's ownership percentage in LGDUS, as a result of this additional investment.
- (*2) In May 2012, the Controlling Company invested (Won) 52,358 million in cash for the capital increase of LG Display Nanjing Co., Ltd.
 (LGDNJ.) There were no changes in the Controlling Company's ownership percentage in LGDNJ as a result of this additional investment

Table of Contents

1. Reporting Entity, Continued

- (*3) In February 2012, the Controlling Company invested (Won) 3,000 million in cash for the capital increase of Image & Materials, Inc. (I&M). There were no changes in the Controlling Company's ownership percentage in I&M, as a result of this additional investment.
- (*4) In March 2012, the Controlling Company established Nanumnuri Co., Ltd., a wholly owned subsidiary of the Controlling Company was established as a Standard Workplace for the Disabled under Act on Employment Promotion and Vocational Rehabilitation for Disabled Persons, with investment of (Won) 800 million in cash.

2. Basis of Presenting Financial Statements

(a) Statement of Compliance

The condensed consolidated interim financial statements have been prepared in accordance with Korean International Financial Reporting Standards (K-IFRSs) 1034, *Interim Financial Reporting*. They do not include all of the information required for full annual consolidated financial statements and should be read in conjunction with the consolidated financial statements of the Group as of and for the year ended December 31, 2011.

The condensed consolidated interim financial statements were authorized for issuance by the Board of Directors on July 25, 2012.

(b) Basis of Measurement

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

derivative financial instruments measured at fair value;

financial instruments at fair value through profit or loss measured at fair value;

available-for-sale financial assets measured at fair value; and

liabilities for defined benefit plans recognized at the net total of the present value of defined benefit obligation less the fair value of plan assets

(c) Functional and Presentation Currency

The condensed consolidated interim financial statements are presented in Korean won, which is the Controlling Company's functional currency. All amounts in Korean won are in millions unless otherwise stated.

(d) Use of Estimates and Judgments

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

Table of Contents2. Basis of Presenting Financial Statements, Continued(d) Use of Estimates and Judgments, Continued

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied in its financial statements as of and for the year ended December 31, 2011.

3. Summary of Significant Accounting Policies

The significant accounting policies followed by the Group in the preparation of its condensed consolidated interim financial statements are the same as those followed by the Group in its preparation of the consolidated financial statements as of and for the year ended December 31, 2011, except for the application of K-IFRS No. 1034, *Interim Financial Reporting*, and the amendments to K-IFRS No. 1107, *Financial Instruments: Disclosures*, as explained below:

The Group has applied the amendments to K-IFRS No. 1107, *Financial Instruments: Disclosures*, effective January 1, 2012, by prospectively disclosing the nature of transferred assets, their carrying amount, and the description of risks and rewards for each class of transferred financial assets that are not derecognized in their entirety.

4. Financial Risk Management

The objectives and policies on financial risk management followed by the Group are consistent with those disclosed in the consolidated financial statements as of and for the year ended December 31, 2011.

5. Inventories

Inventories as of June 30, 2012 and December 31, 2011 are as follows:

(In millions of won)

	2012			2011		
	Acquisition cost	Inventory reserve	Book value	Acquisition cost	Inventory reserve	Book value
Finished goods	(Won) 1,197,349	(25,139)	1,172,210	947,046	(25,110)	921,936
Work-in-process	815,848	(45,233)	770,615	818,666	(46,460)	772,206
Raw materials	423,450	(17,866)	405,584	475,378	(17,293)	458,085
Supplies	267,316	(46,763)	220,553	209,621	(44,478)	165,143
	(Won) 2,703,963	(135,001)	2,568,962	2,450,711	(133,341)	2,317,370

Table of Contents**6. Investments in Equity Accounted Investees**

Associates and jointly controlled entities (equity method investees) as of June 30, 2012 are as follows:

(In millions of won)

Associates and jointly

controlled entities	Location	Percentage of ownership	Date of incorporation	Fiscal year end	Business	Carrying Amount
Suzhou Raken Technology Ltd.	Suzhou, China	51%	October 2008	December 31	Manufacture and sell LCD modules and LCD TV set	(Won) 131,717
Guangzhou New Vision Technology Research and Development Limited	Guangzhou, China	50%	July 2008	December 31	R&D on design of LCD modules and LCD TV set	3,769
Global OLED Technology LLC	Virginia, U.S.A.	33%	December 2009	December 31	Manage and utilize OLED patents	42,194
Paju Electric Glass Co., Ltd.	Domestic	40%	January 2005	December 31	Manufacture electric glass for flat-panel displays	80,962
TLI Inc.	Domestic	12%	October 1998	December 31	Manufacture and sell semiconductor parts	15,999
AVACO Co., Ltd. (*1)	Domestic	16%	January 2001	December 31	Manufacture and sell equipment for flat-panel displays	10,188
New Optics LTD.	Domestic	42%	August 2005	December 31	Manufacture back light parts for TFT-LCDs	21,979
LIG ADP Co., Ltd.	Domestic	13%	January 2001	December 31	Develop and manufacture equipment for flat-panel displays	2,458
WooRee LED Co., Ltd.	Domestic	30%	June 2008	December 31	Manufacture LED back light unit packages	20,765
Dynamic Solar Design Co., Ltd.	Domestic	40%	April 2009	December 31	Develop and manufacture equipment for solar battery and flat-panel displays	1,191
RPO, Inc.	California, U.S.A.	26%	November 2005	December 31	Develop digital waveguide touch technology	
LB Gemini New Growth Fund No. 16 (*2)	Domestic	31%	December 2009	December 31	Invest in small and middle sized companies and benefit from M&A opportunities	13,227
Can Yang Investments Limited (*3)	Hong Kong	9%	January 2010	December 31	Develop, manufacture and sell TFT-OLEDs	12,698
YAS Co., Ltd.	Domestic	19%	April 2002	December 31	Develop and manufacture deposition equipment for OLEDs	9,441
Eralite Optoelectronics (Jiangsu) Co., Ltd.	Suzhou, China	20%	August 2010	December 31	Manufacture LED packages	3,875
Narenanotech Corporation	Domestic	23%	December 1995	December 31	Manufacture and sell equipment for flat-panel displays	27,112
AVATEC. Co., Ltd.	Domestic	20%	August 2000	December 31	Manufacture and sell glass for flat-panel displays	11,587
GLONIX Co., Ltd. (*4)	Domestic	20%	October 2006	December 31	Manufacture and sell liquid crystal display	1,879
						(Won) 411,041

Table of Contents

6. Investments in Equity Accounted Investees, Continued

- (*1) In 2012, the Controlling Company's ownership in AVACO Co., Ltd. was reduced from 20% to 16% because the Controlling Company did not participate in AVACO Co., Ltd.'s capital increase. Despite the decrease in ownership, the Controlling Company is still able to exercise significant influence through its right to assign a director to the board of directors of AVACO Co. Ltd.
- (*2) In 2012, the Controlling Company is a member of limited partnership in the LB Gemini New Growth Fund No.16 (the Fund). In 2012, the Controlling Company received (Won) 1,043 million from the Fund as capital distribution. Despite the payment from the Fund, there were no changes in the Controlling Company's ownership percentage in the Fund and the Controlling Company is committed to make investment of up to an aggregate of (Won) 30,000 million.
- (*3) In 2012, the Controlling Company's ownership in Can Yang Investments Limited was reduced from 12% to 9% because the Controlling Company did not participate in Can Yang Investments Limited's capital increase. Despite the decrease in ownership, the Controlling Company is still able to exercise significant influence through its right to assign a director to the board of directors of Can Yang Investments Limited.
- (*4) In April 2012, the Controlling Company acquired 4,000,000 common shares (20%) of GLONIX Co., Ltd., which manufactures liquid crystal display, at (Won) 2,000 million. As of June 30, 2012, 20% of GLONIX Co., Ltd. is owned by the Controlling Company and the Controlling Company has the right to assign a director in the board of directors of GLONIX Co., Ltd.
The dividends received from equity accounted investees for the six-month periods ended June 30, 2012 and 2011 amounted to (Won) 204 million and (Won) 6,130 million, respectively.

7. Property, Plant and Equipment

For the six-month periods ended June 30, 2012 and 2011, the Group purchased property, plant and equipment of (Won) 1,654,468 million and (Won) 3,101,529 million, respectively. The capitalized borrowing costs and capitalization rate are (Won) 23,974 million and 3.90%, and (Won) 8,663 million and 2.26%, for the six-month periods ended June 30, 2012 and 2011, respectively. Also for the six-month periods ended June 30, 2012 and 2011, the Group disposed of property, plant and equipment with carrying amounts of (Won) 7,005 million and (Won) 722 million, respectively and recognized (Won) 2,731 million and (Won) 1,906 million as gain and loss, respectively, on disposal of property, plant and equipment for the six-month period ended June 30, 2012 (gain and loss for the six-month period ended on June 30, 2011: (Won) 425 million and (Won) 462 million, respectively).

8. Intangible Assets

The Group capitalizes the expenditures related to development activities, such as expenditures incurred on designing, manufacturing and testing of products that are ultimately selected for production. The balances of capitalized development costs as of June 30, 2012 and December 31, 2011 are (Won) 153,019 million and (Won) 144,211 million, respectively.

The Group recognized full impairment loss of (Won) 36,574 million for the difference between the carrying amount and the recoverable amount (determined based on value in use) of goodwill and in-process research and development because the economic benefit from these assets are estimated to be less than previously expected.

Table of Contents9. Financial Instruments

(a) Credit risk

(i) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as of June 30, 2012 and December 31, 2011 is as follows:

(In millions of won)

	2012	2011
Cash and cash equivalents	(Won) 2,292,623	1,517,977
Deposits in banks	362,460	815,000
Trade accounts and notes receivable, net	2,604,725	2,740,107
Other accounts receivable, net	180,353	212,870
Available-for-sale financial assets	2,838	2,838
Guarantee deposits	72,461	73,468
Derivatives	236	
Others	695	695
	(Won) 5,516,391	5,362,955

The maximum exposure to credit risk for trade accounts and notes receivable as of June 30, 2012 and December 31, 2011 by geographic region is as follows:

(In millions of won)

	2012	2011
Domestic	(Won) 146,162	56,200
Euro-zone countries	501,072	478,650
Japan	106,406	60,598
United States	680,614	777,292
China	741,291	1,003,650
Taiwan	274,458	279,919
Others	154,722	83,798
	(Won) 2,604,725	2,740,107

Table of Contents9. Financial Instruments, Continued

(ii) Impairment loss

The aging of trade accounts and notes receivable and the related allowance for impairment losses as of June 30, 2012 and December 31, 2011 are as follows:

	2012		2011	
	Book Value	Allowance for Impairment Losses	Book Value	Allowance for Impairment Losses
Not past due	(Won) 2,573,279	(2,250)	2,704,076	(654)
Past due 1-15 days	17,351	(11)	7,710	(2)
Past due 16-30 days	9,009	(5)	14,327	(2)
Past due 31-60 days	3,518	(2)	14,252	(3)
More than 60 days	3,837	(1)	405	(2)
	(Won) 2,606,994	(2,269)	2,740,770	(663)

The movement in the allowance for impairment in respect of receivables during the six-month period ended June 30, 2012 and the year ended December 31, 2011 are as follows:

	2012	2011
Balance at the beginning of the period	(Won) 663	532
Bad debt expense	1,606	131
Balance at the reporting date	(Won) 2,269	663

Table of Contents9. Financial Instruments, Continued

(b) Liquidity risk

- (i) The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements as of June 30, 2012:

(In millions of won)

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
Secured bank loan	(Won) 57,690	60,227	725	725	58,777		
Unsecured bank loans	1,908,405	2,115,481	121,110	365,254	156,470	1,470,271	2,376
Unsecured bond issues	2,791,586	3,093,889	505,841	652,803	383,907	1,551,338	
Trade accounts and notes payable	4,137,098	4,137,098	4,137,098				
Other accounts payable	3,388,164	3,389,134	3,389,134				
Other non-current accounts payable	15,397	16,112			16,112		
Derivative financial liabilities							
Forward exchange contracts not designated for hedging							
Outflow	124	23,146	23,146				
Inflow		(23,022)	(23,022)				
	(Won) 12,298,464	12,812,065	8,154,032	1,018,782	615,266	3,021,609	2,376

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

- (ii) As of June 30, 2012, there is no derivative designated as cash flow hedge.

Table of Contents9. Financial Instruments, Continued

(c) Currency risk

(i) Exposure to currency risk

The Group's exposure to foreign currency risk based on notional amounts as of June 30, 2012 and December 31, 2011 is as follows:

(In millions)	2012						
	USD	JPY	CNY	TWD	EUR	PLN	SGD
Cash and cash equivalents	1,359	8,446	351	2	36	4	
Deposits in banks	300						
Trade accounts and notes receivable	1,886	6,979	768		67		
Other accounts receivable	88	123	141	12	4		
Available-for-sale financial assets	5			59			
Other assets denominated in foreign currencies	1	184	21	12			1
Trade accounts and notes payable	(1,949)	(38,407)	(1,329)	(435)	(30)		
Other accounts payable	(178)	(13,361)	(391)	(9)	(36)	(6)	
Other non-current accounts payable	(13)						
Debts	(900)	(2,000)	(65)		(16)		
Bonds	(348)	(9,997)					
Gross statement of financial position exposure	251	(48,033)	(504)	(359)	25	(2)	1
Forward exchange contracts	50						
Net exposure	301	(48,033)	(504)	(359)	25	(2)	1

Table of Contents9. Financial Instruments, Continued*(In millions)*

	2011						
	USD	JPY	CNY	TWD	EUR	PLN	SGD
Cash and cash equivalents	822	14,286	439	4,543	40	7	
Trade accounts and notes receivable	2,064	645	1,054		42		
Other accounts receivable	80	111	134	222	10		
Available-for-sale financial assets	5			49			
Other assets denominated in foreign currencies	1	182	20	14			1
Trade accounts and notes payable	(1,921)	(39,932)	(1,629)		(25)		
Other accounts payable	(64)	(26,169)	(401)	(166)	(84)	(10)	
Other non-current accounts payable	(13)				(26)		
Debts	(1,044)	(6,000)	(142)		(27)		
Bonds	(347)	(9,987)					
Financial liabilities at fair value through profit or loss	(76)						
Gross statement of financial position exposure	(493)	(66,864)	(525)	4,662	(70)	(3)	1
Forward exchange contracts	(160)						
Net exposure	(653)	(66,864)	(525)	4,662	(70)	(3)	1

Average exchange rates applied for the six-month periods ended June 30, 2012 and 2011 and the exchange rates at June 30, 2012 and December 31, 2011 are as follows:

(In won)

	Average rate		Spot rate	
	2012	2011	June 30, 2012	December 31, 2011
USD	(Won) 1,141.80	1,102.28	(Won) 1,153.80	1,153.30
JPY	14.33	13.45	14.54	14.85
CNY	180.65	168.49	181.49	182.51
TWD	38.51	37.92	38.55	38.13
EUR	1,481.47	1,545.96	1,435.04	1,494.10
PLN	349.38	391.08	334.34	338.65
SGD	903.22	875.51	900.53	886.44

Table of Contents9. Financial Instruments, Continued

(ii) Sensitivity analysis

A weakening of the won, as indicated below, against the following currencies which comprise the Group's financial assets or liabilities denominated in foreign currency as of June 30, 2012 and December 31, 2011 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of each reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant. The changes in equity and profit or loss are as follows:

(In millions of won)

	2012		2011	
	Equity	Profit or loss	Equity	Profit or loss
USD (5 percent weakening)	(Won) 6,938	32,339	(29,623)	(28,032)
JPY (5 percent weakening)	(27,503)	(23,222)	(40,040)	(35,494)
CNY (5 percent weakening)	(4,568)		(4,830)	
TWD (5 percent weakening)	(671)	(68)	8,974	162
EUR (5 percent weakening)	1,034	2,320	(4,900)	(1,957)
PLN (5 percent weakening)	(37)	23	(85)	128
SGD (5 percent weakening)	32		4	

A strengthening of the won against the above currencies as of June 30, 2012 and December 31, 2011 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Table of Contents9. Financial Instruments, Continued

(d) Interest rate risk

(i) Profile

The interest rate profile of the Group's interest-bearing financial instruments as of June 30, 2012 and December 31, 2011 are as follows:

(In millions of won)

	2012	2011
Fixed rate instruments		
Financial assets	(Won) 2,657,921	2,335,815
Financial liabilities	(3,130,133)	(2,685,175)
	(Won) (472,212)	(349,360)
Variable rate instruments		
Financial assets	(Won) 600	600
Financial liabilities	(1,627,548)	(1,925,192)
	(Won) (1,626,948)	(1,924,592)

(ii) Cash flow sensitivity analysis for variable rate instruments

As of June 30, 2012 and December 31, 2011, a change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below for each 12-month period following the reporting dates. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

(In millions of won)

	Equity		Profit or loss	
	1%p increase	1%p decrease	1%p increase	1%p decrease
June 30, 2012				
Variable rate instruments	(Won) (12,332)	12,332	(12,332)	12,332
December 31, 2011				
Variable rate instruments	(Won) (14,588)	14,588	(14,588)	14,588

Table of Contents9. Financial Instruments, Continued

(e) Fair values

(i) Fair values versus carrying amounts

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

(In millions of won)

	June 30, 2012		December 31, 2011	
	Carrying amounts	Fair values	Carrying amounts	Fair values
Assets carried at fair value				
Available-for-sale financial assets	(Won) 71,533	71,533	11,009	11,009
Derivatives	236	236		
	(Won) 71,769	71,769	11,009	11,009
Assets carried at amortized cost				
Cash and cash equivalents	(Won) 2,292,623	2,292,623	1,517,977	1,517,977
Deposits in banks	362,460	362,460	815,000	815,000
Trade accounts and notes receivable	2,604,725	2,604,725	2,740,107	2,740,107
Other accounts receivable	180,353	180,353	212,870	212,870
Deposits	72,461	72,461	73,468	73,468
Others	695	695	695	695
	(Won) 5,513,317	5,513,317	5,360,117	5,360,117
Liabilities carried at fair value				
Financial liabilities at fair value through profit or loss	(Won)		87,339	87,339
Derivatives	124	124	6,969	6,969
	(Won) 124	124	94,308	94,308
Liabilities carried at amortized cost				
Secured bank loans	(Won) 57,690	57,690	57,665	57,665
Unsecured bank loans	1,908,405	1,945,976	1,673,387	1,620,010
Unsecured bond issues	2,791,586	2,851,198	2,791,976	2,829,206
Trade accounts and notes payable	4,137,098	4,137,098	3,782,627	3,782,627
Other accounts payable	3,388,164	3,389,101	3,905,496	3,905,496
Other non-current liabilities	15,397	15,396	53,457	53,379
	(Won) 12,298,340	12,396,459	12,264,608	12,248,383

The basis for determining fair values above by the Group are consistent with those disclosed in the financial statements as of and for the year ended December 31, 2011.

Table of Contents9. Financial Instruments, Continued

(ii) Interest rates used for determining fair value

The significant interest rates applied for determination of the above fair value as of June 30, 2012 and December 31, 2011 are as follows:

	2012	2011
Derivatives	3.59%	3.90%
Debentures, loans and borrowings	3.75%	4.19%

(iii) Fair value hierarchy

The table below analyzes financial instruments carried at fair value, by valuation method. The different levels have been defined as follows: "

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

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

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

(In millions of won)

	Level 1	June 30, 2012 Level 2	Level 3	Total
Assets				
Available-for-sale financial assets	(Won) 71,533			71,533
Derivatives		236		236
	(Won) 71,533	236		71,769
Liabilities				
Derivatives	(Won)	(124)		(124)

(In millions of won)

	Level 1	December 31, 2011 Level 2	Level 3	Total
Assets				
Available-for-sale financial assets	(Won) 11,009			11,009
Liabilities				
Financial liabilities at fair value through profit or loss	(Won) (87,339)			(87,339)
Derivatives		(6,969)		(6,969)
	(Won) (87,339)	(6,969)		(94,308)

The derivative financial assets and liabilities are classified as Level 2 since all significant inputs to compute the fair value of the over-the-counter derivatives were observable.

Table of Contents9. Financial Instruments, Continued

(f) Capital Management

Management's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Liabilities to equity ratio, net borrowing to equity ratio and other financial ratios are used by management to achieve an optimal capital structure. Management also monitors the level of dividends to ordinary shareholders. Equity, defined by K-IFRS, is identical to the definition of capital, managed by management.

(In millions of won)

	June 30, 2012	December 31, 2011
Total liabilities	(Won) 15,646,667	15,031,903
Total equity	9,895,930	10,131,028
Cash and deposits in banks(*1)	2,655,083	2,332,977
Borrowings	4,757,681	4,610,367
Total Liabilities to equity ratio	158%	148%
Net borrowing to equity ratio(*2)	21%	22%

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

(*2) Net borrowing is computed as borrowings net of cash and deposits in banks.

Table of Contents10. **Financial Liabilities**

(a) Financial liabilities as of June 30, 2012 and December 31, 2011 are as follows:

(In millions of won)

	2012	2011
Current		
Short-term borrowings	(Won) 37,555	22,200
Current portion of long-term debt	1,429,930	778,464
Current portion of financial liabilities at fair value through profits or loss		87,339
Derivatives	124	6,969
	(Won) 1,467,609	894,972
Non-current		
Won denominated borrowings	(Won) 858,626	366,629
Foreign currency denominated borrowings	686,774	1,011,734
Debentures	1,744,796	2,344,001
	(Won) 3,290,196	3,722,364

Above financial liabilities, except for convertible bonds which are designated as financial liabilities at fair value through profit or loss and derivative liabilities, are measured at amortized cost.

(b) Short-term borrowings as of June 30, 2012 and December 31, 2011 are as follows:

(In millions of won, USD)

Lender	Annual interest rate as of June 30, 2012(*)	2012	2011
Foreign currency short-term borrowings			
Bank of China and others	2.70% ~ 6.56%	(Won) 36,844	21,489
Foreign currency equivalent		USD 25 CNY 46	USD 19
Local currency short-term borrowings			
Shinhan Bank and others	CD+2.12%	711	711
		(Won) 37,555	22,200

(*) CD represents certificate of deposit.

The Group recognized (Won) 3,564 million and (Won) 307 million as interest expense in relation to the short-term borrowings that resulted from the sale of accounts receivable during the six-month periods ended June 30, 2012 and 2011, respectively.

Table of Contents10. Financial Liabilities, Continued

(c) Local currency long-term debt as of June 30, 2012 and December 31, 2011 is as follows:

(In millions of won)

Lender	Annual interest rate as of June 30, 2012	2012	2011
Shinhan Bank and others	3-year Korean Treasury Bond rate less 1.25%, 2.75%	(Won) 18,919	20,817
National Agricultural Cooperative Federation and others	4.51%~5.21%, CD+3.00%	844,586	350,300
Less current portion of long-term debt		(4,879)	(4,488)
		(Won) 858,626	366,629

(d) Foreign currency denominated long-term debt as of June 30, 2012 and December 31, 2011 is as follows:

(In millions of won, USD, JPY, CNY and EUR)

Lender	Annual interest rate as of June 30, 2012(*)	2012	2011
The Export-Import Bank of Korea	6ML+0.69%	(Won) 34,614	40,366
Kookmin Bank and others	6ML+1.78%, 3ML+1.70%~2.79%	1,004,036	1,225,110
China Communication Bank and others	3M EURIBOR+0.60, 90% of the Basic Rate published by the People's Bank of China	26,385	72,259
Foreign currency equivalent		USD 875	USD 1,025
		CNY 19	CNY 142
		EUR 16	EUR 27
		JPY 2,000	JPY 6,000
Less current portion of long-term debt		(378,261)	(326,001)
		(Won) 686,774	1,011,734

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

Table of Contents10. Financial Liabilities, Continued

(e) Details of the Controlling Company's debentures issued and outstanding as of June 30, 2012 and December 31, 2011 are as follows:

(In millions of won, JPY and USD)

	Maturity	Annual interest rate as of June 30, 2012	2012	2011
Local currency debentures(*1)				
Publicly issued debentures	November 2012~			
	October 2016	4.24%~5.89%	(Won) 2,250,000	2,250,000
Less discount on debentures			(5,555)	(6,721)
Less current portion			(499,649)	(299,658)
			(Won) 1,744,796	1,943,621
Foreign currency debentures(*1)				
Floating-rate notes		3ML+1.80%		
	August 2012 ~ April 2013	~2.40%	(Won) 549,209	552,171
			USD 350	USD 350
Foreign currency equivalent			JPY 10,000	JPY 10,000
Less discount on bonds			(2,068)	(3,474)
Less current portion			(547,141)	(148,317)
			(Won)	400,380
Financial liabilities at fair value through profit or loss(*2)				
Convertible bonds	April 2012	Zero coupon	(Won)	87,339
Foreign currency equivalent				USD 76
Less current portion			(Won)	(87,339)
			(Won) 1,744,796	2,344,001

(*1) Principal of the local currency debentures is to be repaid at maturity and interests are paid quarterly in arrears.

(*2) The convertible bonds which were recognized as financial liabilities at fair value through profit or loss as of December 31, 2011 were repaid at 116.77% of the principal amount on April 18, 2012 upon maturity.

Table of Contents11. The Nature of Expenses

The nature of expenses for the three-month and six-month periods ended June 30, 2012 and 2011 are as follows:

(In millions of won)

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2012	2011	2012	2011
Changes in inventories	(Won) (371,283)	(316,752)	(251,592)	(606,729)
Purchase of raw material and merchandise and others	4,513,249	3,980,535	8,283,999	7,597,005
Depreciation and amortization	1,064,454	893,568	2,054,457	1,709,407
Outsourcing fee	41,341	39,214	71,195	67,475
Labor costs	619,409	593,753	1,252,948	1,169,690
Supplies and others	197,532	324,840	404,148	601,643
Utility expense	145,396	129,133	305,974	263,489
Fees and commissions	107,707	107,260	217,006	215,262
Shipping costs	133,035	82,263	236,879	162,207
After-sale service expenses	26,605	24,268	52,961	40,122
Others	440,131	268,245	714,883	527,684
	(Won) 6,917,576	6,126,327	13,342,858	11,747,255

Total expenses consist of cost of sales, selling, administrative, research and development expenses and others (except foreign exchange difference).

For the six-month period ended June 30, 2012, other income and other expenses included exchange differences amounting to (Won) 519,722 million and (Won) 489,473 million, respectively (six-month period ended June 30, 2011: (Won) 570,620 million and (Won) 534,388 million, respectively).

Table of Contents**12. Selling and Administrative Expenses**

Details of selling and administrative expenses for the three-month and six-month periods ended June 30, 2012 and 2011 are as follows:

(In millions of won)

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2012	2011	2012	2011
Salaries	(Won) 56,456	55,235	117,400	114,619
Expenses related to defined benefit plan	5,215	4,486	10,783	9,330
Other employee benefits	16,180	19,473	29,465	34,052
Shipping costs	109,867	67,779	198,900	135,229
Fees and commissions	47,583	40,316	99,219	83,900
Depreciation and amortization	28,050	13,279	53,436	26,381
Taxes and dues	7,851	10,421	11,540	21,325
Advertising	27,072	37,271	51,565	62,530
After-sale service expenses	26,605	24,268	52,961	40,122
Others	31,591	36,771	66,843	71,929
	(Won) 356,470	309,299	692,112	599,417

The expenses for the six-month period ended June 30, 2011 were reclassified to conform to the classification for the six month-month period ended June 30, 2012.

13. Other Income and Other Expenses

(a) Details of other income for the three-month and six-month periods ended June 30, 2012 and 2011 are as follows:

(In millions of won)

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2012	2011	2012	2011
Rental income	(Won) 2,043	1,653	3,384	3,114
Foreign currency gain	244,303	285,430	519,722	570,620
Gain on disposal of property, plant and equipment	2,678	267	2,731	425
Reversal of allowance for doubtful accounts for other receivables		90	296	301
Reversal of stock compensation cost		154	3	421
Commission earned	563	1,233	1,415	2,069
Others	5,378	4,057	7,024	4,566
	(Won) 254,965	292,884	534,575	581,516

Table of Contents13. Other Income and Other Expenses, Continued

(b) Details of other expenses for the three-month and six-month periods ended June 30, 2012 and 2011 are as follows:

(In millions of won)

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2012	2011	2012	2011
Other bad debt expense	(Won) 246	690	1	975
Foreign currency loss	273,253	261,927	489,473	534,388
Loss on disposal of property, plant and equipment	1,550	382	1,906	462
Loss on disposal of intangible assets	384		610	
Impairment loss on intangible assets	37,683		37,683	
Expenses related to legal proceedings and others	206,706	96	236,555	119
	(Won) 519,822	263,095	766,228	535,944

14. Employee Benefits

The Group's primary defined benefit plan provides a lump-sum payment to an employee based on final salary rates and length of service at the time the employee leaves the Controlling Company.

(a) Recognized liabilities for defined benefit obligations as of June 30, 2012 and December 31, 2011 are as follows:

(In millions of won)

	2012	2011
Present value of partially funded defined benefit obligations	(Won) 534,535	486,891
Fair value of plan assets	(345,394)	(340,253)
	(Won) 189,141	146,638

(b) Expenses recognized in profit and loss for the three-month and six-month periods ended June 30, 2012 and 2011 are as follows:

(In millions of won)

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2012	2011	2012	2011
Current service cost	(Won) 32,475	26,820	65,014	53,629
Interest cost	5,728	4,746	11,455	9,492
Expected return on plan assets	(3,547)	(3,089)	(7,095)	(6,177)
	(Won) 34,656	28,477	69,374	56,944

Table of Contents14. Employee Benefits, Continued

(c) Plan assets as of June 30, 2012 and December 31, 2011 are as follows:

(In millions of won)

	2012	2011
Deposits with financial institutions	(Won) 345,394	340,253

As of June 30, 2012, plan assets mainly consist of deposits in banks and others, which guarantee the payment of their principal and interest.

(d) Actuarial gain and loss recognized in other comprehensive income (loss) for the three-month and six-month periods ended June 30, 2012 and 2011 is as follows:

(In millions of won)

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2012	2011	2012	2011
Defined benefit plan actuarial gain	(Won) 493	467	251	1,072
Income tax	(119)	(103)	(106)	(236)
Defined benefit plan actuarial gain, net of income tax	(Won) 374	364	145	836

Table of Contents15. Finance income and costs

- (a) Finance income and costs recognized in profit and loss for the three-month and six-month periods ended June 30, 2012 and 2011 are as follows:

(In millions of won)

		For the three-month periods ended June 30,		For the six-month periods ended June 30,	
		2012	2011	2012	2011
Finance income					
Interest income	(Won)	6,565	14,202	14,693	31,090
Foreign currency gain		48,270	63,151	83,240	171,020
Gain on valuation of financial assets at fair value through profit or loss			109		145
Gain on disposal of investments in equity accounted investees		1,993	144	2,978	144
	(Won)	56,828	77,606	100,911	202,399
Finance costs					
Interest expense	(Won)	37,956	36,847	84,361	67,119
Foreign currency loss		67,795	31,066	87,867	66,909
Loss on valuation of financial assets at fair value through profit or loss			471		864
Loss on valuation of financial liabilities at fair value through profit or loss			1,182		2,261
Loss on sale of trade accounts and notes receivable		7,812	4,522	17,077	8,204
Loss on redemption of debentures		787		1,524	
Impairment loss on investments in equity accounted investees			3,378		14,244
	(Won)	114,350	77,466	190,829	159,601

- (b) Finance income and costs recognized in other comprehensive income for the three-month and six-month periods ended June 30, 2012 and 2011 are as follows:

(In millions of won)

		For the three-month periods ended June 30,		For the six-month periods ended June 30,	
		2012	2011	2012	2011
Gain on valuation of available-for-sale securities	(Won)	9,404	3,206	7,334	1,691
Tax effect		(1,845)	(793)	(1,828)	(614)
	(Won)	7,559	2,413	5,506	1,077

Table of Contents16. Commitments*Factoring and securitization of accounts receivable*

The Controlling Company has agreements with Korea Development Bank and several other banks for accounts receivable sales negotiating facilities of up to an aggregate of USD 1,473 million ((Won) 1,700,101 million) and JPY 5,000 million ((Won) 72,690 million) in connection with its export sales transactions. As of June 30, 2012, no accounts and notes receivable were sold but are not past due.

In June 2009 and January 2011, LG Display Singapore Pte. Ltd., the Controlling Company's subsidiary, entered into agreements with Standard Chartered Bank and Citibank for accounts receivable sales negotiating facilities of up to an aggregate of USD 175 million ((Won) 201,915 million) and USD 100 million ((Won) 115,380 million), respectively, and as of June 30, 2012, accounts and notes receivable amounting to USD 147 million ((Won) 169,901 million) and USD 100 million ((Won) 115,315 million) were sold, with none of the underlying accounts and notes receivable being past due, respectively. In June 2009, June 2011 and July 2011, LG Display Taiwan Co., Ltd. entered into agreements with Taishin International Bank, BNP Paribas and Chinatrust Commercial Bank for accounts receivable sales negotiating facilities of up to an aggregate of USD 983 million ((Won) 1,134,185 million), USD 65 million ((Won) 74,997 million) and USD 78 million ((Won) 89,996 million), respectively, and, as of June 30, 2012, accounts and notes receivable amounting to USD 339 million ((Won) 390,709 million) and USD 7 million ((Won) 8,035 million) were sold, with none of the underlying accounts and notes receivable being past due under the agreements with Taishin International Bank and Chinatrust Commercial Bank, respectively. In addition, in December 2010, LG Display Taiwan Co., Ltd. entered into agreements with Citibank and Standard Chartered Bank for accounts receivable sales negotiating facilities of up to an aggregate of USD 134 million ((Won) 154,609 million) and USD 200 million ((Won) 230,760 million), respectively, and, as of June 30, 2012, accounts and notes receivable amounting to USD 52 million ((Won) 59,450 million) and USD 200 million ((Won) 230,440 million) were sold, with none of the underlying accounts and notes receivable being past due. In December 2010, LG Display Shanghai Co., Ltd. entered into an agreement with BNP Paribas for accounts receivable sales negotiating facilities of up to an aggregate of USD 130 million ((Won) 149,994 million), and, as of June 30, 2012, accounts and notes receivable amounting to USD 116 million ((Won) 133,830 million) were sold, with none of the underlying accounts and notes receivable being past due. In July 2009, LG Display Shenzhen Co., Ltd. and LG Display Shanghai Co., Ltd. entered into agreements with Bank of China Limited, and, as of June 30, 2012, accounts and notes receivable amounting to USD 77 million ((Won) 89,185 million) were sold, with none of the underlying accounts and notes receivable being past due. In June 2010, LG Display Germany GmbH entered into an agreement with Citibank for accounts receivable sales negotiating facilities of up to an aggregate of USD 307 million ((Won) 354,217 million), and, as of June 30, 2012, accounts and notes receivable amounting to USD 129 million ((Won) 149,133 million) were sold, with none of the underlying accounts and notes receivable being past due. In addition, LG Display Germany GmbH started forfaiting and accounts and notes receivable amounting to USD 14 million ((Won) 16,394 million) were sold, with none of the underlying accounts and notes receivable being past due. In March 2011, LG Display America, Inc. entered into agreements with Australia and New Zealand Banking Group Limited and Standard Chartered Bank for accounts receivable sales negotiating facilities of up to an aggregate of USD 80 million ((Won) 92,304 million) and USD 50 million ((Won) 57,690 million), respectively, and, as of June 30, 2012, the amount of accounts and notes receivable amounting to USD 80 million ((Won) 92,299 million) and USD 46 million ((Won) 53,372 million) were sold but not past due, respectively. In addition, in June 2011, LG Display America, Inc. entered into an agreement with Citibank for accounts receivable sales negotiating facilities of up to an aggregate of USD 300 million ((Won) 346,140 million) and as of June 30, 2012, accounts and notes receivable amounting to USD 290 million ((Won) 335,144 million) were sold, with none of the underlying accounts and notes receivable being past due. In August 2011, LG Display Japan Co., Ltd. entered into an agreement with Sumitomo

Table of Contents

16. Commitments, Continued

Mitsui Bank for accounts receivable sales negotiating facilities of up to an aggregate of USD 90 million ((Won) 103,842 million) and, as of June 30, 2012, the amount of accounts and notes receivable amounting to USD 2 million ((Won) 2,227 million) were sold, with none of the underlying accounts and notes receivable being past due. The Controlling Company has a credit facility agreement with Shinhan Bank pursuant to which the Controlling Company could sell its accounts and notes receivable up to an aggregate of (Won) 50,000 million in connection with its domestic sales transactions and as of June 30, 2012, there is no outstanding balance of accounts and notes receivable held by the bank. In addition, in April 2011, the Controlling Company entered into an agreement with Standard Chartered Bank for accounts receivable sales negotiating facilities of up to USD 50 million ((Won) 57,690 million) and as of June 30, 2012, accounts and notes receivable amounting to USD 17 million ((Won) 19,193 million) were sold to Standard Chartered Bank, with none of the underlying accounts and notes receivable being past due. In connection with all of the contracts in this paragraph, the Group has sold its accounts receivable without recourse.

Letters of credit

As of June 30, 2012, the Controlling Company has agreements with Korea Exchange Bank in relation to the opening of letters of credit up to USD 70 million ((Won) 80,766 million), USD 15 million ((Won) 17,307 million) with China Construction Bank, JPY 2,000 million ((Won) 29,076 million) with Woori Bank, USD 70 million ((Won) 80,766 million) with Bank of China, USD 60 million ((Won) 69,228 million) with Sumitomo Mitsui Banking Corporation and USD 30 million ((Won) 34,614 million) with Shinhan Bank.

Payment guarantees

The Controlling Company obtained payment guarantees amounting to USD 8.5 million ((Won) 9,807 million) and EUR 215 million ((Won) 308,534 million) from Royal Bank of Scotland and other various banks for a number of occasions including value added tax payments in Poland. As of June 30, 2012, the Controlling Company is providing a payment guarantee to a syndicate of banks including Kookmin Bank and Societe Generale in connection with a EUR 16 million ((Won) 23,181 million) term loan credit facility of LG Display Poland Sp. zo.o. In addition, the Controlling Company provides a payment guarantee in connection with LG Display America Inc.'s term loan credit facilities with an aggregate amount of USD 7 million ((Won) 8,077 million) for principals and related interests.

LG Display Japan Co., Ltd. and other subsidiaries are provided with payment guarantees from the Bank of Tokyo-Mitsubishi UFJ and other various banks amounting to USD 12 million ((Won) 13,846 million), JPY 1,300 million ((Won) 18,899 million), CNY 1,200 million ((Won) 217,788 million) and PLN 0.2 million ((Won) 67 million) respectively, for their local tax payments.

Credit facility

LG Display Japan Co., Ltd. and other subsidiaries have entered into short-term credit facility agreements of up to USD 40 million ((Won) 46,152 million) and JPY 8,000 million ((Won) 116,303 million), respectively, with Mizuho Corporate Bank and other various banks.

License agreements

As of June 30, 2012, in relation to its TFT-LCD business, the Controlling Company has technical license agreements with Hitachi Display, Ltd. and others and has a trademark license agreement with LG Corp.

Table of Contents

16. Commitments, Continued

Long-term supply agreement

In connection with long-term supply agreements, as of June 30, 2012, the Controlling Company's balance of advances received from customers amount to USD 1,580 million ((Won) 1,823,004 million) in the aggregate. The advances received will be offset against outstanding accounts receivable balances after a given period of time, as well as those arising from the supply of products thereafter. The Controlling Company received a payment guarantee amounting to USD 300 million ((Won) 346,140 million) from the Industrial Bank of Korea relating to advances received from certain customers that have signed long-term supply agreements.

Pledged Assets

Regarding the line of credit up to USD 50 million ((Won) 57,690 million), the Controlling Company provided part of its OLED machinery as pledged assets to the Export-Import Bank of Korea.

17. Contingencies

Patent infringement lawsuit against Chimei Innolux Corp. and others

In 2006, the Group filed a complaint in the United States District Court for the District of Delaware against Chimei Innolux Corp. (formerly, Chi Mei Optoelectronics Corp.) and AU Optronics Corp. claiming infringement of patents related to liquid crystal displays and the manufacturing processes for TFT-LCDs. Both AU Optronics Corp. and Chimei Innolux Corp. filed counter-claims against the Group claiming the Group's infringement of their patents. The Court bifurcated the Group's trial against AU Optronics Corp., from the trial against Chimei Innolux Corp., holding the first trial against AU Optronics Corp. in June 2009. In September 2011, the Group and AU Optronics Corp. filed a stipulation for dismissal of the Delaware case and amicably settled the claims and counterclaims between the two parties. The stay of the Chi Mei Optoelectronics case was lifted in January 2012, and the charge was dropped after two parties amicably settled the claims in May 2012.

Anvik Corporation's lawsuit for infringement of patent

In 2007, Anvik Corporation filed a patent infringement case against the Group, along with other LCD manufacturing companies in the United States District Court for the Southern District of New York, in connection with the usage of photo-masking equipment manufactured by Nikon Corporation. The court granted Nikon Corporation's motion for summary judgment of invalidity of the patents-in-suit and entered a judgment in favor of Nikon Corporation, the Controlling Company and LG Display America, Inc. and other TFT-LCD manufacturing companies, dismissing the case in April 2012. In April 2012, Anvik Corporation appealed the court's decision to the United States Court of Appeals for the Federal Circuit. The Group is unable to predict the ultimate outcome of this case.

Industrial Technology Research Institute of Taiwan's lawsuit for infringement of patent

In 2012, the United States International Trade Commission, or USITC, granted a motion by Industrial Technology Research Institute of Taiwan, or ITRI, to add the Controlling Company and LG Display America as additional respondents in a Section 337 investigation pending before the USITC. ITRI is seeking an exclusion order prohibiting the importation of televisions and monitors incorporating the Group's products into the United States for alleged patent infringement. The Group is unable to predict the ultimate outcome of this case.

Table of Contents

17. Contingencies, Continued

Antitrust investigations and litigations

In December 2006, the Controlling Company received notices of investigation by the Korea Fair Trade Commission, the Japan Fair Trade Commission, the U.S. Department of Justice, and the European Commission with respect to possible anti-competitive activities in the TFT-LCD industry. The Controlling Company subsequently received similar notices from the Canadian Bureau of Competition Policy, the Federal Competition Commission of Mexico, the Secretariat of Economic Law of Brazil and the Taiwan Fair Trade Commission.

In November 2008, the Controlling Company executed an agreement with the U.S. Department of Justice (DOJ) whereby the Controlling Company and its U.S. subsidiary, LG Display America, Inc. (LGDUS), pleaded guilty to a Sherman Antitrust Act violation and agreed to pay a single total fine of USD 400 million. In December 2008, the U.S. District Court for the Northern District of California accepted the terms of the plea agreement and entered a judgment against the Controlling Company and LGDUS and ordered the payment of USD 400 million. The agreement resolved all federal criminal charges against the Controlling Company and LGDUS in the United States in connection with this matter.

In December 2010, the European Commission (the EC) issued a decision finding that the Controlling Company engaged in anti-competitive activities in the LCD industry in violation of European competition laws and imposed a fine of EUR 215 million. In February 2011, the Controlling Company filed with the European Union General Court an application for partial annulment and reduction of the fine imposed by the EC. The European Union General Court has not ruled on the Controlling Company's application. In November 2011, the Controlling Company received an additional Request for Information from the EC relating to the alleged anti-competitive activities in the LCD industry and is responding to the request.

In November 2009, the Taiwan Fair Trade Commission terminated its investigation without any finding of violations or levying of fines. Also, in February 2012, the Competition Bureau of Canada terminated its investigation against the Controlling Company without any finding of violations or levying of fines. To date no decision has been issued by the Japan Fair Trade Commission, and we believe the statutory time period by which the Commission was required to have issued a decision has already lapsed. To date investigations by the Federal Competition Commission of Mexico and the Secretariat of Economic Law of Brazil are ongoing.

In August 2011, the Korea Fair Trade Commission issued an Examination Report finding that the Controlling Company engaged in anti-competitive activities in violation of Korean fair trade laws and a hearing was held in October 2011. In December 2011, the Korea Fair Trade Commission imposed a fine on the Controlling Company and certain of its subsidiaries of approximately (Won) 31,378 million, and the Controlling Company filed an appeal of the decision with the Seoul High Court in December 2011. To date the Seoul High Court has not ruled on the Controlling Company's appeal.

Subsequent to the commencement of the DOJ investigation, a number of class action complaints were filed against the Controlling Company and other TFT-LCD panel manufacturers in the U.S. and Canada alleging violation of respective antitrust laws and related laws. The class action lawsuits in the U.S. were transferred to the Northern District of California for pretrial proceedings (MDL Proceedings). In March 2010, the court certified the class action complaints filed by direct purchasers and indirect purchasers. 78 entities (including groups of affiliated entities) submitted requests for exclusion from the direct purchaser class. The time period for submitting requests for exclusion from the indirect purchaser class expired on April 13, 2012. 10 entities (including groups and affiliated entities) submitted requests for exclusion from the indirect purchaser class. In addition, since 2010, the attorneys general of Arkansas, California, Florida, Illinois, Michigan, Mississippi, Missouri, New York, Oklahoma, Oregon, South Carolina, Washington, West Virginia and Wisconsin filed complaints against the Controlling Company, alleging similar antitrust violations as alleged in the MDL Proceedings. In June 2011, the Controlling Company reached a settlement with the

Table of Contents

17. Contingencies, Continued

direct purchaser class, which the federal district court approved in December 2011. In July 2012, the Controlling Company reached a settlement with the indirect purchaser class and with the state attorneys general of Arkansas, California, Florida, Michigan, Missouri, New York, West Virginia, and Wisconsin, which is subject to court approval.

Similar claims were filed separately by ATS. Claim, LLC, (assignee of Ricoh Electronics, Inc.), AT&T Corp. and its affiliates, Motorola Mobility, Inc., Electrograph Technologies Corp. and their respective related entities, all of which have been transferred to the MDL Proceedings. In November 2010, ATS Claim, LLC dismissed its action as to the Controlling Company pursuant to a settlement agreement. In addition, in 2010, TracFone Wireless Inc., Best Buy Co., Inc. and its affiliates, Target Corp., Sears, Roebuck and Co., Kmart Corp., Old Comp Inc., Good Guys, Inc., RadioShack Corp., Newegg Inc., Costco Wholesale Corp., Sony Electronics, Inc. and its affiliates, SB Liquidation Trust, and the trustee of the Circuit City Stores, Inc. Liquidation Trust, filed claims in the United States. In addition, in 2011, Office Depot, Inc., T-Mobile U.S.A., Inc., Interbond Corp. of America (BrandsMart), Jaco Electronics, Inc., P.C. Richard & Son Long Island Corp., MARTA Cooperative of America, Inc., ABC Appliance (ABC Warehouse), Schultze Agency Services, LLC (Tweeter), Tech Data Corp. and its affiliate, and AASI Creditor Liquidating Trust for All American Semiconductor Inc., and CompuCom Systems, Inc. filed similar claims. In 2012, ViewSonic Corp., NECO Alliance LLC, Rockwell Automation Inc., and Proview Technology, Inc. and its affiliates filed similar claims. To the extent these claims were not filed in the MDL Proceedings, they have been transferred to the MDL Proceedings for pretrial proceedings.

In Canada, the Ontario Superior Court of Justice certified the class action complaints filed by the direct and indirect purchasers in May 2011. The Controlling Company is pursuing an appeal of the decision as well as defending the on-going class actions in Quebec and British Columbia.

While the Group continues its vigorous defense of the various pending proceedings described above, there is a possibility that one or more proceedings may result in an unfavorable outcome to the Group. The Group has established provisions with respect to certain of the contingencies. However, the Group's actual liability may be materially different from the provisions estimated. For certain cases described above, management is not able to estimate the potential estimated loss if the final outcome of the cases is unfavorable to the Group as the cases are in early stage and management does not have sufficient information to estimate the amount of possible loss.

18. Capital and Reserves

(a) Share capital

The Controlling Company is authorized to issue 500,000,000 shares of capital stock (par value (Won)5,000), and as of June 30, 2012 and December 31, 2011, the number of issued common shares is 357,815,700. There have been no changes in the capital stock for the six-month period ended June 30, 2012.

(b) Reserves

Translation reserve

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

Fair value reserve

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

Table of Contents19. Related Parties

(a) Key management personnel compensation

Compensation costs of key management for the three-month and six-month periods ended June 30, 2012 and 2011 are as follows:

<i>(In millions of won)</i>	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2012	2011	2012	2011
Short-term benefits	(Won) 345	394	885	934
Expenses related to defined benefit plan	59	224	96	266
Other long-term benefits		164		319
	(Won) 404	782	981	1,519

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

(b) Significant transactions with related companies

Significant transactions which occurred in the normal course of business with related companies for the six-month periods ended June 30, 2012 and 2011 are as follows:

<i>(In millions of won)</i>	Sales and other		Purchases and other	
	2012	2011	2012	2011
Joint ventures	(Won) 379,457	320,578	36,410	1,174
Associates	211	5,304	1,206,964	744,473
LG Electronics	2,851,041	2,536,845	133,687	174,006
Other related parties	20	20	19,821	18,714
	(Won) 3,230,729	2,862,747	1,396,882	938,367

Account balances with related companies as of June 30, 2012 and December 31, 2011 are as follows:

<i>(In millions of won)</i>	Trade accounts and notes receivable and other		Trade accounts and notes payable and other	
	2012	2011	2012	2011
Joint ventures	(Won) 193,758	130,217	390,929	340,073
Associates	3	3	611,370	697,539
LG Electronics	556,200	497,747	93,471	98,487
Other related parties			6,741	3,632
	(Won) 749,961	627,967	1,102,511	1,139,731

Table of Contents**20. Geographic and Other Information**

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

The Group's products are sold to domestic and overseas markets and the Group's export sales represent approximately 92 percent of the total sales for the six-month period ended June 30, 2012.

The following is a summary of sales by region based on the location of the customers for the three-month and six-month periods ended June 30, 2012 and 2011.

(a) Revenue by geography

(In millions of won)

Region	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2012	2011	2012	2011
Domestic	(Won) 503,931	520,022	1,002,474	908,032
Foreign				
China	3,664,510	3,564,813	7,072,698	6,564,991
Asia (excluding China)	735,508	576,837	1,295,728	1,174,103
United States	849,018	612,939	1,462,665	1,169,638
Europe	1,157,405	772,451	2,260,483	1,595,814
Sub total	(Won) 6,406,441	5,527,040	12,091,574	10,504,546
Total	(Won) 6,910,372	6,047,062	13,094,048	11,412,578

Sales to Company A and Company B constituted 23% and 18% of total revenue, respectively, for the six-month period ended June 30, 2012 (the six-month period ended June 30, 2011: 24% and 17%). The Group's top ten end-brand customers together accounted for 68% of sales for the six-month period ended June 30, 2012 (the six-month period ended June 30, 2011: 74%).

(b) Non-current assets by geography

(In millions of won)

Region	June 30, 2012		December 31, 2011	
	Property, plant and equipment	Intangible assets	Property, plant and equipment	Intangible assets
Domestic	(Won) 13,227,256	497,488	13,528,286	520,023
Foreign				
China	1,014,465	12,029	1,009,959	15,045
Others	166,205	1,713	158,604	46
Sub total	(Won) 1,180,670	13,742	1,168,563	15,091
Total	(Won) 14,407,926	511,230	14,696,849	535,114

Table of Contents20. Geographic and Other Information, continued

(c) Revenue by product

(In millions of won)

Product	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2012	2011	2012	2011
Panels for:				
Notebook computers	(Won) 1,635,710	1,360,040	2,811,870	2,357,541
Desktop monitors	1,194,208	1,172,334	2,479,372	2,450,794
TFT-LCD televisions	3,330,257	2,901,296	6,207,952	5,484,967
Mobile and others	750,197	613,392	1,594,854	1,119,276
	(Won) 6,910,372	6,047,062	13,094,048	11,412,578

21. Income Taxes

(a) Details of Income tax expense (benefit) for the three-month and six-month periods ended June 30, 2012 and 2011 are as follows:

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2012	2011	2012	2011
Current tax expense (benefit)	(Won) 13,257	(10,443)	40,076	(1,138)
Deferred tax expense (benefit)	21,515	(61,771)	(73,091)	(157,449)
Income tax expense (benefit)	(Won) 34,772	(72,214)	(33,015)	(158,587)

(b) Deferred Tax Assets and Liabilities

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the deferred tax assets at the reporting date will be realized with the Group's estimated future taxable income.

Table of Contents21. Income Taxes, Continued(b) Deferred Tax Assets and Liabilities, Continued

Deferred tax assets and liabilities as of June 30, 2012 and December 31, 2011 are attributable to the following:

(In millions of won)

	Assets		Liabilities		Total	
	2012	2011	2012	2011	2012	2011
Other accounts receivable, net	(Won)		(1,252)	(3,738)	(1,252)	(3,738)
Inventories, net	19,533	15,915			19,533	15,915
Available-for-sale financial assets	793	1,259			793	1,259
Defined benefit obligation	22,551	21,877			22,551	21,877
Investments in equity accounted investees	13,188	4,307			13,188	4,307
Accrued expense	35,718	72,965			35,718	72,965
Property, plant and equipment	141,117	133,720			141,117	133,720
Intangible assets	6,701	1,105			6,701	1,105
Provisions	12,733	11,618			12,733	11,618
Gain or loss on foreign currency	6,166	13,616	(963)	(31,313)	5,203	(17,697)
Debentures		6,059				6,059
Others	30,319	18,974		(715)	30,319	18,259
Tax losses	333,489	329,068			333,489	329,068
Tax credit carryforwards	874,829	829,048			874,829	829,048
Deferred income tax assets (liabilities)	(Won) 1,497,137	1,459,531	(2,215)	(35,766)	1,494,922	1,423,765

Statutory tax rate applicable to the Controlling Company is 24.2% for the six-month period ended June 30, 2012.

Table of Contents22. Earnings (Loss) Per Share

(a) Basic earnings (loss) per share for the three-month and six-month periods ended June 30, 2012 and 2011 are as follows:

(In won and Number of shares)	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2012	2011	2012	2011
Profit (loss) attributable to owners of the Controlling Company	(Won) (111,175,869,752)	24,930,784,784	(239,639,417,079)	(90,258,445,462)
Weighted-average number of common shares outstanding	357,815,700	357,815,700	357,815,700	357,815,700
Earnings (loss) per share	(Won) (311)	70	(670)	(252)

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

(b) There are no effects of dilutive potential ordinary shares due to net loss for the three-month and six-month period ended June 30, 2012 and for the six-month period ended June 30, 2011. Diluted earnings per share for the three-month period ended June 30, 2011 were as follows:

(In won and No. of shares)

	For the three-month period ended June 30, 2011	
Profit (loss) for the period	(Won)	24,930,784,784
Interest on convertible bond, net of tax		(737,474,505)
Adjusted income		24,193,310,279
Weighted-average number of common shares outstanding and common equivalent shares (*)		359,102,294
Diluted earnings per share	(Won)	67

(*) Weighted-average number of common shares outstanding to calculate dilutive potential ordinary shares for the three-month period ended June 30, 2011 is calculated as follows:

	For the three-month period ended June 30, 2011
Weighted-average number of common shares (basic)	357,815,700
Effect of conversion of convertible bonds	1,286,594
Weighted-average number of common shares (diluted) at June 30, 2011	359,102,294

Table of Contents22. Earnings (Loss) Per Share, continued

(c) The number of dilutive potential ordinary shares outstanding for the three-month period ended June 30, 2011 is calculated as follows:

		2011
		Convertible bonds
<i>(In shares)</i>		
Common shares to be issued		1,286,594
Period	April 1, 2011 ~ June 30, 2011	
Weight	91 days / 91 days	
Weighted-average number of common shares to be issued		1,286,594

Table of Contents

LG DISPLAY CO., LTD.

Condensed Separate Interim Financial Statements

(Unaudited)

June 30, 2012 and 2011

(With Independent Auditors' Review Report Thereon)

79

Table of Contents

Table of Contents

	Page
<u>Independent Auditors' Review Report</u>	81
<u>Condensed Separate Interim Statements of Financial Position</u>	83
<u>Condensed Separate Interim Statements of Comprehensive Income (Loss)</u>	84
<u>Condensed Separate Interim Statements of Changes in Equity</u>	85
<u>Condensed Separate Interim Statements of Cash Flows</u>	86
Notes to the Condensed Separate Interim Financial Statements	

Table of Contents

Independent Auditors' Review Report

Based on a report originally issued in Korean

To the Board of Directors and Shareholders

LG Display Co., Ltd.:

Reviewed Financial Statements

We have reviewed the accompanying condensed separate interim financial statements of LG Display Co., Ltd. (the Company) which comprise the condensed separate interim statement of financial position as of June 30, 2012, the condensed separate interim statements of comprehensive income (loss) for each of the three-month and six-month periods ended June 30, 2012 and 2011, and statements of changes in equity and cash flows for the six-month periods ended June 30, 2012 and 2011, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Condensed Separate Interim Financial Statements

Management is responsible for the preparation and fair presentation of these condensed separate interim financial statements in accordance with Korean International Financial Reporting Standards No. 1034, *Interim Financial Reporting*, and for such internal controls as management determines necessary to enable the preparation of condensed separate interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express a conclusion on these condensed separate interim financial statements based on our reviews.

We conducted our reviews in accordance with the Review Standards for Quarterly and Semiannual Financial Statements established by the Security and Futures Commission of the Republic of Korea. A review of interim financial information consists principally of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of Korea and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the condensed separate interim financial statements referred to above are not presented fairly, in all material respects, in accordance with Korean International Financial Reporting Standards No. 1034, *Interim Financial Reporting*.

Emphasis of Matter

As discussed in note 17 to the condensed separate interim financial statements, LG Display Co., Ltd. has been under investigations by antitrust authorities in Brazil and other countries with respect to possible anti-competitive activities in the LCD industry and named as defendants in a number of individual lawsuits and federal class actions in the United States and Canada, respectively, in connection with the alleged antitrust violations concerning the sale of LCD panels. The Company estimated and recognized losses related to these legal proceedings. However, actual losses are subject to change in the future based on new developments in each matter, or changes in circumstances, which could be materially different from those estimated and recognized by the Company.

Table of Contents

Other Matters

The procedures and practices utilized in the Republic of Korea to review such condensed separate interim financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying condensed separate interim financial statements are for use by those knowledgeable about Korean review standards and their application in practice.

We audited the separate statement of financial position as of December 31, 2011, and the related separate statements of comprehensive loss, changes in equity and cash flows for the year then ended, which are not accompanying this review report, in accordance with auditing standards generally accepted in the Republic of Korea, and our report thereon, dated February 22, 2012, expressed an unqualified opinion. The accompanying condensed separate statement of financial position of the Company as of December 31, 2011, presented for comparative purposes, is not different from that audited by us in all material respects.

/s/ KPMG Samjong Accounting Corp.

Seoul, Korea

August 3, 2012

This report is effective as of August 3, 2012, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying condensed separate interim financial statements and notes thereto. Accordingly, the readers of the review report should understand that the above review report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

Table of Contents

LG DISPLAY CO., LTD.

Condensed Separate Interim Statements of Financial Position

(Unaudited)

As of June 30, 2012 and December 31, 2011

<i>(In millions of won)</i>	Note	2012	2011
Assets			
Cash and cash equivalents	9	(Won) 788,965	604,890
Deposits in banks	9	15,000	815,000
Trade accounts and notes receivable, net	9, 16, 19	4,775,171	3,789,332
Other accounts receivable, net	9, 19	96,751	102,097
Other current financial assets	9	3,211	2,976
Inventories	5	2,147,560	1,912,710
Other current assets		210,696	99,759
Total current assets		8,037,354	7,326,764
Investments	6	1,404,358	1,386,313
Other non-current financial assets	9	133,873	75,080
Deferred tax assets	20	1,379,335	1,329,905
Property, plant and equipment, net	7	13,222,007	13,522,553
Intangible assets, net	8	497,473	479,510
Other non-current assets		146,898	153,839
Total non-current assets		16,783,944	16,947,200
Total assets		(Won) 24,821,298	24,273,964
Liabilities			
Trade accounts and notes payable	9, 19	(Won) 4,230,256	3,752,724
Current financial liabilities	9, 10	1,403,633	808,576
Other accounts payable	9, 19	3,220,710	3,690,913
Accrued expenses		394,839	342,973
Provisions		344,086	278,179
Advances received		483,501	593,436
Other current liabilities		28,104	18,532
Total current liabilities		10,105,129	9,485,333
Non-current financial liabilities	9, 10	3,289,932	3,714,001
Non-current provisions		5,429	5,419
Employee benefits	14	188,588	146,266
Long-term advances received	16	1,361,484	668,914
Other non-current liabilities		468,073	567,114
Total non-current liabilities		5,313,506	5,101,714
Total liabilities		15,418,635	14,587,047
Equity			
Share capital	18	1,789,079	1,789,079
Share premium		2,251,113	2,251,113

Edgar Filing: STURM RUGER & CO INC - Form DEF 14A

Reserves	18	1,781	(3,944)
Retained earnings		5,360,690	5,650,669
Total equity		9,402,663	9,686,917
Total liabilities and equity		(Won) 24,821,298	24,273,964

See accompanying notes to the condensed separate interim financial statements.

Table of Contents

LG DISPLAY CO., LTD.

Condensed Separate Interim Statements of Comprehensive Income (Loss)

(Unaudited)

For the three-month and six-month periods ended June 30, 2012 and 2011

(In millions of Won, except earnings per share)	Note	For the three-month periods ended June 30		For the six-month periods ended June 30	
		2012	2011	2012	2011
Revenue	19	(Won) 6,767,217	5,898,658	(Won) 12,722,936	10,950,409
Cost of sales	11	(6,144,727)	(5,582,800)	(11,922,189)	(10,583,546)
Gross profit		622,490	315,858	800,747	366,863
Other income	13	194,619	203,280	392,747	408,770
Selling expenses	11, 12	(157,269)	(96,612)	(289,393)	(184,805)
Administrative expenses	11, 12	(101,198)	(83,562)	(208,206)	(168,292)
Research and development expenses	11	(172,688)	(217,470)	(374,932)	(413,360)
Other expenses	11, 13	(431,298)	(192,921)	(592,577)	(382,307)
Results from operating activities		(45,344)	(71,427)	(271,614)	(373,131)
Finance income	15	70,101	100,727	81,902	217,510
Finance costs	15	(101,939)	(49,323)	(144,654)	(112,035)
Other non-operating loss, net		(216)	(2,403)	(3,605)	(5,439)
Loss before income taxes		(77,398)	(22,426)	(337,971)	(273,095)
Income tax expense (benefit)	20	37,838	(76,762)	(47,657)	(173,081)
Profit (loss) for the period		(115,236)	54,336	(290,314)	(100,014)
Other comprehensive income (loss)					
Net change in fair value of available-for-sale financial assets	15	7,622	3,736	7,554	2,636
Defined benefit plan actuarial gain	14	494	467	441	1,072
Income tax on other comprehensive (income) loss items		(1,964)	(925)	(1,935)	(816)
Other comprehensive income for the period, net of income tax		6,152	3,278	6,060	2,892
Total comprehensive income (loss) for the period		(Won) (109,084)	57,614	(Won) (284,254)	(97,122)
Earnings (loss) per share					
Basic earnings (loss) per share	21	(Won) (322)	152	(Won) (811)	(280)
Diluted earnings (loss) per share	21	(Won) (322)	149	(Won) (811)	(280)

See accompanying notes to the condensed separate interim financial statements.

Table of Contents

LG DISPLAY CO., LTD.

Condensed Separate Interim Statements of Changes in Equity

(Unaudited)

For the six-month periods ended June 30, 2012 and 2011

<i>(In millions of won)</i>	Share capital	Share premium	Fair value reserve	Retained earnings	Total equity
Balances at January 1, 2011	(Won) 1,789,079	2,251,113	(7,795)	6,838,278	10,870,675
Total comprehensive loss for the period					
Loss for the period				(100,014)	(100,014)
Other comprehensive income (loss)					
Net change in fair value of available-for-sale financial assets, net of tax			2,056		2,056
Defined benefit plan actuarial gain, net of tax				836	836
Total other comprehensive income			2,056	836	2,892
Total comprehensive loss for the period			2,056	(99,178)	(97,122)
Transaction with owners, recorded directly in equity					
Dividends to equity holders				(178,908)	(178,908)
Balances at June 30, 2011	(Won) 1,789,079	2,251,113	(5,739)	6,560,192	10,594,645
Balances at January 1, 2012	(Won) 1,789,079	2,251,113	(3,944)	5,650,669	9,686,917
Total comprehensive loss for the period					
Loss for the period				(290,314)	(290,314)
Other comprehensive income (loss)					
Net change in fair value of available-for-sale financial assets, net of tax			5,725		5,725
Defined benefit plan actuarial gain, net of tax				335	335
Total other comprehensive income			5,725	335	6,060
Total comprehensive loss for the period			5,725	(289,979)	(284,254)
Transaction with owners, recorded directly in equity					
Balances at June 30, 2012	(Won) 1,789,079	2,251,113	1,781	5,360,690	9,402,663

See accompanying notes to the condensed separate interim financial statements.

Table of Contents

LG DISPLAY CO., LTD.

Condensed Separate Interim Statements of Cash Flows

(Unaudited)

For the six-month periods ended June 30, 2012 and 2011

<i>(In millions of won)</i>	Note	2012	2011
Cash flows from operating activities:			
Loss for the period		(Won) 290,314	100,014
Adjustments for:			
Income tax benefit	20	(47,657)	(173,081)
Depreciation		1,803,555	1,475,060
Amortization of intangible assets		124,756	105,765
Gain on foreign currency translation		(72,649)	(90,020)
Loss on foreign currency translation		90,204	29,655
Expenses related to defined benefit plan	14	69,115	56,833
Gain on disposal of property, plant and equipment		(3,058)	(463)
Loss on disposal of property, plant and equipment		332	
Impairment loss on intangible assets		1,063	
Finance income		(71,142)	(167,290)
Finance costs		122,077	87,229
Other income		(5,859)	(29,119)
Other expenses		298,739	32,879
Other non-operating loss			7
		2,019,162	1,227,441
Change in trade accounts and notes receivable		(1,586,836)	766,252
Change in other accounts receivable		(9,143)	(8,769)
Change in other current assets		(100,749)	(52,328)
Change in inventories		(234,850)	(664,775)
Change in other non-current assets		(19,294)	(25,264)
Change in trade accounts and notes payable		495,828	(244,074)
Change in other accounts payable		75,163	134,704
Change in accrued expenses		80,029	(35,130)
Change in other current liabilities		350,853	(32,416)
Change in long-term advances received		789,670	281,975
Change in provisions		(263,416)	(65,613)
Change in defined benefit obligation		(26,352)	(5,471)
Cash generated from operating activities		1,570,065	1,276,532
Income taxes paid		1,684	(93,354)
Interest received		20,880	41,388
Interest paid		(95,291)	(64,224)
Net cash from operating activities		(Won) 1,497,338	1,160,342

See accompanying notes to the condensed separate interim financial statements.

Table of Contents

LG DISPLAY CO., LTD.

Condensed Separate Interim Statements of Cash Flows, Continued

(Unaudited)

For the six-month periods ended June 30, 2012 and 2011

<i>(In millions of won)</i>	Note	2012	2011
Cash flows from investing activities:			
Dividends received	(Won)	55,318	42,620
Proceeds from withdrawal of deposits in banks		812,000	2,300,000
Increase in deposits in banks		(12,000)	(912,000)
Acquisition of investments		(146,538)	(186,053)
Proceeds from disposal of investments		1,043	2,045
Acquisition of property, plant and equipment		(2,006,007)	(1,839,177)
Proceeds from disposal of property, plant and equipment		8,000	678
Acquisition of intangible assets		(157,088)	(109,026)
Grants received		2,173	1,560
Proceeds from (payment for) settlement of derivatives		(1,156)	26,797
Acquisition of other non-current financial assets		(53,579)	(29,340)
Proceeds from disposal of non-current financial assets		7,968	123,286
Net cash used in investing activities	(Won)	(1,489,866)	(578,610)
Cash flows from financing activities:			
Proceeds from short-term borrowings		2,648,686	805,321
Repayment of short-term borrowings		(2,648,686)	(1,022,725)
Issuance of debentures			597,453
Proceeds from issuance of long-term debt		494,000	219,014
Repayment of current portion of long-term debt		(317,397)	(435,373)
Payment of cash dividend			(178,908)
Net cash provided by (used in) financing activities	(Won)	176,603	(15,218)
Net increase in cash and cash equivalents		184,075	566,514
Cash and cash equivalents at January 1		604,890	889,784
Cash and cash equivalents at June 30	(Won)	788,965	1,456,298

See accompanying notes to the condensed separate interim financial statements.

Table of Contents

1. Organization and Description of Business

LG Display Co., Ltd. (the "Company") was incorporated in February 1985 under its original name of LG Soft, Ltd. as a wholly owned subsidiary of LG Electronics Inc. In 1998, LG Electronics Inc. and LG Semicon Co., Ltd. transferred their respective Thin Film Transistor-Liquid Crystal Display (TFT-LCD) related business to the Company. The main business of the Company is to manufacture and sell TFT-LCD panels. The Company is a stock company (Jusikhoesa) domiciled in the Republic of Korea with its address at 128 Yeouidaero, Yeongdeungpo-gu, Seoul, the Republic of Korea. In July 1999, LG Electronics Inc. and Koninklijke Philips Electronics N.V. (Philips) entered into a joint venture agreement. Pursuant to the agreement, the Company changed its name to LG.Philips LCD Co., Ltd. However, on February 29, 2008, the Company changed its name 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' share interest in the Company and the possibility of its business expansion to Organic Light Emitting Diode (OLED) and Flexible Display products. As of June 30, 2012, LG Electronics Inc. owns 37.9% (135,625,000 shares) of the Company's common shares.

As of June 30, 2012, the Company has its TFT-LCD manufacturing plants, OLED manufacturing plant and LCD Research & Development Center in Paju and TFT-LCD manufacturing plants and OLED manufacturing plant in Gumi. The Company has overseas subsidiaries located in the Americas, Europe and Asia.

The Company's common stock is listed on the Korea Exchange under the identifying code 034220. As of June 30, 2012, there are 357,815,700 shares of common stock outstanding. The Company's common stock is also listed on the New York Stock Exchange in the form of American Depositary Shares (ADSs) under the symbol LPL . One ADS represents one-half of one share of common stock. As of June 30, 2012, there are 21,272,438 ADSs outstanding.

2. Basis of Presenting Financial Statements

(a) Statement of Compliance

The condensed separate interim financial statements have been prepared in accordance with Korean International Financial Reporting Standards (K-IFRSs) No.1034, *Interim Financial Reporting*. They do not include all of the information required for full annual financial statements and should be read in conjunction with the financial statements of the Company as of and for the year ended December 31, 2011.

These condensed interim financial statements are separate interim financial statements prepared in accordance with K-IFRS No.1027 *Consolidated and Separate Financial Statements* presented by a parent, an investor in an associate or a venturer in a jointly controlled entity, in which the investments are accounted for on the basis of the direct equity interest rather than on the basis of the reported results and net assets of the investees.

The condensed separate interim financial statements were authorized for issuance by the Board of Directors on July 25, 2012.

Table of Contents

2. Basis of Presenting Financial Statements, Continued

(b) Basis of Measurement

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

derivative financial instruments measured at fair value;

financial instruments at fair value through profit or loss measured at fair value;

available-for-sale financial assets measured at fair value; and

liabilities for defined benefit plans recognized at the net total of the present value of defined benefit obligation less the fair value of plan assets

(c) Functional and Presentation Currency

The condensed separate interim financial statements are presented in Korean won, which is the Company's functional currency. All amounts in Korean won are in millions unless otherwise stated.

(d) Use of Estimates and Judgments

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

In preparing these condensed separate interim financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied in its financial statements as of and for the year ended December 31, 2011.

3. Summary of Significant Accounting Policies

The significant accounting policies followed by the Company in the preparation of its condensed separate interim financial statements are the same as those followed by the Company in its preparation of the financial statements as of and for the year ended December 31, 2011, except for the application of K-IFRS No. 1034, *Interim Financial Reporting*, and the amendments to K-IFRS No. 1107, *Financial Instruments: Disclosures*, as explained below:

The Company has applied the amendments to K-IFRS No. 1107, *Financial Instruments: Disclosures* effective January 1, 2012, by prospectively disclosing the nature of transferred assets, their carrying amount, and the description of risks and rewards for each class of transferred financial assets that are not derecognized in their entirety.

4. Financial Risk Management

Edgar Filing: STURM RUGER & CO INC - Form DEF 14A

The objectives and policies on financial risk management followed by the Company are consistent with those disclosed in the financial statements as of and for the year ended December 31, 2011.

Table of Contents**5. Inventories**

Inventories as of June 30, 2012 and December 31, 2011 are as follows:

(In millions of won)

	2012			2011		
	Acquisition cost	Inventory reserve	Book value	Acquisition cost	Inventory reserve	Book value
Finished goods	(Won) 866,056	(20,914)	845,142	612,158	(19,911)	592,247
Work-in-process	784,055	(44,987)	739,068	810,864	(43,808)	767,056
Raw materials	396,027	(16,385)	379,642	431,042	(16,033)	415,009
Supplies	220,998	(37,290)	183,708	173,442	(35,044)	138,398
	(Won) 2,267,136	(119,576)	2,147,560	2,027,506	(114,796)	1,912,710

6. Investments**(a) Investments in subsidiaries**

In February 2012, the Company invested (Won) 3,000 million in cash for the capital increase of Image & Materials, Inc. (I&M), which is wholly owned by the Company. There were no changes in the Company's ownership percentage in I&M as a result of this additional investment.

In March 2012, the Company established Nanumnuri Co., Ltd., a wholly owned subsidiary of the Company founded as a Standard Workplace for the Disabled under Act on Employment Promotion and Vocational Rehabilitation for Disabled Persons, with investment of (Won) 800 million in cash.

In May 2012, the Company invested (Won) 52,358 million in cash for the capital increase of LG Display Nanjing Co., Ltd. (LGDNJ). There were no changes in the Company's ownership percentage in LGDNJ as a result of this additional investment.

In June 2012, the Company invested (Won) 88,380 million in cash for the capital increase of LG Display America, Inc. (LGDUS). There were no changes in the Company's ownership percentage in LGDUS as a result of this additional investment.

However, the Company recognized an impairment loss of (Won) 38,725 million as finance costs for the difference between the carrying amount and the recoverable amount of investments in subsidiaries in 2012.

(b) Investments in associates

In 2012, the Company recognized an impairment loss of (Won) 347 million for the difference between the carrying amount of and the recoverable amount of the investment in Dynamic Solar Design Co., Ltd., which was acquired to develop equipment, manufacture and sell solar battery and flat-panel display in 2009.

In April 2012, the Company acquired 4,000,000 common shares (20%) of GLONIX Co., Ltd., which manufactures liquid crystal display, at (Won) 2,000 million. As of June 30, 2012, 20% of GLONIX Co., Ltd. is owned by the Company and the Company has the right to assign a director in the board of directors of GLONIX Co., Ltd.

Table of Contents

6. Investments, Continued

In 2012, the Company's ownership in Can Yang Investments Limited was reduced from 12% to 9% because the Company did not participate in Can Yang Investments Limited's capital increase. Despite the decrease in ownership, the Company is still able to exercise significant influence through its right to assign a director to the board of directors of Can Yang Investments Limited.

In 2012, the Company's ownership in AVACO Co., Ltd. was reduced from 20% to 16% because the Company did not participate in AVACO Co., Ltd.'s capital increase. Despite the decrease in ownership, the Company is still able to exercise significant influence through its right to assign a director to the board of directors of AVACO Co. Ltd.

The Company is a member of limited partnership in the LB Gemini New Growth Fund No.16 (the Fund).

In 2012, the Company received (Won) 1,043 million from the Fund as capital distribution. Despite the payment from the fund, there were no changes in the Company's ownership percentage in the Fund and the Company is committed to make investment of up to an aggregate of (Won) 30,000 million.

The dividends received from associates for the six-month periods ended June 30, 2012 and 2011 amounted to (Won) 55,318 million and (Won) 42,620 million, respectively.

7. Property, Plant and Equipment

For the six-month periods ended June 30, 2012 and 2011, the Company purchased property, plant and equipment of (Won) 1,510,454 million and (Won) 2,945,912 million, respectively. The capitalized borrowing costs and capitalization rate are (Won) 23,974 million and 3.90%, and (Won) 8,355 million and 2.26% for the six-month periods ended June 30, 2012 and 2011, respectively. Also for the six-month periods ended June 30, 2012 and 2011, the Company disposed of property, plant and equipment with carrying amounts of (Won) 5,274 million and (Won) 215 million, respectively, and recognized (Won) 3,058 million and (Won) 332 million, respectively, as gain and loss on disposal of property, plant and equipment for the six-month period ended June 30, 2012 (gain for the six-month period ended on June 30, 2011: (Won) 463 million).

8. Intangible Assets

The Company capitalizes the expenditures related to development activities, such as expenditures incurred on designing, manufacturing and testing of products that are ultimately selected for production. The balances of capitalized development costs as of June 30, 2012 and December 31, 2011 are (Won) 153,019 million and (Won) 113,002 million, respectively.

Table of Contents9. Financial Instruments

(a) Credit risk

(i) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as of June 30, 2012 and December 31, 2011 is as follows:

(In millions of won)

	2012	2011
Cash and cash equivalents	(Won) 788,965	604,890
Deposits in banks	15,000	815,000
Trade accounts and notes receivable, net	4,775,171	3,789,332
Other accounts receivable, net	96,751	102,097
Available-for-sale financial assets	2,838	2,838
Guarantee deposits	64,293	65,613
Derivatives	236	
Others	613	613
	(Won) 5,743,867	5,380,383

In addition to the financial assets above, as of June 30, 2012 and December 31, 2011, the Company provides payment guarantees of (Won) 31,258 million and (Won) 50,606 million, respectively, for its subsidiaries' loans.

The maximum exposure to credit risk for trade accounts and notes receivable as of June 30, 2012 and December 31, 2011 by geographic region is as follows:

(In millions of won)

	2012	2011
Domestic	(Won) 146,162	56,200
Euro-zone countries	983,149	612,236
Japan	155,791	138,265
United States	1,575,417	828,959
China	1,252,368	1,195,899
Taiwan	432,644	829,171
Others	229,640	128,602
	(Won) 4,775,171	3,789,332

Table of Contents9. Financial Instruments, Continued

(ii) Impairment loss

The aging of trade accounts and notes receivable and the related allowance for impairment losses as of June 30, 2012 and December 31, 2011 are as follows:

(In millions of won)	2012		2011	
	Book Value	Allowance for Impairment losses	Book Value	Allowance for Impairment losses
Not past due	(Won) 4,750,798	(200)	3,777,383	(49)
Past due 1-15 days	9,610	(3)	953	(1)
Past due 16-30 days	8,103	(4)	4,885	(1)
Past due 31-60 days	3,033	(2)	5,762	(1)
More than 60 days	3,837	(1)	403	(2)
	(Won) 4,775,381	(210)	3,789,386	(54)

The movement in the allowance for impairment in respect of receivables during the six-month period ended June 30, 2012 and the year ended December 31, 2011 are as follows:

(In millions of won)		
	2012	2011
Balance at the beginning of the period	(Won) 54	24
Bad debt expense	156	30
Balance at the reporting date	(Won) 210	54

Table of Contents9. Financial Instruments, Continued

(b) Liquidity risk

- (i) The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements as of June 30, 2012:

(In millions of won)

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
Secured bank loan	(Won) 57,690	60,227	725	725	58,777		
Unsecured bank loans	1,844,165	2,050,139	69,562	351,728	156,202	1,470,271	2,376
Unsecured bond issues	2,791,586	3,093,889	505,841	652,803	383,907	1,551,338	
Trade accounts and notes payable	4,230,256	4,230,256	4,230,256				
Other accounts payable	3,220,710	3,220,710	3,220,710				
Payment guarantee		31,398	23,648	7,750			
Derivative financial liabilities							
Forward exchange contracts not designated for hedging							
Outflow	124	23,146	23,146				
Inflow		(23,022)	(23,022)				
	(Won) 12,144,531	12,686,743	8,050,866	1,013,006	598,886	3,021,609	2,376

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

- (ii) As of June 30, 2012, there is no derivative designated as cash flow hedge.

Table of Contents9. Financial Instruments, Continued

(c) Currency risk

(i) Exposure to currency risk

The Company's exposure to foreign currency risk based on notional amounts as of June 30, 2012 and December 31, 2011 is as follows:

(In millions)	2012				
	USD	JPY	TWD	PLN	EUR
Cash and cash equivalents	155	8,415		2	2
Trade accounts and notes receivable	3,918	6,408			47
Other accounts receivable	25	1	12		
Available-for-sale financial assets	5				
Other assets denominated in foreign currencies		51			
Trade accounts and notes payable	(2,368)	(32,125)			(1)
Other accounts payable	(140)	(12,968)			(5)
Debts	(875)	(2,000)			
Bonds	(348)	(9,997)			
Gross statement of financial position exposure	372	(42,215)	12	2	43
Forward exchange contracts	50				
Net exposure	422	(42,215)	12	2	43

Table of Contents9. Financial Instruments, Continued*(In millions)*

	USD	JPY	2011 TWD	PLN	EUR
Cash and cash equivalents	284	14,269		5	14
Trade accounts and notes receivable	3,080	6,493			31
Other accounts receivable	2		159		
Available-for-sale financial assets	5				
Other assets denominated in foreign currencies		51			
Trade accounts and notes payable	(2,263)	(33,375)			(5)
Other accounts payable	(55)	(25,815)			(7)
Debts	(1,020)	(6,000)			
Bonds	(347)	(9,987)			
Financial liabilities at fair value through profit or loss	(76)				
Gross statement of financial position exposure	(390)	(54,364)	159	5	33
Forward exchange contracts	(160)				
Net exposure	(550)	(54,364)	159	5	33

Average exchange rates applied for the six-month periods ended June 30, 2012 and 2011 and the exchange rates at June 30, 2012 and December 31, 2011 are as follows:

(In won)

	Average rate		Spot rate	
	2012	2011	June 30, 2012	December 31, 2011
USD	(Won) 1,141.80	1,102.28	(Won) 1,153.80	1,153.30
JPY	14.33	13.45	14.54	14.85
TWD	38.51	37.92	38.55	38.13
EUR	1,481.47	1,545.96	1,435.04	1,494.10
PLN	349.38	391.08	334.34	338.65

Table of Contents9. Financial Instruments, Continued

(ii) Sensitivity analysis

A weakening of the won, as indicated below, against the following currencies which comprise the Company's financial assets or liabilities denominated in foreign currency as of June 30, 2012 and December 31, 2011 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of each reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant. The changes in equity and profit or loss are as follows:

<i>(In millions of won)</i>	2012		2011	
	Equity	Profit or loss	Equity	Profit or loss
USD (5 percent weakening)	(Won) 18,454	18,252	(24,041)	(24,280)
JPY (5 percent weakening)	(23,260)	(23,260)	(30,601)	(30,601)
TWD (5 percent weakening)	17	17	230	230
PLN (5 percent weakening)	25	25	64	64
EUR (5 percent weakening)	2,338	2,338	1,869	1,869

A strengthening of the won against the above currencies as of June 30, 2012 and December 31, 2011 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Table of Contents9. Financial Instruments, Continued

(d) Interest rate risk

(i) Profile

The interest rate profile of the Company's interest-bearing financial instruments as of June 30, 2012 and December 31, 2011 are as follows:

(In millions of won)

	2012	2011
Fixed rate instruments		
Financial assets	(Won) 806,803	1,422,728
Financial liabilities	(3,093,288)	(2,685,174)
	(Won) (2,286,485)	(1,262,446)
Variable rate instruments		
Financial assets	(Won) 600	600
Financial liabilities	(1,600,153)	(1,830,434)
	(Won) (1,599,553)	(1,829,834)

(ii) Cash flow sensitivity analysis for variable rate instruments

As of June 30, 2012 and December 31, 2011, a change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below for each 12-month period following the reporting dates. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

(In millions of won)

	Equity		Profit or loss	
	1%p increase	1%p decrease	1%p increase	1%p decrease
June 30, 2012				
Variable rate instruments	(Won) (12,125)	12,125	(12,125)	12,125
December 31, 2011				
Variable rate instruments	(Won) (13,870)	13,870	(13,870)	13,870

Table of Contents

9. Financial Instruments, Continued

(e) Fair values

(i) Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the condensed separate interim statements of financial position, are as follows:

(In millions of won)

	June 30, 2012		December 31, 2011	
	Carrying amounts	Fair values	Carrying amounts	Fair values
Assets carried at fair value				
Available-for-sale financial assets	(Won) 69,268	69,268	9,157	9,157
Derivatives	236	236		
	(Won) 69,504	69,504	9,157	9,157
Assets carried at amortized cost				
Cash and cash equivalents	(Won) 788,965	788,965	604,890	604,890
Deposits in banks	15,000	15,000	815,000	815,000
Trade accounts and notes receivable	4,775,171	4,775,171	3,789,332	3,789,332
Other accounts receivable	96,751	96,751	102,097	102,097
Deposits	64,293	64,293	65,613	65,613
Others	613	613	613	613
	(Won) 5,740,793	5,740,793	5,377,545	5,377,545
Liabilities carried at fair value				
Financial liabilities at fair value through profit or loss	(Won)		87,339	87,339
Derivatives	124	124	6,969	6,969
	(Won) 124	124	94,308	94,308
Liabilities carried at amortized cost				
Secured bank loans	(Won) 57,690	57,690	57,665	57,665
Unsecured bank loans	1,844,165	1,881,658	1,578,628	1,525,251
Unsecured bond issues	2,791,586	2,851,198	2,791,976	2,829,206
Trade accounts and notes payable	4,230,256	4,230,256	3,752,724	3,752,724
Other accounts payable	3,220,710	3,220,710	3,690,913	3,690,913
	(Won) 12,144,407	12,241,512	11,871,906	11,855,759

The basis for determining fair values above by the Company are consistent with those disclosed in the financial statements as of and for the year ended December 31, 2011.

Table of Contents9. Financial Instruments, Continued

(ii) Interest rates used for determining fair value

The significant interest rates applied for determination of the above fair value as of June 30, 2012 and December 31, 2011 are as follows:

	2012	2011
Derivatives	3.59%	3.90%
Debentures, loans and borrowings	3.75%	4.19%

(iii) Fair value hierarchy

The table below analyzes financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

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

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

(In millions of won)

	Level 1	June 30, 2012		Total
		Level 2	Level 3	
Assets				
Available-for-sale financial assets	(Won) 69,268			69,268
Derivatives		236		236
	(Won) 69,268	236		69,504
Liabilities				
Derivatives	(Won)	(124)		(124)

(In millions of won)

	Level 1	December 31, 2011		Total
		Level 2	Level 3	
Assets				
Available-for-sale financial assets	(Won) 9,157			9,157
Liabilities				
Financial liabilities at fair value through profit or loss	(Won) (87,339)			(87,339)
Derivatives		(6,969)		(6,969)
	(Won) (87,339)	(6,969)		(94,308)

The derivative financial assets and liabilities are classified as Level 2 since all significant inputs to compute the fair value of the over-the-counter derivatives were observable.

Table of Contents9. Financial Instruments, Continued

(f) Capital Management

Management's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Liabilities to equity ratio, net borrowings to equity ratio and other financial ratios are used by management to achieve an optimal capital structure. Management also monitors the level of dividends to ordinary shareholders. Equity, defined by K-IFRS, is identical to the definition of capital, managed by management.

(In millions of won)

	June 30, 2012	December 31, 2011
Total liabilities	(Won) 15,418,635	14,587,047
Total equity	9,402,663	9,686,917
Cash and deposits in banks(*1)	803,965	1,419,890
Borrowings	4,693,441	4,515,608
Total Liabilities to equity ratio	164%	151%
Net borrowing to equity ratio(*2)	41%	32%

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

(*2) Net borrowing is computed as borrowings net of cash and deposits in banks.

10. Financial Liabilities

(a) Financial liabilities as of June 30, 2012 and December 31, 2011 are as follows:

(In millions of won)

	2012	2011
Current		
Current portion of long-term debt	(Won) 1,403,509	714,268
Current portion of financial liabilities at fair value through profits or loss		87,339
Derivatives	124	6,969
	(Won) 1,403,633	808,576
Non-current		
Won denominated borrowings	(Won) 858,626	366,629
Foreign currency denominated borrowings	686,510	1,003,371
Bonds	1,744,796	2,344,001
	(Won) 3,289,932	3,714,001

Above financial liabilities, except for convertible bonds which are designated as financial liabilities at fair value through profit or loss and derivative liabilities, are measured at amortized cost.

(b) The Company recognized (Won) 3,564 and (Won) 307 million as interest expense in relation to the short-term borrowings that resulted from the sale of accounts receivable during the six-month periods ended June 30, 2012 and 2011, respectively.

Table of Contents10. Financial Liabilities, Continued

(c) Local currency denominated long-term debt as of June 30, 2012 and December 31, 2011 is as follows:

(In millions of won)

Lender	Annual interest rate as of June 30, 2012	2012	2011
Shinhan Bank and others	3-year Korean Treasury		
	Bond rate less 1.25%,		
	2.75%	(Won) 18,919	20,817
National Agricultural Cooperative federation and others	4.51%~5.21%	844,286	350,000
Less current portion of long-term debt		(4,579)	(4,188)
		(Won) 858,626	366,629

(d) Foreign currency denominated long-term debt as of June 30, 2012 and December 31, 2011 is as follows:

(In millions of won, USD and JPY)

Lender	Annual interest rate as of June 30, 2012(*)	2012	2011
The Export-Import Bank of Korea	6ML+0.69%	(Won) 34,614	40,366
Kookmin Bank and others	6ML+1.78%,		
	3ML+1.70%~2.79%	1,004,036	1,225,110
Foreign currency equivalent		USD 875	USD 1,020
		JPY 2,000	JPY 6,000
Less current portion of long-term debt		(352,140)	(262,105)
		(Won) 686,510	1,003,371

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

Table of Contents9. Financial Instruments, Continued

(e) Details of the Company's debentures issued and outstanding as of June 30, 2012 and December 31, 2011 are as follows:

(In millions of won, JPY and USD)

	Maturity	Annual interest rate as of June 30, 2012	2012	2011
Local currency debentures(*1)				
Publicly issued debentures	November 2012	4.24%		
	~October 2016	~5.89%	(Won) 2,250,000	2,250,000
Less discount on debentures			(5,555)	(6,721)
Less current portion			(499,649)	(299,658)
			(Won) 1,744,796	1,943,621
Foreign currency Debentures(*1)				
Floating-rate notes	August 2012			
	~April 2013	3ML+1.80%~2.40%	(Won) 549,209	552,171
Foreign currency equivalent			USD 350 JPY 10,000	USD 350 JPY 10,000
Less discount on bonds			(2,068)	(3,474)
Less current portion			(547,141)	(148,317)
			(Won)	400,380
Financial liabilities at fair value through profit or loss(*2)				
Convertible bonds	April 2012	Zero coupon	(Won)	87,339
Foreign currency equivalent				USD 76
Less current portion convertible bonds				(87,339)
			(Won)	
			(Won) 1,744,796	2,344,001

(*1) Principal of the local currency debentures is to be repaid at maturity and interests are paid quarterly in arrears.

(*2) The convertible bonds which were recognized as financial liabilities at fair value through profit or loss as of December 31, 2011 were repaid at 116.77% of the principal amount on April 18, 2012 upon maturity.

Table of Contents11. The Nature of Expenses

The nature of expenses for the three-month and six-month periods ended June 30, 2012 and 2011 are as follows:

(In millions of won)

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2012	2011	2012	2011
Changes in inventories	(Won) (352,045)	(301,413)	(234,850)	(664,775)
Purchase of raw material and merchandise and others	4,062,712	3,508,008	7,176,422	6,616,158
Depreciation and amortization	1,001,078	831,819	1,928,311	1,580,825
Outsourcing fee	670,269	688,499	1,485,640	1,370,836
Labor costs	505,410	490,284	1,017,840	962,525
Supplies and others	170,645	262,783	349,603	513,392
Utility expense	134,144	116,994	283,482	239,466
Fees and commissions	85,644	77,657	170,851	166,226
Shipping costs	112,830	39,734	194,497	77,955
After-sale service expenses	19,039	17,032	38,454	26,567
Others	397,790	249,049	622,432	460,835
	(Won) 6,807,516	5,980,446	13,032,682	11,350,010

Total expenses consist of cost of sales, selling, administrative, research and development expenses and others (except foreign exchange difference).

For the six-month period ended June 30, 2012, other income and other expenses included exchange differences amounting to (Won) 385,888 million and (Won) 354,615 million, respectively (six-month period ended June 30, 2011: (Won) 385,303 million and (Won) 382,300 million, respectively).

Table of Contents**11. Selling and Administrative Expenses**

Details of selling and administrative expenses for the three-month and six-month periods ended June 30, 2012 and 2011 are as follows:

(In millions of won)

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2012	2011	2012	2011
Salaries	(Won) 33,414	33,973	69,329	68,733
Expenses related to defined benefit plan	4,910	4,348	10,225	9,104
Other employee benefit	6,548	9,408	12,630	17,469
Shipping costs	91,428	26,153	159,126	52,791
Fees and commissions	32,554	19,135	67,040	51,995
Depreciation and amortization	25,691	10,405	47,584	19,839
Taxes and dues	573	501	1,182	1,231
Advertising	27,062	37,260	51,524	62,492
After-sale service expenses	19,039	17,032	38,454	26,567
Others	17,248	21,959	40,505	42,876
	(Won) 258,467	180,174	497,599	353,097

The expenses for the six-month period ended June 30, 2011 were reclassified to conform to the classification for the six month-month period ended June 30, 2012.

13. Other Income and Other Expenses

(a) Details of other income for the three-month and six-month periods ended June 30, 2012 and 2011 are as follows:

(In millions of won)

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2012	2011	2012	2011
Rental income	(Won) 1,330	977	2,345	1,917
Foreign currency gain	189,733	197,666	385,888	385,303
Gain on disposal of property, plant and equipment	2,993	305	3,058	463
Reversal of allowance for doubtful accounts for other receivables		74	42	1
Reversal of stock compensation cost		154	3	421
Commission earned	563	1,348	1,411	2,026
Others		2,756		18,639
	(Won) 194,619	203,280	392,747	408,770

Table of Contents13. Other Income and Other Expenses, Continued

(b) Details of other expenses for the three-month and six-month periods ended June 30, 2012 and 2011 are as follows:

<i>(In millions of won)</i>	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2012	2011	2012	2011
Other bad debt expense	(Won) 56			
Foreign currency loss	199,664	192,919	354,615	382,300
Loss on disposal of property, plant and equipment	331		332	
Impairment loss on intangible assets	837		1,063	
Expenses related to legal proceedings and others	230,410	2	236,567	7
	(Won) 431,298	192,921	592,577	382,307

14. Employee Benefits

The Company's primary defined benefit plan provides a lump-sum payment to an employee based on final salary rates and length of service at the time the employee leaves the Company.

(a) Recognized liabilities for defined benefit obligations as of June 30, 2012 and December 31, 2011 are as follows:

<i>(In millions of won)</i>	2012	2011
Present value of partially funded defined benefit obligations	(Won) 533,982	486,519
Fair value of plan assets	(345,394)	(340,253)
	(Won) 188,588	146,266

(b) Expenses recognized in profit and loss for the three-month and six-month periods ended June 30, 2012 and 2011 are as follows:

<i>(In millions of won)</i>	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2012	2011	2012	2011
Current service cost	(Won) 32,377	26,759	64,755	53,518
Interest cost	5,728	4,746	11,455	9,492
Expected return on plan assets	(3,547)	(3,089)	(7,095)	(6,177)
	(Won) 34,558	28,416	69,115	56,833

Table of Contents14. Employee Benefits, Continued

(c) Plan assets as of June 30, 2012 and December 31, 2011 are as follows:

(In millions of won)

	2012	2011
Deposits with financial institutions	(Won) 345,394	340,253

As of June 30, 2012, plan assets mainly consist of deposits in banks and others, which guarantee the payment of their principal and interest.

(d) Actuarial gain and loss recognized in other comprehensive income(loss) for the three-month and six-month periods ended June 30, 2012 and 2011 is as follows:

(In millions of won)

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2012	2011	2012	2011
Defined benefit plan actuarial gain	(Won) 494	467	441	1,072
Income tax	(119)	(103)	(106)	(236)
Defined benefit plan actuarial gain, net of income tax	(Won) 375	364	335	836

Table of Contents15. Finance income and costs

- (a) Finance income and costs recognized in profit and loss for the three-month and six-month periods ended June 30, 2012 and 2011 are as follows:

(In millions of won)

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2012	2011	2012	2011
Finance income				
Interest income	(Won) 4,959	13,289	12,058	28,813
Dividend income	55,114	37,340	55,318	42,620
Foreign currency gain	10,028	50,098	14,526	146,077
	(Won) 70,101	100,727	81,902	217,510
Finance costs				
Interest expense	(Won) 36,573	34,289	81,496	61,565
Foreign currency loss	32,953	9,187	22,382	28,613
Loss on valuation of financial assets at fair value through profit or loss		180		573
Loss on valuation of financial liabilities at fair value through profit or loss		1,182		2,261
Loss on redemption of debentures	787		1,524	
Impairment loss on investments	31,585	4,452	39,072	18,990
Loss on factoring of trade receivables	41	33	180	33
	(Won) 101,939	49,323	144,654	112,035

- (b) Finance income and costs recognized in other comprehensive income for the three-month and six-month periods ended June 30, 2012 and 2011 are as follows:

(In millions of won)

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2012	2011	2012	2011
Gain on valuation of available-for-sale securities	(Won) 7,622	3,736	7,554	2,636
Tax effect	(1,845)	(822)	(1,829)	(580)
	(Won) 5,777	2,914	5,725	2,056

Table of Contents

16. Commitments

Factoring and securitization of accounts receivable

The Company has agreements with Korea Development Bank and several other banks for accounts receivable sales negotiating facilities of up to an aggregate of USD 1,473 million ((Won) 1,700,101 million) and JPY 5,000 million ((Won) 72,690 million) in connection with its export sales transactions. As of June 30, 2012, no accounts and notes receivable were sold but are not past due.

The Company has a credit facility agreement with Shinhan Bank pursuant to which the Company could sell its accounts receivables up to an aggregate of (Won) 50,000 million in connection with its domestic sales transactions and, as of June 30, 2012, no accounts and notes receivable were sold but are not past due. In addition, in April 2011, the Company entered into an agreement with Standard Chartered Bank for accounts receivable sales negotiating facilities of up to USD 50 million ((Won) 57,690 million) and as of June 30, 2012, accounts and notes receivable amounting to USD 17 million ((Won) 19,193 million) were sold to Standard Chartered Bank, with none of the underlying accounts and notes receivable being past due. In connection with all of the contracts in this paragraph, the Company has sold its accounts receivable without recourse.

Letters of credit

As of June 30, 2012, the Company has agreements with Korea Exchange Bank in relation to the opening of letters of credit up to USD 70 million ((Won) 80,766 million), USD 15 million ((Won) 17,307 million) with China Construction Bank, JPY 2,000 million ((Won) 29,076 million) with Woori Bank, USD 70 million ((Won) 80,766 million) with Bank of China, USD 60 million ((Won) 69,228 million) with Sumitomo Mitsui Banking Corporation and USD 30 million ((Won) 34,614 million) with Shinhan Bank.

Payment guarantees

The Company obtained payment guarantees amounting to USD 8.5 million ((Won) 9,807 million) and EUR 215 million ((Won) 308,534 million) from Royal Bank of Scotland and other various banks for a number of occasions including value added tax payments in Poland. As of June 30, 2012, the Company is providing a payment guarantee to a syndicate of banks including Kookmin Bank and Societe Generale in connection with a EUR 16 million ((Won) 23,181 million) term loan credit facility of LG Display Poland Sp. zo.o. In addition, the Company provides a payment guarantee in connection with the term loan credit facilities of LG Display America, Inc. with an aggregate amount of USD 7 million ((Won) 8,077 million) for principals and related interests.

License agreements

As of June 30, 2012, in relation to its TFT-LCD business, the Company has technical license agreements with Hitachi Display, Ltd. and others and has a trademark license agreement with LG Corp.

Long-term supply agreement

In connection with long-term supply agreements, as of June 30, 2012, the Company's balance of advances received from customer amount to USD 1,580 million ((Won) 1,823,004 million) in the aggregate. The advances received will be offset against outstanding accounts receivable balances after a given period of time, as well as those arising from the supply of products thereafter. The Company received a payment guarantee amounting to USD 300 million ((Won) 346,140 million) from the Industrial Bank of Korea relating to advances received from certain customers that have signed long-term supply agreements.

Table of Contents

16. Commitments, Continued

Pledged Assets

Regarding the line of credit up to USD 50 million ((Won) 57,690 million), the Company provided with part of its OLED machinery as pledged assets to the Export-Import Bank of Korea.

17. Contingencies

Patent infringement lawsuit against Chimei Innolux Corp., and others

In 2006, the Company filed a complaint in the United States District Court for the District of Delaware against Chimei Innolux Corp. (formerly, Chi Mei Optoelectronics Corp.) and AU Optronics Corp. claiming infringement of patents related to liquid crystal displays and the manufacturing processes for TFT-LCDs. Both AU Optronics Corp. and Chimei Innolux Corp. filed counter-claims against the Company claiming the Company's infringement of their patents. The Court bifurcated the Company's trial against AU Optronics Corp., from the trial against Chimei Innolux Corp., holding the first trial against AU Optronics Corp. in June, 2009. In September 2011, the Company and AU Optronics Corp. filed a stipulation for dismissal of the Delaware case and amicably settled the claims and counterclaims between the two parties. The stay of the Chi Mei Optoelectronics case was lifted in January 2012, and the charge was dropped after two parties amicably settled the claims in May 2012.

Anvik Corporation's lawsuit for infringement of patent

In 2007, Anvik Corporation filed a patent infringement case against the Company, along with other LCD manufacturing companies in the United States District Court for the Southern District of New York, in connection with the usage of photo-masking equipment manufactured by Nikon Corporation. The court granted Nikon Corporation's motion for summary judgment of invalidity of the patents-in-suit and entered a judgment in favor of Nikon Corporation, the Company and LG Display America, Inc. and other TFT-LCD manufacturing companies, dismissing the case in April 2012. In April 2012, Anvik Corporation appealed the court's decision to the United States Court of Appeals for the Federal Circuit. The Company is unable to predict the ultimate outcome of this case.

Industrial Technology Research Institute of Taiwan, lawsuit for infringement of patent

In 2012, the United States International Trade Commission, or USITC, granted a motion by Industrial Technology Research Institute of Taiwan, or ITRI, to add the Company and LG Display America as additional respondents in a Section 337 investigation pending before the USITC. ITRI is seeking an exclusion order prohibiting the importation of televisions and monitors incorporating the Company's products into the United States for alleged patent infringement. The Company is unable to predict the ultimate outcome of this case.

Anti-trust investigations and litigations

In December 2006, the Company received notices of investigation by the Korea Fair Trade Commission, the Japan Fair Trade Commission, the U.S. Department of Justice, and the European Commission with respect to possible anti-competitive activities in the TFT-LCD industry. The Company subsequently received similar notices from the Canadian Bureau of Competition Policy, the Federal Competition Commission of Mexico, the Secretariat of Economic Law of Brazil and the Taiwan Fair Trade Commission.

In November 2008, the Company executed an agreement with the U.S. Department of Justice (DOJ) whereby the Company and its U.S. subsidiary, LG Display America, Inc. (LGDUS), pleaded guilty to a Sherman Antitrust Act violation and agreed to pay a single total fine of USD 400 million. In December

Table of Contents

17. Contingencies, Continued

2008, the U.S. District Court for the Northern District of California accepted the terms of the plea agreement and entered a judgment against the Company and LGDUS and ordered the payment of USD 400 million. The agreement resolved all federal criminal charges against the Company and LGDUS in the United States in connection with this matter.

In December 2010, the European Commission (the EC) issued a decision finding that the Company engaged in anti-competitive activities in the LCD industry in violation of European competition laws and imposed a fine of EUR 215 million. In February 2011, the Company filed with the European Union General Court an application for partial annulment and reduction of the fine imposed by the EC. The European Union General Court has not ruled on the Company's application. In November 2011, the Company received an additional Request for Information from the EC relating to the alleged anti-competitive activities in the LCD industry and is responding to the request.

In November 2009, the Taiwan Fair Trade Commission terminated its investigation without any finding of violations or levying of fines. Also, in February 2012, the Competition Bureau of Canada terminated its investigation against the Company without any finding of violations or levying of fines. To date no decision has been issued by the Japan Fair Trade Commission, and we believe the statutory time period by which the Commission was required to have issued a decision has already lapsed. To date investigations by the Federal Competition Commission of Mexico and the Secretariat of Economic Law of Brazil are ongoing.

In August 2011, the Korea Fair Trade Commission issued an Examination Report finding that the Company engaged in anti-competitive activities in violation of Korean fair trade laws and a hearing was held in October 2011. In December 2011, the Korea Fair Trade Commission imposed a fine on the Company and certain of its subsidiaries of approximately (Won) 31,378 million, and the Company filed an appeal of the decision with the Seoul High Court in December 2011. To date the Seoul High Court has not ruled on the Company's appeal.

Subsequent to the commencement of the DOJ investigation, a number of class action complaints were filed against the Company and other TFT-LCD panel manufacturers in the U.S. and Canada alleging violation of respective antitrust laws and related laws. The class action lawsuits in the U.S. were transferred to the Northern District of California for pretrial proceedings (MDL Proceedings). In March 2010, the court certified the class action complaints filed by direct purchasers and indirect purchasers. 78 entities (including groups of affiliated entities) submitted requests for exclusion from the direct purchaser class. The time period for submitting requests for exclusion from the indirect purchaser class expired on April 13, 2012. 10 entities (including groups and affiliated entities) submitted requests for exclusion from the indirect purchaser class. In addition, since 2010, the attorneys general of Arkansas, California, Florida, Illinois, Michigan, Mississippi, Missouri, New York, Oklahoma, Oregon, South Carolina, Washington, West Virginia and Wisconsin filed complaints against the Company, alleging similar antitrust violations as alleged in the MDL Proceedings. In June 2011, the Company reached a settlement with the direct purchaser class, which the

federal district court approved in December 2011. In July 2012, the Company reached a settlement with the indirect purchaser class and the with the state attorneys general of Arkansas, California, Florida, Michigan, Missouri, New York, West Virginia and Wisconsin which is subject to court approval.

Similar claims were filed separately by ATS. Claim, LLC, (assignee of Ricoh Electronics, Inc.), AT&T Corp. and its affiliates, Motorola Mobility, Inc., Electrograph Technologies Corp. and their respective related entities, all of which have been transferred to the MDL Proceedings. In November 2010, ATS Claim, LLC dismissed its action as to the Company pursuant to a settlement agreement. In addition, in 2010, TracFone Wireless Inc., Best Buy Co., Inc. and its affiliates, Target Corp., Sears, Roebuck and Co., Kmart Corp., Old Comp Inc., Good Guys, Inc., RadioShack Corp., Newegg Inc., Costco Wholesale Corp., Sony Electronics, Inc. and its affiliates, SB Liquidation Trust and the trustee of the Circuit City Stores, Inc. Liquidation Trust, filed claims in the United States. In addition, in 2011, Office Depot, Inc., T-Mobile U.S.A., Inc., Interbond Corp. of America (BrandsMart), Jaco Electronics, Inc., P.C. Richard & Son Long Island Corp.,

Table of Contents

17. Contingencies, Continued

MARTA Cooperative of America, Inc., ABC Appliance (ABC Warehouse), Schultze Agency Services, LLC (Tweeter), Tech Data Corp. and its affiliate, AASI Creditor Liquidating Trust for All American Semiconductor Inc., and CompuCom Systems, Inc. filed similar claims. In 2012, ViewSonic Corp., NECO Alliance LLC, Rockwell Automation Inc. and Proview Technology, Inc. and its affiliates filed similar claims. To the extent these claims were not filed in the MDL Proceedings, they have been transferred to the MDL Proceedings for pretrial proceedings.

In Canada, the Ontario Superior Court of Justice certified the class action complaints filed by the direct and indirect purchasers in May 2011. The Company is pursuing an appeal of the decision as well as defending the on-going class actions in Quebec and British Columbia.

While the Company continues its vigorous defense of the various pending proceedings described above, there is a possibility that one or more proceedings may result in an unfavorable outcome to the Company. The Company has established provisions with respect to certain of the contingencies. However, the Company's actual liability may be materially different from the provisions estimated. For certain cases described above, management is not able to estimate the potential estimated loss if the final outcome of the cases is unfavorable to the Company as the cases are in early stage and management does not have sufficient information to estimate the amount of possible loss.

18. Capital and Reserves

(a) Share capital

The Company is authorized to issue 500,000,000 shares of capital stock (par value (Won) 5,000), and as of June 30, 2012 and December 31, 2011, the number of issued common shares is 357,815,700. There have been no changes in the capital stock for the six-month period ended June 30, 2012.

(b) Reserve

Reserve is comprised of the fair value reserve which is the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognized or impaired.

Table of Contents19. Related Parties

(a) Key management personnel compensation

Compensation costs of key management for the three-month and six-month periods ended June 30, 2012 and 2011 are as follows:

(In millions of won)	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2012	2011	2012	2011
Short-term benefits	(Won) 345	394	885	934
Expenses related to defined benefit plan	59	224	96	266
Other long-term benefits		164		319
	(Won) 404	782	981	1,519

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

(b) Significant transactions with related companies

Significant transactions which occurred in the normal course of business with related companies for the six-month periods ended June 30, 2012 and 2011 are as follows:

(In millions of won)	Sales and other		Purchases and other	
	2012	2011	2012	2011
Subsidiaries	(Won) 11,441,107	10,042,426	1,690,239	1,681,210
Joint ventures	379,457	320,578	36,410	1,174
Associates	210	5,304	723,046	744,473
LG Electronics	481,770	556,149	133,206	173,759
Other related parties	20	20	16,687	10,434
	(Won) 12,302,564	10,924,477	2,599,588	2,611,050

Account balances with related companies as of June 30, 2012 and December 31, 2011 are as follows:

(In millions of won)	Trade accounts and notes receivable and other		Trade accounts and notes payable and other	
	2012	2011	2012	2011
Subsidiaries	(Won) 4,212,837	3,428,624	655,371	859,659
Joint ventures	193,758	130,217	390,039	340,073
Associates	3	3	348,937	434,692
LG Electronics	157,665	86,924	93,327	98,232
Other related parties			5,828	3,042
	(Won) 4,564,263	3,645,768	1,493,502	1,735,698

Table of Contents20. Income Taxes

(a) Details of income tax expense (benefit) for the three-month and six-month periods ended June 30, 2012 and 2011 are as follows:

<i>(In millions of won)</i>	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2012	2011	2012	2011
Current tax expense (benefit)	(Won) 3,144	(15,958)	3,708	(15,384)
Deferred tax expense (benefit)	34,694	(60,804)	(51,365)	(157,697)
Income tax expense (benefit)	(Won) 37,838	(76,762)	(47,657)	(173,081)

(b) Deferred tax assets and liabilities

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the deferred tax assets at the reporting date will be realized with the Company's estimated future taxable income.

Deferred tax assets and liabilities as of June 30, 2012 and December 31, 2011 are attributable to the following:

<i>(In millions of won)</i>	Assets		Liabilities		Total	
	2012	2011	2012	2011	2012	2011
Other accounts receivable, net	(Won) 18,116	14,484	(1,252)	(3,738)	(1,252)	(3,738)
Inventories, net	793	1,259			793	1,259
Available-for-sale financial assets	22,551	21,877			22,551	21,877
Defined benefit obligation	35,718	72,965			35,718	72,965
Accrued expense	51,230	50,602			51,230	50,602
Property, plant and equipment	6,701	1,105			6,701	1,105
Intangible assets	12,733	11,618			12,733	11,618
Provisions	6,166	13,616	(963)	(31,313)	5,203	(17,697)
Gain or loss on foreign currency translation, net		6,059				6,059
Debentures	19,224	13,970		(715)	19,224	13,255
Others	333,489	329,068			333,489	329,068
Tax losses	874,829	829,048			874,829	829,048
Tax credit carryforwards						
Deferred income tax assets (liabilities)	(Won) 1,381,550	1,365,671	(2,215)	(35,766)	1,379,335	1,329,905

Statutory tax rate applicable to the Company is 24.2% for the six-month period ended June 30, 2012.

Table of Contents21. Earnings (Loss) Per Share

(a) Earnings (Loss) per share for the three-month and six-month periods ended June 30, 2012 and 2011 are as follows:

<i>(In won and Number of shares)</i>	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2012	2011	2012	2011
Profit (loss) for the period	(Won) (115,235,095,455)	54,335,655,073	(290,313,509,744)	(100,014,429,268)
Weighted-average number of common shares outstanding	357,815,700	357,815,700	357,815,700	357,815,700
Earnings (loss) per share	(Won) (322)	152	(811)	(280)

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

(b) There are no effects of dilutive potential ordinary shares due to net loss for the three-month and six-month periods ended June 30, 2012 and for the six-month period ended June 30, 2011. Diluted earnings per share for the three-month period ended June 30, 2011 was as follows:

<i>(In millions of won, except earnings per share and share information)</i>	For the three-month period ended June 30, 2011	
Profit (loss) for the period	(Won)	54,335,655,073
Interest on convertible bond, net of tax		(737,474,505)
Adjusted income		53,598,180,568
Weighted-average number of common shares outstanding and common equivalent shares(*)		359,102,294
Diluted earnings per share	(Won)	149

(*) Weighted-average number of common shares outstanding for the three-month period ended June 30, 2011 is calculated as follows:

<i>(in shares)</i>	For the three-month period ended June 30, 2011
Weighted-average number of common shares (basic)	357,815,700
Effect of conversion of convertible bonds	1,286,594
Weighted-average number of common shares (diluted) at June 30, 2011	359,102,294

(c) The number of dilutive potential ordinary shares outstanding for the three-month period ended June 30, 2011 is calculated as follows:

Edgar Filing: STURM RUGER & CO INC - Form DEF 14A

(in shares)

	2011
	Convertible bonds
Common shares to be issued	1,286,594
Period	April 1, 2011 ~ June 30, 2011
Weight	91 days / 91 days
Weighted-average number of common shares to be issued	1,286,594

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

LG Display Co., Ltd.

(Registrant)

Date: August 13, 2012

By: /s/ Heeyeon Kim
(Signature)

Name: Heeyeon Kim

Title: Head of IR /IR Division